

U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **September 30, 2015**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission File Number 001-36860

LION BIOTECHNOLOGIES, INC.

(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

75-3254381
(I.R.S. employer
identification number)

112 W. 34th Street, 17th floor, New York, NY 10120
(Address of principal executive offices and zip code)

(212)946-4856
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At October 31, 2015, the issuer had 47,833,934 shares of common stock, par value \$0.000041666 per share, outstanding.

LION BIOTECHNOLOGIES, INC.
FORM 10-Q
For the Quarter Ended September 30, 2015

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

LION BIOTECHNOLOGIES, INC.
Condensed Balance Sheets
(in thousands, except share information)

	September 30, 2015	December 31, 2014
	(unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,210	\$ 44,910
Money market funds	20,562	-
Short-term investments available for sale	79,374	-
Prepaid and other current assets	245	67
Total Current Assets	<u>110,391</u>	<u>44,977</u>
Property and equipment , net of accumulated depreciation of \$794 and \$103, respectively	1,833	1,532
Total Assets	<u>\$ 112,224</u>	<u>\$ 46,509</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 1,161	\$ 1,249
Accrued expenses	1,608	328
Accrued payable to officers and former directors	86	86
Total Current Liabilities	<u>2,855</u>	<u>1,663</u>
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, \$0.001 par value; 50,000,000 shares authorized, 3,694 shares and 5,694 shares issued and outstanding, respectively	-	-
Common stock, \$0.000041666 par value; 150,000,000 shares authorized, 47,807,398 and 33,750,188 shares issued and outstanding, respectively	2	2
Common stock to be issued, 245,153 shares	245	245
Accumulated other comprehensive income	38	-
Additional paid-in capital	204,929	121,161
Accumulated deficit	(95,845)	(76,562)
Total Stockholders' Equity	<u>109,369</u>	<u>44,846</u>
Total Liabilities and Stockholders' Equity	<u>\$ 112,224</u>	<u>\$ 46,509</u>

The accompanying notes are an integral part of these condensed financial statements.

LION BIOTECHNOLOGIES, INC.
Condensed Statements of Operations
(in thousands, except per share information)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues	\$ -	\$ -	\$ -	\$ -
Costs and expenses				
Operating expenses (includes \$1,452, \$658, \$3,726, and \$1,905, respectively in share-based compensation costs)	2,660	2,449	7,259	6,155
Research and development (includes \$895, \$282, \$2,050, and \$817, respectively in share-based compensation costs)	4,983	354	12,147	1,018
Total costs and expenses	<u>7,643</u>	<u>2,803</u>	<u>19,406</u>	<u>7,173</u>
Loss from operations	(7,643)	(2,803)	(19,406)	(7,173)
Interest income	8	5	123	5
Net Loss	<u>\$ (7,635)</u>	<u>\$ (2,798)</u>	<u>\$ (19,283)</u>	<u>\$ (7,168)</u>
Net Loss Per Share, Basic and Diluted	<u>\$ (0.16)</u>	<u>\$ (0.11)</u>	<u>\$ (0.44)</u>	<u>\$ (0.30)</u>
Weighted-Average Common Shares Outstanding, Basic and Diluted	<u>47,271,593</u>	<u>26,632,908</u>	<u>43,398,650</u>	<u>24,107,787</u>

The accompanying notes are an integral part of these condensed financial statements.

LION BIOTECHNOLOGIES, INC.
Condensed Statements of Comprehensive Loss
(in thousands)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Loss	\$ (7,635)	\$ (2,798)	\$ (19,283)	\$ (7,168)
Other comprehensive income:				
Unrealized gain on short-term investments	38	-	38	-
Comprehensive Loss	<u>\$ (7,597)</u>	<u>\$ (2,798)</u>	<u>\$ (19,245)</u>	<u>\$ (7,168)</u>

The accompanying notes are an integral part of these condensed financial statements.

LION BIOTECHNOLOGIES, INC.
Condensed Statements of Stockholders' Equity
For the Nine Months Ended September 30, 2015
(in thousands, except share information)
(Unaudited)

	Preferred Stock		Common Stock		Common Stock to be Issued	Additional Paid-In Capital	Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance - January 1, 2015	5,694	\$ -	33,750,188	\$ 2	\$ 245	\$ 121,161	\$ -	\$ (76,562)	\$ 44,846
Fair value of vested stock options						4,223			4,223
Common stock issued upon exercise of warrants			3,847,210	-		9,618			9,618
Common stock issued upon exercise of options			10,000	-		66			66
Common stock issued upon conversion of preferred shares	(2,000)		1,000,000	-					-
Common stock sold in public offering, net of offering costs			9,200,000	-		68,308			68,308
Vesting of restricted shares issued for services						1,553			1,553
Unrealized gain on short-term investments							38		38
Net loss								(19,283)	(19,283)
Balance - September 30, 2015	<u>3,694</u>	<u>\$ -</u>	<u>47,807,398</u>	<u>\$ 2</u>	<u>\$ 245</u>	<u>\$ 204,929</u>	<u>\$ 38</u>	<u>\$ (95,845)</u>	<u>\$ 109,369</u>

The accompanying notes are an integral part of these condensed financial statements.

LION BIOTECHNOLOGIES, INC.
Condensed Statements of Cash Flows
(In thousands)
(Unaudited)

	For the Nine Months Ended	
	September 30,	
	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Net loss	(19,283)	\$ (7,168)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	691	23
Fair value of vested stock options	4,223	1,896
Vesting of restricted shares issued for services	1,553	825
Changes in assets and liabilities:		
Prepaid and other current assets	(179)	118
Accounts payable and accrued expenses	1,193	(1,012)
Net cash used in operating activities	<u>(11,802)</u>	<u>(5,318)</u>
Cash Flows From Investing Activities		
Increase in money market funds	(20,562)	-
Purchase of short-term investments	(95,236)	-
Maturities of short-term investments	15,900	-
Purchases of property and equipment	(992)	(167)
Net cash used in investing activities	<u>(100,890)</u>	<u>(167)</u>
Cash Flows From Financing Activities		
Proceeds from the issuance of common stock upon exercise of warrants	9,618	3,002
Proceeds from the issuance of common stock upon exercise of options	66	-
Proceeds from the issuance of common stock, net	<u>68,308</u>	<u>-</u>
Net cash provided by financing activities	<u>77,992</u>	<u>3,002</u>
Net Decrease In Cash And Cash Equivalents	(34,700)	(2,483)
Cash and Cash Equivalents, Beginning of Period	<u>44,910</u>	<u>19,673</u>
Cash and Cash Equivalents, End of Period	<u><u>10,210</u></u>	<u><u>\$ 17,190</u></u>
Supplement non-cash financing activities		
Unrealized gain on short-term investments	<u>38</u>	<u>\$ -</u>

The accompanying notes are an integral part of these condensed financial statements.

LION BIOTECHNOLOGIES, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2015 and 2014 (Unaudited)

NOTE 1. GENERAL ORGANIZATION AND BUSINESS

Lion Biotechnologies, Inc. (the “Company,” “we,” “us” or “our”) is a clinical-stage biopharmaceutical company focused on the development and commercialization of novel cancer immunotherapy products designed to harness the power of a patient’s own immune system to eradicate cancer cells. Our lead program is an adoptive cell therapy utilizing tumor-infiltrating lymphocytes (TIL), which are T cells derived from patients’ tumors, for the treatment of metastatic melanoma. The TIL are then activated and expanded ex vivo and then infused back into the patient to fight their tumor cells. The Company was originally incorporated under the laws of the state of Nevada on September 17, 2007. Until March 2010, we were an inactive company known as Freight Management Corp. On March 15, 2010, we changed our name to Genesis Biopharma, Inc., and in 2011 we commenced our current business.

Basis of Presentation of Unaudited Condensed Financial Information

The unaudited condensed financial statements of the Company for the nine months ended September 30, 2015 and 2014 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-K. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for the fair presentation of the financial position and the results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full fiscal year. The balance sheet information as of December 31, 2014 was derived from the audited financial statements included in the Company’s financial statements as of and for the year ended December 31, 2014 included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 16, 2015. These financial statements should be read in conjunction with that report.

Liquidity

We are currently engaged in the development of therapeutics to fight cancer, we do not have any commercial products and have not yet generated any revenues from our biopharmaceutical business. We currently do not anticipate that we will generate any revenues during 2015 from the sale or licensing of any products. In addition, we have not generated any revenues from our prior business plans.

We have not had any revenues and are still in the development stage. As shown in the accompanying condensed financial statements, we have incurred a net loss of \$19.3 million for the nine months ended September 30, 2015 and used \$11.8 million of cash in our operating activities during the nine months ended September 30, 2015. As of September 30, 2015, we had \$110.1 million of cash, money market funds, and short term investments on hand, stockholders’ equity of \$109.4 million and had working capital of \$107.5 million.

During 2015, we expect to further ramp up our operations, which will increase the amount of cash we will use in our operations. Our budget for 2015 includes increased spending on research and development activities, higher payroll expenses as we increase our professional staff, the costs associated with operating our new Tampa, Florida, research facility, as well as ongoing payments under the Cooperative Research and Development Agreement (CRADA) we have entered into with the National Cancer Institute (NCI). Based on the funds we had available on September 30, 2015, we believe that we have sufficient capital to fund our anticipated operating expenses for at least 24 months.

On March 3, 2015, the Company sold 9,200,000 shares of its common stock in an underwritten public offering at \$8.00 per share for net proceeds of \$68.3 million, after deducting expenses of the offering. On December 22, 2014, the Company sold 6,000,000 shares of its common stock in an underwritten public offering at \$5.75 per share for net proceeds of \$32.2 million after deducting expenses of the offering. On November 5, 2013, we completed a \$23.3 million private placement of our securities to various institutional and individual accredited investors. Despite the amount of funds that we have raised, the estimated cost of completing the development of our TIL-based therapy, and of obtaining all required regulatory approvals to market those product candidates, may be substantially greater than the amount of funds we have available. Therefore, while we believe that our existing cash balances will be sufficient to fund our currently planned level of operations for at least 24 months, we will have to obtain additional funds in the future to complete our development plans. We intend to seek this additional funding through various financing sources, including possible sales of our securities, and in the longer term through strategic alliances with other pharmaceutical or biopharmaceutical companies.

LION BIOTECHNOLOGIES, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2015 and 2014 (Unaudited)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

Cash and Cash Equivalents

The Company considers highly liquid investments with an original maturity of 90 days or less when purchased to be cash equivalents. The carrying amounts reported in the Balance Sheets for cash and cash equivalents are valued at cost, which approximates their fair value.

Short-term Investments

The Company's short-term investments represent available for sale securities and are recorded at fair value and unrealized gains and losses are recorded within accumulated other comprehensive income (loss). The estimated fair value of the available for sale securities is determined based on quoted market prices or rates for similar instruments. In addition, the cost of debt securities in this category is adjusted for amortization of premium and accretion of discount to maturity. The Company evaluates securities with unrealized losses to determine whether such losses, if any, are other than temporary.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives of two to five years. Maintenance and repairs of depreciable assets are charged against earnings as incurred. When properties are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and gains or losses are credited or charged to earnings. Leasehold improvements are amortized over the lesser of their estimated useful life or lease term, whichever is shorter.

Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period, excluding unvested shares of restricted common stock. Shares of restricted stock subject to vesting are included in basic weighted average common shares outstanding from the time they vest. Diluted earnings per share is computed by dividing the net income applicable to common stock holders by the weighted average number of common shares outstanding plus the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued, using the treasury stock method. Potential common shares are excluded from the computation when their effect is antidilutive. When calculating diluted net income per share, shares of restricted stock subject to vesting are included in diluted weighted average common shares outstanding as of their grant date.

At September 30, 2015 and 2014, basic and diluted net loss per share are the same, as the effect of potentially dilutive securities was antidilutive. At September 30, 2015, potentially dilutive securities include options to acquire 2,704,195 shares of common stock, warrants to acquire 7,237,216 shares of common stock, preferred stock that can be converted into 1,847,000 shares of common stock, and 494,001 shares of non-vested restricted stock. At September 30, 2014, potentially dilutive securities include options to acquire 1,098,750 shares of common stock, warrants to acquire 11,172,426 shares of common stock, and preferred stock that can be converted into 2,847,000 shares of common stock.

Fair Value Measurements

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, fair value is defined as the price at which an asset could be exchanged or a liability transferred in a transaction between knowledgeable, willing parties in the principal or most advantageous market for the asset or liability. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or parameters are not available, valuation models are applied.

LION BIOTECHNOLOGIES, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2015 and 2014 (Unaudited)

Assets and liabilities recorded at fair value in our financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1—Inputs are unadjusted, quoted prices in active markets for identical assets at the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair valued assets we hold that are generally included under this Level 1 are money market securities where fair value is based on publicly quoted prices.

Level 2—Are inputs, other than quoted prices included in Level 1, that are either directly or indirectly observable for the asset or liability through correlation with market data at the reporting date and for the duration of the instrument’s anticipated life.

The fair valued assets we hold that are generally assessed under Level 2 are corporate bonds and commercial paper. We utilize third party pricing services in developing fair value measurements where fair value is based on valuation methodologies such as models using observable market inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers and other reference data. We use quotes from external pricing service providers and other on-line quotation systems to verify the fair value of investments provided by our third party pricing service providers. We review independent auditor’s reports from our third party pricing service providers particularly regarding the controls over pricing and valuation of financial instruments and ensure that our internal controls address certain control deficiencies, if any, and complementary user entity controls are in place.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and which reflect management’s best estimate of what market participants would use in pricing the asset or liability at the reporting date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

We do not have fair valued assets classified under Level 3.

Fair Value on a Recurring Basis

Financial assets measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations (in thousands):

	Assets at Fair Value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 20,562	\$ -	\$ -	\$ 20,562
Corporate debt securities	-	79,374	-	79,374
Total	<u>\$ 20,562</u>	<u>\$ 79,374</u>	<u>\$ -</u>	<u>\$ 99,936</u>

LION BIOTECHNOLOGIES, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2015 and 2014 (Unaudited)
(Amounts in thousands, except share information)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include accounting for potential liabilities and the assumptions made in valuing stock instruments issued for services.

Stock-Based Compensation

The Company periodically grants stock options and warrants to employees and non-employees in non-capital raising transactions as compensation for services rendered. The Company accounts for stock option grants to employees based on the authoritative guidance provided by the Financial Accounting Standards Board where the value of the award is measured on the date of grant and recognized over the vesting period. The Company accounts for stock option grants to non-employees in accordance with the authoritative guidance of the Financial Accounting Standards Board where the value of the stock compensation is determined based upon the measurement date at either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete. Non-employee stock-based compensation charges generally are amortized over the vesting period on a straight-line basis. In certain circumstances where there are no future performance requirements by the non-employee, option grants are immediately vested and the total stock-based compensation charge is recorded in the period of the measurement date.

The Company issues restricted shares of its common stock for share-based compensation programs. The Company measures the compensation cost with respect to restricted shares to employees based upon the estimated fair value of the equity instruments at the date of the grant, and is recognized as expense over the period which an employee is required to provide services in exchange for the award.

The fair value of the Company's common stock option grants is estimated using a Black-Scholes option pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the common stock options, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes option pricing model, and based on actual experience. The assumptions used in the Black-Scholes option pricing model could materially affect compensation expense recorded in future periods.

Total stock-based compensation expense related to all of our stock-based awards was as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating expenses	\$ 1,492	\$ 658	\$ 3,726	\$ 1,905
Research and development	895	282	2,050	817
Total stock-based compensation expense	<u>\$ 2,387</u>	<u>\$ 940</u>	<u>\$ 5,776</u>	<u>\$ 2,722</u>

LION BIOTECHNOLOGIES, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2015 and 2014 (Unaudited)
(Amounts in thousands, except share information)

Research and Development

Research and development costs consist primarily of fees paid to consultants and outside service providers, patent fees and costs, and other expenses relating to the acquisition, design, development and testing of the Company's treatments and product candidates. Research and development costs are expensed as incurred, unless the achievement of milestones, the completion of contracted work, or other information indicates that a different expensing schedule is more appropriate. The Company reviews the status of its research and development contracts on a quarterly basis.

Concentrations

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and short-term investments.

The Company maintains cash balances at one bank. As of September 30, 2015, the Company's cash balances were in excess of insured limits maintained at this bank. Management believes that the financial institution that hold the Company's cash are financially sound and, accordingly, minimal credit risk exists.

At September 30, 2015, the Company's short-term investments were invested in short-term fixed income debt securities of domestic and foreign high credit issuers and in money market funds. The Company's investment policy limits investments to certain types of instruments such as certificates of deposit, money market instruments, obligations issued by the U.S. government and U.S. government agencies as well as corporate debt securities, and places restrictions on maturities and concentration by type and issuer. At September 30, 2015, approximately 56% of the Company's short-term investments were invested in notes of five companies, 25% were invested in notes of various domestic issuers, and 19% were invested in notes of a foreign issuers. The average maturity of these notes was 66 days (See Note 3).

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted in annual reporting periods beginning after December 15, 2016, and the interim periods within that year, and either full retrospective adoption or modified retrospective adoption is permitted. The Company is in the process of evaluating the impact of ASU 2014-09 on the Company's financial statements and disclosures.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, Compensation – Stock Compensation (Topic 718). The pronouncement was issued to clarify the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The pronouncement is effective for reporting periods beginning after December 15, 2015. The adoption of ASU 2014-12 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

LION BIOTECHNOLOGIES, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2015 and 2014 (Unaudited)
(Amounts in thousands, except share information)

Reclassifications

In presenting the Company's statement of operations for the three and nine month periods ended September 30, 2014, the Company has reclassified \$0.8 million and \$0.3 million, respectively, of stock-based compensation that was previously reflected as operating expenses to research and development expenses. The reclassification relates to stock-based compensation attributable to individuals working in the Company's research and development activities, and had no impact on total costs and expenses, or on net loss.

NOTE 3. CASH, MONEY MARKET FUNDS, AND SHORT-TERM INVESTMENTS

Cash, money market funds, and short-term investments consist of the following (in thousands):

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Checking and savings accounts (reported as cash and cash equivalents)	\$ 10,210	\$ 45
Money market funds	20,562	-
Corporate debt securities (reported as short-term investments)	79,374	-
	<u>\$ 110,146</u>	<u>\$ 45</u>

Money market funds and short-term investments include the following securities with gross unrealized gains and losses (in thousands):

<u>September 30, 2015</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Gains</u>	<u>Fair Value</u>
Money market funds	\$ 20,562	\$ -	\$ -	\$ 20,562
Corporate debt securities	79,336	38	-	79,374
Total	<u>\$ 99,897</u>	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ 99,936</u>

As of September 30, 2015, the contractual maturities of our money market funds and short-term investments were (in thousands):

	<u>Within One Year</u>
Money market funds	\$ 20,562
Corporate debt securities	79,374
	<u>\$ 99,936</u>

At September 30, 2015, the Company's short-term investments were invested in short-term fixed income debt securities and notes of domestic and foreign high credit issuers and in money market funds. The Company's investment policy limits investments to certain types of instruments such as certificates of deposit, money market instruments, obligations issued by the U.S. government and U.S. government agencies as well as corporate debt securities, and places restrictions on maturities and concentration by type and issuer. At September 30, 2015, the Company's short-term investments totaled \$80 million, of which 56% were invested in notes of five companies, 25% were invested in notes of other domestic issuers, and 19% were invested in notes of foreign issuers. The average maturity of these notes was 66 days. At September 30, 2015 the Company's money-market funds totaled \$20.6 million and were invested in a single fund, the Dreyfus Cash Management Money Market Fund, a no-load money market fund.

LION BIOTECHNOLOGIES, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2015 and 2014 (Unaudited)
(Amounts in thousands, except share information)

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following as of (in thousands):

	September 30,	December 31, 2014
	2015	
Laboratory equipment	\$ 1,563	\$ 688
Leasehold improvements	853	762
Computer, software, and office equipment	211	185
	<u>2,627</u>	<u>1,635</u>
Accumulated depreciation	(794)	(103)
	<u>\$ 1,833</u>	<u>\$ 1,532</u>

Depreciation expense for the three and nine months ended September 30, 2015 and 2014 was \$266, \$691, \$5, and \$23, respectively.

NOTE 5. STOCKHOLDERS' EQUITY

Public offering

On March 3, 2015, the Company completed an underwritten public offering of 9,200,000 shares of its common stock at a price of \$8.00 per share of common stock. The net proceeds to the Company from the offering were \$68.3 million, after deducting underwriting discounts and commissions and offering expenses. The offering was made pursuant to the Company's existing shelf registration statement on Form S-3, including a base prospectus, which was filed with the SEC on November 20, 2014 and declared effective on December 10, 2014, a preliminary prospectus supplement thereunder, and a registration statement on Form S-3 filed with the SEC on February 26, 2015.

Issuance of common stock upon conversion of preferred stock

During the nine months ended September 30, 2015, the Company issued 1,000,000 shares of common stock upon the conversion of 2,000 shares of Series A Convertible Preferred Stock. The number of conversion shares issued was determined on a formula basis of 500 common shares for each Series A Convertible Preferred Stock held consistent with the contract.

Common stock with vesting terms

During 2014, the Company granted 797,500 shares of its restricted common stock to nine of its employees in accordance with the terms of their employment agreements. The 797,500 shares vest over a period of three years. As these shares were granted to employees, the Company calculated the aggregate fair value of the 797,500 shares based on the trading prices of the Company's stock at their grant dates and determined it to be \$5.3 million, of which \$1.3 million was expensed in 2014. The allocable portion of the fair value of the stock that vested during the nine months ended September 30, 2015 amounted to \$1.5 million and was recognized as expense in the accompanying statements of operations. As of September 30, 2015, the amount of unvested compensation related to the unvested outstanding shares of restricted common stock was \$2.5 million, which will be recorded as expense in future periods as the shares vest.

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When calculating basic net income (loss) per share, these shares are included in basic weighted average common shares outstanding from the time they vest. When calculating diluted net income (loss) per share, these shares are included in diluted weighted average common shares outstanding from the time they are granted, unless they are antidilutive. Shares of restricted stock granted above are subject to forfeiture to the Company or other restrictions that will lapse in accordance with a vesting schedule determined by our Board.

The following table summarizes restricted common stock activity:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested shares, January 1, 2015	757,500	\$ 6.84
Granted		
Vested	(233,499)	4.37
Forfeited	(30,000)	8.24
Non-vested shares, September 30, 2015	494,001	\$ 6.56

NOTE 6. STOCK OPTIONS AND WARRANTS

Stock Options

A summary of the status of stock options at September 30, 2015, and the changes during the nine months then ended, is presented in the following table:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2015	1,857,877	\$ 7.31	8.2	\$ 2,875
Granted	943,750	9.18	9.8	
Exercised	(10,000)			
Expired/Forfeited	(87,432)	5.92	7.29	-
Outstanding at September 30, 2015	2,704,195	\$ 8.05	8.16	\$ 64
Exercisable at September 30, 2015	883,449	\$ 8.63	6.67	\$ 98

During the nine months ended September 30, 2015, the Company granted options to purchase 943,750 shares of common stock to new employees and directors of the Company. The stock options generally vest between one and three years. The fair value of these options was determined to be \$8.3 million using the Black-Scholes option pricing model based on the following assumptions: (i) volatility rate of 211%, (ii) discount rate of 1.57%, (iii) zero expected dividend yield, and (iv) expected life of 6 years.

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During the nine months ended September 30, 2015 and 2014, the Company recorded compensation costs of \$4.1 million and \$1.9 million, respectively, relating to the vesting of stock options. As of September 30, 2015, the aggregate value of unvested options was \$10.3 million, which will continue to be amortized as compensation cost as the options vest over terms ranging from nine months to three years, as applicable.

On September 19, 2014, The Company's Board of Directors adopted the Lion Biotechnologies, Inc. 2014 Equity Incentive Plan (the "2014 Plan"). The 2014 Plan was approved by our stockholders at the annual meeting of stockholders held in November 2014. The 2014 Plan as approved by the stockholders authorized the issuance up to an aggregate of 2,350,000 shares of common stock. On April 10, 2015 the Board amended the 2014 Plan, subject to stockholder approval, to increase the total number of shares that can be issued under the 2014 Plan by 1,650,000 from 2,350,000 shares to 4,000,000 shares. The increase in shares available for issuance under the 2014 Plan was approved by stockholders on June 12, 2015.

Warrants

A summary of the status of stock warrants at September 30, 2015, and the changes during the nine months then ended, is presented in the following table:

	Shares Under Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2014	11,084,426	\$ 2.51	3.85 years	\$ 59,518
Issued	-			
Exercised	(3,847,210)	\$ 2.50		
Expired	-			
Outstanding and exercisable at September 30, 2015	<u>7,237,216</u>	<u>\$ 2.51</u>	<u>3.3 years</u>	<u>\$ 23,593</u>

During the nine months ended September 30, 2015, the Company received \$9.6 million in cash from the exercise of 3,847,210 warrants for the purchase of an equal number of shares of its common stock.

NOTE 7. LICENSE AND COMMITMENTS

National Institutes of Health and the National Cancer Institute

Cooperative Research and Development Agreement

Effective August 5, 2011, the Company signed a Cooperative Research and Development Agreement (CRADA) with the National Institutes of Health and the National Cancer Institute (NCI). Under the terms of the five-year cooperative research and development agreement, the Company will work with Dr. Steven A. Rosenberg, M.D., Ph.D., chief of NCI's Surgery Branch, to develop adoptive cell immunotherapies that are designed to destroy metastatic melanoma cells using a patient's tumor infiltrating lymphocytes.

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On January 22, 2015, the Company executed an amendment (the “Amendment”) to the CRADA to include four new indications. As amended, in addition to metastatic melanoma, the CRADA now also includes the development of TIL therapy for the treatment of patients with bladder, lung, triple-negative breast, and HPV-associated cancers. Under the Amendment, the NCI also has agreed to provide the Company with samples of all tumors covered by the Amendment for performing studies related to improving TIL selection and/or TIL scale-out production and process development. Although the CRADA has a five year term, either party to the CRADA has the right to terminate the CRADA upon 60 days’ notice to the other party.

National Institutes of Health

Development and Manufacture TIL

Effective October 5, 2011, the Company entered into a Patent License Agreement with the National Institutes of Health, an agency of the United States Public Health Service within the Department of Health and Human Services (“NIH”), which License Agreement was subsequently amended on February 9, 2015 and October 2, 2015. Pursuant to the License Agreement as amended, NIH granted to the Company an exclusive worldwide right and license to develop and manufacture certain proprietary autologous tumor infiltrating lymphocyte adoptive cell therapy products for the treatment of metastatic melanoma, ovarian cancer, breast cancer, and colorectal cancer. The License Agreement requires the Company to pay royalties based on a percentage of net sales (which percentage is in the mid-single digits and subject to certain annual minimum royalty payments), a percentage of revenues from sublicensing arrangements, and lump sum benchmark royalty payments on the achievement of certain clinical and regulatory milestones for each of the various indications and other direct costs incurred by NIH pursuant to the agreement.

NIH - Exclusive Patent License Agreement

On February 10, 2015, the Company entered into an exclusive Patent License Agreement with the NIH under which the Company received an exclusive, world-wide license to the NIH’s rights in and to two patent-pending technologies related to methods for improving tumor-infiltrating lymphocytes for adoptive cell therapy. The licensed technologies relate to the more potent and efficient production of TIL from melanoma tumors by selecting for T-cell populations that express various inhibitory receptors. Unless terminated sooner, the license shall remain in effect until the last licensed patent right expires.

In consideration for the exclusive rights granted under the exclusive Patent License Agreement, the Company agreed to pay the NIH a non-refundable upfront licensing fee which was recognized as research and development expense during the nine months ended September 30, 2015. The Company also agreed to pay customary royalties based on a percentage of net sales (which percentage is in the mid-single digits), a percentage of revenues from sublicensing arrangements, and lump sum benchmark payments upon the successful completion of the Company’s first Phase 2 clinical study, the successful completion of the Company’s first Phase 3 clinical study, the receipt of the first FDA approval or foreign equivalent for a licensed product or process resulting from the licensed technologies, the first commercial sale of a licensed product or process in the United States, and the first commercial sale of a licensed product or process in any foreign country.

H. Lee Moffitt Cancer Center

Research Collaboration Agreement

In September, 2014, we entered into a research collaboration agreement with the H. Lee Moffitt Cancer Center and Research Institute, Inc. to jointly engage in transitional research and development of adoptive tumor-infiltrating lymphocyte cell therapy with improved anti-tumor properties and process.

Exclusive License Agreement

On July 21, 2014, the Company entered into an Exclusive License Agreement (the “Moffitt License Agreement”), effective as of June 28, 2014, with the H. Lee Moffitt Cancer Center and Research Institute, Inc. (“Moffitt”) under which the Company received an exclusive, world-wide license to Moffitt’s rights in and to two patent-pending technologies related to methods for improving tumor-infiltrating lymphocytes for adoptive cell therapy. Unless earlier terminated, the term of the license extends until the earlier of the expiration of the last patent related to the licensed technology or 20 years after the effective date of the license agreement.

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Pursuant to the Moffitt License Agreement, the Company paid an upfront licensing fee which was recognized as research and development expense during 2014. A patent issuance fee will also be payable under the Moffitt License Agreement, upon the issuance of the first U.S. patent covering the subject technology. In addition, the Company agreed to pay milestone license fees upon completion of specified milestones, customary royalties based on a specified percentage of net sales (which percentage is in the low single digits) and sublicensing payments, as applicable, and annual minimum royalties beginning with the first sale of products based on the licensed technologies, which minimum royalties will be credited against the percentage royalty payments otherwise payable in that year. The Company will also be responsible for all costs associated with the preparation, filing, maintenance and prosecution of the patent applications and patents covered by the Moffitt License Agreement related to the treatment of any cancers in the United States, Europe and Japan and in other countries selected that the Company and Moffitt agreed to.

During the nine months ended September 30, 2015 and 2014, the Company recognized \$2.5 million and \$0.9 million respectively, of expenses related to its license agreements. The amounts were recorded as part of research and development expenses in the statement of operations. Additionally, during the nine months ended September 30, 2015, there were no net sales subject to certain annual minimum royalty payments or sales that would require us to pay a percentage of revenues from sublicensing arrangements. In addition, there were no benchmarks or milestones achieved that would require payment under the lump sum benchmark royalty payments on the achievement of certain clinical regulatory milestones for each of the various indications.

Future guaranteed commitments under all of the Company's agreements amount to (in thousands):

<u>Year</u>	<u>Amount</u>
2015	\$ 3,104
2016	2,874
Total	\$ 5,978

NOTE 8. LEGAL PROCEEDINGS

On August 18, 2015, MBA Holdings, LLC filed a breach of contract lawsuit against the Company in the Superior Court of California, County of Los Angeles (MBA Holdings, LLC v. Lion Biotechnologies, Inc., Case BC 591513). The complaint alleges that the Company and MBA Holdings, LLC were parties to (i) a June 15, 2012 "Finder's Fee Agreement", (ii) a Confidentiality, Non-Disclosure and Non-Circumvention Agreement, dated June 13, 2012, and (iii) a Consulting Agreement, dated July 9, 2012, and that the Company breached these agreements by failing to compensate MBA Holdings for introducing Roth Capital Partners, LLC and Highline Research Advisors LLC to the Company in connection with the \$23.3 million equity funding the Company completed in November 2013. MBA Holdings also alleges that the Company failed to register certain shares underlying a common stock purchase warrant that the Company issued to MBA Holdings. MBA Holdings has asked for damages in the amount of \$7,746,000. The Company has not yet been served in the foregoing lawsuit.

The Company believes that there is no merit to the claims made by MBA Holdings in the complaint. On September 9, 2015 the Company provided MBA Holdings with evidence that the Company dealt with a certain investment banker on a financing transaction at least six months before MBA Holdings purportedly introduced the Company to the banker, and that a certain research analyst group were known to the Company prior to the purported introduction. Accordingly, the Company has demanded that MBA Holdings dismiss the lawsuit. To date, MBA Holdings has not served the complaint on the Company, dismissed the lawsuit, or responded to the Company's last communications. Accordingly, on October 26, 2015 the Company renewed its demand on MBA and its counsel to dismiss the suit or face exposure to damages for malicious prosecution, voluntarily entered an appearance in the case, and initiated discovery proceedings for the purpose of pursuing an early resolution of the case in the Company's favor. The Company intends to vigorously defend itself in this matter and will seek a prevailing-party award of its attorney's fees and other litigation costs pursuant to contractual provisions in the agreements appended to MBA's complaint.

There are no other pending legal proceedings to which the Company is a party or of which its property is the subject other than as previously reported.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

In this section, "we," "our," "ours" and "us" refer to Lion Biotechnologies, Inc.

This management's discussion and analysis of financial condition as of September 30, 2015 and results of operations for the three- and nine month periods ended September 30, 2015 and 2014, respectively, should be read in conjunction with management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2014 which was filed with the SEC on March 16, 2015.

Forward-Looking Statements

The discussion below includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements. All forward-looking statements included in this Quarterly Report are based on information available to us on the date hereof and, except as required by law, we assume no obligation to update any such forward-looking statements. For a discussion of some of the factors that may cause actual results to differ materially from those suggested by the forward-looking statements, please read carefully the information in the "Risk Factors" section in our Form 10-K for the year ended December 31, 2014. The identification in this Quarterly Report of factors that may affect future performance and the accuracy of forward-looking statements is meant to be illustrative and by no means exhaustive. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

Background on the Company and Recent Events Affecting our Financial Condition and Operations

We are a clinical-stage biopharmaceutical company focused on the development and commercialization of novel cancer immunotherapy products designed to harness the power of a patient's own immune system to eradicate cancer cells. Our lead program is an adoptive cell therapy utilizing tumor-infiltrating lymphocytes (TIL), which are T cells derived from patients' tumors, for the treatment of metastatic melanoma. TIL therapy is being developed in collaboration with the National Cancer Institute (NCI). A patient's immune system, particularly their TIL, plays an important role in identifying and killing cancer cells. TIL consist of a heterogeneous population of T cells that can recognize a wide variety of cancer-specific mutations and can overcome tumor escape mechanisms. TIL therapy involves growing a patient's TIL in special culture conditions outside the patient's body, or ex vivo, and then infusing the T cells back into the patient in combination with interleukin-2 (IL-2). By taking TIL away from the immune-suppressive tumor microenvironment in the patient, the T cells can rapidly proliferate. Billions of TIL, when infused back into the patient, are more able to search out and eradicate the tumor.

During the third quarter of 2015, we initiated a Phase 2 clinical trial of our lead product candidate, LN-144, for the treatment of refractory metastatic melanoma. The single-arm study is expected to enroll approximately 20 evaluable patients with metastatic melanoma whose disease has progressed following treatment with at least one systemic therapy. The purpose of the study is to evaluate the safety, efficacy and feasibility of autologous TIL infusion (LN-144). The trial's primary endpoints include safety, and feasibility of LN-144 production using our central manufacturing process. Secondary outcome measures include an additional feasibility measure of number of patients successfully infused with LN-144 and best overall response rate.

In 2011, we acquired from the National Institutes of Health (NIH) a non-exclusive, worldwide right and license to certain NIH patents and patent applications to develop and manufacture autologous TIL for the treatment of metastatic melanoma, ovarian, breast, and colorectal cancers. Under a Cooperative Research and Development Agreement (CRADA) with the U.S. Department of Health and Human Services, as represented by the NCI, we support the in vitro development of improved methods for the generation and selection of TIL, the development of large-scale production of TIL, and clinical trials using these improved methods of generating TIL. On January 22, 2015, we executed an amendment to the CRADA to include four new indications. On February 9, 2015, the NIH granted us an exclusive, worldwide license to treat metastatic melanoma with TIL therapy, and on October 2, 2015, the NIH license agreement was amended to include the exclusive rights to treat breast, lung, bladder and HPV-associated cancers with TIL therapy. The amendment also removed our non-exclusive rights to treat colorectal and ovarian cancers with TIL therapy. In addition to our CRADA, we also conduct research and development on TIL technology at our research facility in Tampa, Florida.

Recent Developments

On March 3, 2015 we closed an underwritten public offering of 9,200,000 shares of our common stock, including shares sold pursuant to the exercise in full of the underwriters' option to purchase additional shares, at a price of \$8.00 per share. The net proceeds to us from that public offering were approximately \$68.3 million.

In July 2015, we leased temporary office space in New York, New York, until we locate a new office in New York to serve as our headquarters. The amount of rent we have to pay for our temporary offices is not material and may vary if we change or increase the number of offices we rent. Our Woodland Hills, California, offices were closed at end of August 2015.

Results of Operations

Revenues

As a development stage company that is currently engaged in the development of novel cancer immunotherapy products, we have not yet generated any revenues from our biopharmaceutical business or otherwise since our formation. We currently do not anticipate that we will generate any revenues during 2015 from the sale or licensing of any products. Our ability to generate revenues in the future will depend on our ability to complete the development of our product candidates and to obtain regulatory approval for them.

Operating Expenses

Operating expenses include compensation-related costs for our employees engaged in general and administrative activities (other than employees engaged in research and development), legal fees, audit and tax fees, consultants and professional services, and general corporate expenses. For the three months ended September 30, 2015, our operating expenses increased by \$0.2 million, or 9%, and for the nine months ended September 30, 2015, our operating expenses increased by \$1.1 million, or 18%, when compared to the same periods in 2014. The increase in our operating expenses during the three- and nine-month periods ended September 30, 2015 is due to the expansion of our company and an increase in our overall business activities, including increases in employment related expenses, insurance costs and investor relations expenses. Since September 30, 2014, we have increased the number of our officers and employees by 12 persons. In addition, in the three and nine month periods ended September 30, 2015, we incurred \$1.5 million, and \$3.7 million, respectively, of non-cash stock-based compensation costs, compared to \$0.7 million and \$1.9 million, respectively, for such costs in the same periods in 2014. Share based compensation includes stock and options granted to our executive officers, our employees, our directors, and our consultants and advisors. As a result of our increased operations and the additional employees, our operating expenses in the future are expected to continue to increase.

Research and Development

Research and development expenses consist of expenses incurred in performing research and development activities, including compensation and benefits for research and development employees and consultants, rent at our research and development facility in Tampa, Florida, cost of laboratory supplies, manufacturing expenses, and fees paid to third parties, including the NCI and our third party contractor that will process and manufacture LN-144 for our clinical trials in patients. Research and development expenses also included amounts paid (i) to the National Institutes of Health under terms of our two license agreements, and (ii) to the NCI under the CRADA. During the three- and nine-month periods ended September 30, 2015, our research and development costs increased by \$4.4 million and \$10.9 million respectively, when compared to the same periods in 2014. The increases are mainly attributable to the expansion of our CRADA in 2015, the general expansion of our research and development efforts, and the establishment of our Tampa, Florida, research facility in the fourth quarter of 2014. None of these expenses were incurred in the first nine months of 2014. Research and development expenses in the first three quarters of 2015 and 2014 include payments made under license agreements. In addition, in the three and nine month periods ended September 30, 2015, we incurred \$0.9 million and \$2.1 million, respectively, of non-cash stock-based compensation costs, compared to \$0.3 million and \$0.8 million, respectively, in the same periods in 2014. We anticipate that our research and development costs will continue to increase in the future as we increase our research and development activities and accelerate the development of our technologies and product candidates.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect our research and development expenses to increase over the next several years as we continue to conduct our clinical trial for our lead product candidate, LN-144, and as we increase our research and development efforts on other cancer indications. We also expect to incur increased research and development expenses as we selectively identify and develop additional product candidates and in other licensed cancer indications. However, it is difficult to determine with certainty the duration and completion costs of our current or future preclinical programs and clinical trials of our product candidates.

The duration, costs and timing of our clinical trials and development of our product candidates will depend on a number of factors that include, but are not limited to, the number of patients that enroll in the trial, per patient trial costs, number of sites included in the trial, discontinuation rates of patients, duration of patient follow-up, efficacy and safety profile of the product candidate, and the length of time required to enroll eligible patients. Additionally, the probability of success for our product candidate will depend on a number of factors, including competition, manufacturing capability and commercial viability.

Net Loss

We had a net loss of \$7.6 million and \$19.3 million, for the three and nine month periods ended September 30, 2015, respectively, compared to \$2.8 million and \$7.2 million, for the three and nine month periods ended September 30, 2014, respectively. The increase in our net loss during 2015 is due to an increase in operating expenses, as described above, along with the expansion of our research and development activities. We anticipate that we will continue to incur net losses in the future as we continue to invest in our research and development, and we do not expect to generate any revenues in the near term.

Liquidity and Capital Resources

On March 3, 2015, we closed an underwritten public offering. The net proceeds to us from the public offering were \$68.3 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. In addition, during the nine months ended September 30, 2015, holders of our common stock purchase warrants exercised warrants to purchase a total of 3,847,210 shares for an aggregate purchase price of \$9.6 million. As a result, as of September 30, 2015, we had \$110.1 million in cash and cash equivalents. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation.

During the remainder of 2015, we expect to further ramp up our operations and our research and development efforts, which will increase the amount of cash we will use in our operations. Our budget for the remainder of 2015 includes increased spending on research and development activities (including costs associated with a Phase 2 multi-center clinical trial to treat about 20 patients with refractory metastatic melanoma that we initiated in the third quarter of 2015), higher payroll expenses as we increase our professional staff, increased expenses for operating a new research and development facility in Tampa, Florida, as well as ongoing payments under the CRADA. Based on the funds we had available on September 30, 2015, we believe that we have sufficient capital to fund our anticipated operating expenses for at least 24 months.

As of September 30, 2015, we had no long-term debt obligations or other similar long-term liabilities other than various obligations under our CRADA and our license agreements. We have no financial guarantees, debt or lease agreements or other arrangements that could trigger a requirement for an early payment or that could change the value of our assets. We do not have any bank credit lines.

Cash Flow

Net Cash Used in Operating Activities

Net cash used in operating activities was \$11.8 million for the nine months ended September 30, 2015, compared with \$5.3 million for the nine months ended September 30, 2014. The increase in cash used in operating activities of approximately \$5.5 million resulted from the increase in our net loss, partially offset by increases in non-cash stock compensation expense and depreciation.

Net Cash Flow from Investing Activities

Net cash used in investing activities was \$100.9 million for the nine months ended September 30, 2015, compared with \$0.2 million for the nine months ended September 30, 2014. The increase was primarily due to the short-term investment purchases of the cash proceeds received in our March 2015 public offering and, to a lesser extent, to purchases of laboratory equipment and furniture for our Tampa, Florida, laboratory. The Tampa facility did not exist during the 2014 period.

Net Cash Flow from Financing Activities

Net cash provided by financing activities was \$78.0 million for the nine months ended September 30, 2015, compared with \$3.0 million for the nine months ended September 30, 2014. The increase was due to net proceeds of \$68.3 million received from the March 3, 2015 public offering of our common stock, and \$9.6 million received from common stock warrant exercises. We received \$3.0 million of net proceeds from common stock warrant exercises in the nine months ended September 30, 2014.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet financing arrangements.

Critical Accounting Policies and Estimates

In our Annual Report on Form 10-K for the year ended December 31, 2014, we disclosed our critical accounting policies and estimates upon which our financial statements are derived. There have been no changes to these policies since December 31, 2014 that are not included in Note 2 of the accompanying condensed consolidated financial statements for the nine months ended September 30, 2015. Readers are encouraged to read our Annual Report on Form 10-K in conjunction with this report.

Inflation

Inflation and changing prices have had no effect on our continuing operations over our two most recent fiscal years.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary objective of our investment activities is to preserve capital. We do not utilize hedging contracts or similar instruments.

We are exposed to certain market risks relating primarily to interest rate risk on our cash and cash equivalents and risks relating to the financial viability of the institutions which hold our capital and through which we have invested our funds. To minimize this risk, we maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including corporate bonds, commercial paper, money market funds and other government and non-government debt securities with maturities of less than one year. Due to the short-term maturities of our cash equivalents, a change in interest rates would not have a material effect on the fair market value of our cash equivalents.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report on Form 10-Q, our principal executive officer and our principal accounting officer (the “Certifying Officers”), evaluated the effectiveness of our disclosure controls and procedures. Disclosure controls and procedures are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 (the “Exchange Act”), such as this quarterly report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Disclosure controls and procedures are also designed to reasonably assure that such information is accumulated and communicated to our management, including the Certifying Officers, as appropriate to allow timely decisions regarding required disclosure. Based on these evaluations, the Certifying Officers have concluded, that, as of the end of the period covered by this quarterly report on Form 10-Q, our disclosure controls and procedures were not effective.

Changes in Controls over Financial Reporting

There has been no change in the Company’s internal control over financial reporting during the quarter ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On August 18, 2015, MBA Holdings, LLC filed a breach of contract lawsuit against the Company in the Superior Court of California, County of Los Angeles (MBA Holdings, LLC v. Lion Biotechnologies, Inc., Case BC 591513). The complaint alleges that the Company and MBA Holdings, LLC were parties to (i) a June 15, 2012 “Finder’s Fee Agreement”, (ii) a Confidentiality, Non-Disclosure and Non-Circumvention Agreement, dated June 13, 2012, and (iii) a Consulting Agreement, dated July 9, 2012, and that the Company breached these agreements by failing to compensate MBA Holdings for introducing Roth Capital Partners, LLC and Highline Research Advisors LLC to the Company in connection with the \$23.3 million equity funding the Company completed in November 2013. MBA Holdings also alleges that the Company failed to register certain shares underlying a common stock purchase warrant that the Company issued to MBA Holdings. MBA Holdings has asked for damages in the amount of \$7,746,000. The Company has not yet been served in the foregoing lawsuit.

The Company believes that there is no merit to the claims made by MBA Holdings in the complaint. On September 9, 2015 the Company provided MBA Holdings with evidence that the Company dealt with a certain investment banker on a financing transaction at least six months before MBA Holdings purportedly introduced the Company to the banker, and that a certain research analyst group were known to the Company prior to the purported introduction. Accordingly, the Company has demanded that MBA Holdings dismiss the lawsuit. To date, MBA Holdings has not served the complaint on the Company, dismissed the lawsuit, or responded to the Company’s last communications. Accordingly, on October 26, 2015 the Company renewed its demand on MBA and its counsel to dismiss the suit or face exposure to damages for malicious prosecution, voluntarily entered an appearance in the case, and initiated discovery proceedings for the purpose of pursuing an early resolution of the case in the Company’s favor. The Company intends to vigorously defend itself in this matter and will seek a prevailing-party award of its attorney’s fees and other litigation costs pursuant to contractual provisions in the agreements appended to MBA’s complaint.

Item 1A. Risk Factors

Information regarding risk factors appears under “Risk Factors” included in Item 1A, Part I, and under Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the year ended December 31, 2014. There have been no material changes from the risk factors previously disclosed in the above-mentioned periodic report.

Item 2. Unregistered Sales of Securities and Use of Proceeds.

During the nine months ended September 30, 2015, 60 accredited investors who held warrants that we sold to them in the November 2013 in a private placement, exercised warrants to purchase 3,847,210 shares of common stock at an exercise price of \$2.50 per share (for a total amount of \$9.6 million). These shares were issued pursuant to an exemption available under Section 4(a)(2) of the Securities Act of 1933, as amended. No commissions were paid with respect to these warrants exercises.

Item 3. Defaults Upon Senior Securities.

Nothing to report.

Item 4. Mine Safety Disclosures

Nothing to report.

Item 5. Other Information.

Nothing to report

Item 6. Exhibits

**Exhibit
Number Description of Exhibit**

10.47	First Amendment to Patent License Agreement-Exclusive, effective October 2, 2015, between the Company and the National Institutes of Health*
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Extension Presentation Linkbase

* Certain portions of the Exhibit have been omitted based upon a request for confidential treatment filed by us with the Commission. The omitted portions of the Exhibit have been separately filed by us with the Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Lion Biotechnologies, Inc.

November 6, 2015

By: /s/ Elma Hawkins
Elma Hawkins
Chief Executive Officer (Principal Executive Officer)

November 6, 2015

By: /s/ Molly Henderson
Molly Henderson
Chief Financial Officer (Principal Financial and Accounting Officer)

NATIONAL INSTITUTES OF HEALTH

FIRST AMENDMENT TO L-107-2015/0

This is the first amendment ("**First Amendment**") of the agreement by and between the National Institutes of Health ("**NIH**") within the Department of Health and Human Services ("**HHS**"), and Lion Biotechnologies, Inc. having an effective date of February 9, 2015 and having **NIH** Reference Number L-107-2015/0 ("**Agreement**"). This **First Amendment**, having **NIH** Reference Number L-107-2015/1, is made between the **NIH** through the Office of Technology Transfer, **NIH**, having an address at 6011 Executive Boulevard, Suite 325, Rockville, Maryland 20852-3804, U.S.A., and Lion Biotechnologies, Inc., having an office at 112 West 34th Street, 17th Floor, New York, NY 10120 (the "**Licensee**"). This **First Amendment** includes, in addition to the amendments made below, 1) a Signature Page and 2) Attachment 1 (Royalty Payment Information).

WHEREAS, the **NIH** and the **Licensee** desire that the **Agreement** be amended a first time as set forth below in order to expand the **License Field of Use** and **License Patent Rights** under L-107-2015/0.

WHEREAS, the **NIH** and the **Licensee** desire that the **Agreement** terminates nonexclusive license L-129-2011, upon execution.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the **NIH** and the **Licensee**, intending to be bound, hereby mutually agree to the following:

- 1) The Cover Page's "Serial Number(s) of Licensed Patent(s) or Patent Application(s)" section and Appendix A's Patent(s) or Patent Application(s)s section shall be deleted and replaced with the following:

Group A

- I. U.S. Provisional Patent Application No. 61/237,889, filed August 26, 2009 entitled "Adoptive cell therapy with young T cells" (HHS RefNo. E-273-2009/0-US-01);
- II. U.S. Patent No. 8,383,099 issued February 26, 2013 entitled "Adoptive cell therapy with young T cells" (HHS RefNo. E-273-2009/0-US-02);
- III. U.S. Patent No. 9,074,185 issued July 7, 2015 entitled "Adoptive cell therapy with young T cells" (HHS RefNo. E-273-2009/0-US-03);
- IV. U.S. Provisional Patent Application No. 61/466,200 filed March 22, 2011 entitled "Methods of growing tumor infiltrating lymphocytes in gas-permeable containers" (HHS RefNo. E-114-2011/0-US-01);
- V. PCT Application No. PCT/US2012/029744 filed March 20, 2012 entitled "Methods of growing tumor infiltrating lymphocytes in gas-permeable containers" (HHS RefNo. E-114-2011/0-PCT-02);
- VI. U.S. Patent Application No. 13/424,646 filed May 20, 2012 entitled "Methods of growing tumor infiltrating lymphocytes in gas-permeable containers" (HHS RefNo. E-114-2011/0-US-03);
- VII. U.S. Provisional Patent Application No. 61/846,161 filed July 15, 2013 entitled "Methods of Preparing Anti-human Papillomavirus Antigen T Cells" (HHS RefNo. E-494-2013/0-US-01);
- VIII. PCT Application No. PCT/US2014/046478 filed July 14, 2014 entitled "Methods of Preparing Anti-human Papillomavirus Antigen T Cells" (HHS RefNo. E-494-2013/0-PCT-02);

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Group B

- I. U.S. Provisional Patent Application No. 60/408,681, filed September 6, 2002 entitled “Immunotherapy with in vitro-selected antigen-specific lymphocytes after nonmyeloablative lymphodepleting chemotherapy” (HHS Ref No. E-275-2002/0-US-01);
- II. PCT Application No. PCT/US2003/027873 filed September 5, 2003 entitled “Immunotherapy with in vitro-selected antigen-specific lymphocytes after nonmyeloablative lymphodepleting chemotherapy” (HHS Ref No. E-275-2002/1-PCT-01);
- III. U.S. Patent No. 8,034,334 issued October 11, 2011 entitled “Immunotherapy with in vitro-selected antigen-specific lymphocytes after nonmyeloablative lymphodepleting chemotherapy” (HHS Ref No. E-275-2002/1-US-02);
- IV. European Patent Application No. 03794636.5 filed April 4, 2005 entitled “Immunotherapy with in vitro-selected antigen-specific lymphocytes after nonmyeloablative lymphodepleting chemotherapy” (HHS Ref No. E-275-2002/1-EP-03);
- V. Canadian Patent No. 2,497,552 issued May 27, 2014 entitled “Immunotherapy with in vitro- selected antigen-specific lymphocytes after nonmyeloablative lymphodepleting chemotherapy” (HHS Ref No. E-275-2002/1-CA-04);
- VI. Australian Patent No. 2003265948 issued September 3, 2009 entitled “Immunotherapy with in vitro-selected antigen-specific lymphocytes after nonmyeloablative lymphodepleting chemotherapy” (HHS Ref No. E-275-2002/1-AU-05);
- VII. U.S. Patent No. 8,287,857 issued October 16, 2012 entitled “Immunotherapy with in vitro-selected antigen-specific lymphocytes after nonmyeloablative lymphodepleting chemotherapy” (HHS Ref No. E-275-2002/1-US-06);

2) Appendix C, Paragraph IV shall be deleted in its entirety and replaced with the following:

IV. The **Licensee** agrees to pay the **NIH Benchmark** royalties within sixty (60) days of achieving each **Benchmark** listed below by **Licensee** or its sublicensees for each **Licensed Product** or **Licensed Process**:

(a) For successful completion of the first **Licensee**-sponsored Phase 2 clinical study in each indication of the **Licensed Field of Use**.

- i. Melanoma: [***]
- ii. Breast cancer: [***]
- iii. Lung cancer: [***]
- iv. HPV-positive cancer: [***]
- v. Bladder cancer: [***]

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(b) For successful completion of the first **Licensee**-sponsored Phase 3 clinical study for each indication in the **Licensed Field of Use**.

- i. Melanoma: [***]
- ii. Breast Cancer: [***]
- iii. Lung cancer: [***]
- iv. HPV-positive cancer: [***]
- v. Bladder Cancer: [***]

(c) Upon the first **FDA** approval or foreign equivalent for a **Licensed Product** or **Licensed Process** for each indication in the **Licensed Field of Use**.

- i. Melanoma: [***]
- ii. Breast cancer: [***]
- iii. Lung cancer: [***]
- iv. HPV-positive cancer: [***]
- v. Bladder cancer: [***]

]

(d) For the **First Commercial Sale** of a **Licensed Product** or **Licensed Process** in the United States for each indication in the **Licensed Field of Use**.

- i. Melanoma: [***]
- ii. Breast cancer: [***]
- iii. Lung cancer: [***]
- iv. HPV-positive cancer: [***]
- v. Bladder cancer: [***]

(e) For the **First Commercial Sale** of a **Licensed Product** or **Licensed Process** in any foreign country for each indication in the **Licensed Field of Use**.

- i. Melanoma: [***]
- ii. Breast cancer: [***]
- iii. Lung cancer: [***]
- iv. HPV-positive cancer: [***]
- v. Bladder cancer: [***]

(f) The first time the aggregate **Net Sales** of all **Licensed Products** or **Licensed Processes** achieve the following thresholds, the **Licensee** pays the following one-time **Benchmark** royalties:

(1) ******* when the aggregate **Net Sales** of all **Licensed Products** or **Licensed Processes** reaches five hundred fifty million dollars (\$50,000,000.00).

(2) ******* when the aggregate **Net Sales** of all **Licensed Products** or **Licensed Processes** reaches one billion dollars (\$1,000,000,000.00).

For purposes of this **Agreement**, “successful completion of a **Licensee**-sponsored Phase 2 Clinical Study” shall mean, with respect to a specified construct, formulation and dose of a specified **Licensed Product** in a specified cancer indication, the statistical demonstration in a pivotal Phase 2 Clinical Study of safety and efficacy, sufficient to support a Phase 3 clinical trial submission by the **Licensee** for such specified construct, formulation and dose of such specified **Licensed Product** for the treatment of such specified cancer indication.

For purposes of this **Agreement**, “successful completion of a **Licensee**-sponsored Phase 3 Clinical Study” shall mean, with respect to a specified construct, formulation and dose of a specified **Licensed Product** in a specified cancer indication, the statistical demonstration in a pivotal Phase 3 Clinical Study of safety and efficacy, sufficient to support a BLA submission by the **Licensee** for such specified construct, formulation and dose of such specified **Licensed Product** for the treatment of such specified cancer indication.

For the purposes of this **Agreement**, there will be only one royalty payment required for each indication for each milestone. For example, there will be only one royalty payment due for each milestone above in HPV- positive cancer. Therefore, sub-indications of HPV-positive cancer will not each require separate royalty payments.

- 3) Appendix B will be deleted in its entirety and replaced with Appendix B in this agreement.
- 4) Appendix D will be deleted in its entirety and replaced with Appendix D in this agreement.
- 5) Appendix E shall be deleted in its entirety and replaced with Appendix E in this agreement.
- 6) Within sixty (60) days of the execution of this **First Amendment**, the **Licensee** shall pay the **NIH** an amendment issue royalty in the sum of ******* in two installments as follows: The first installment of ******* shall be payable within sixty (60) days from the effective date of this **First Amendment**; and the second installment of ******* shall be payable (i) on or before the one (1) year anniversary of the effective date of this **First Amendment** or (ii) on or before the termination date of this **First Amendment**, whichever occurs sooner. Payment options may be found in Attachment 1.
- 7) In the event any provision(s) of the **Agreement** is/are inconsistent with Attachment 1 and/or 2, such provision(s) is/are hereby amended to the extent required to avoid such inconsistency and to give effect to the shipping and payment information in such Attachment 1.
- 8) All terms and conditions of the **Agreement** not herein amended remain binding and in effect.
- 9) The terms and conditions of this **First Amendment** shall, at the **NIH**'s sole option, be considered by the **NIH** to be withdrawn from the **Licensee**'s consideration and the terms and conditions of this **First Amendment**, and the **First Amendment** itself, to be null and void, unless this **First Amendment** is executed by the **Licensee** and a fully executed original is received by the **NIH** within sixty (60) days from the date of the **NIH**'s signature found at the Signature Page.
- 10) This **First Amendment** is effective upon execution by all parties.

SIGNATURES BEGIN ON NEXT PAGE

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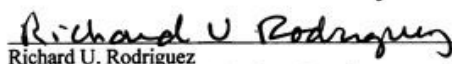
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FIRST AMENDMENT TO L-107-2015/0

SIGNATURE PAGE

In Witness Whereof, the parties have executed this **First Amendment** on the dates set forth below. Any communication or notice to be given shall be forwarded to the respective addresses listed below.

For the NIH:


Richard U. Rodriguez
Director, Division of Technology Development and Transfer
Office of Technology Transfer
National Institutes of Health

9-30-15
Date

Mailing Address or E-mail Address for **Agreement** notices and reports:

Chief, Monitoring & Enforcement Branch, DTD
Office of Technology Transfer
National Institutes of Health
6011 Executive Boulevard, Suite 325
Rockville, Maryland 20852-3804 U.S.A.

E-mail: LicenseNotices_Reports@mail.nih.gov

For the **Licensee** (Upon information and belief, the undersigned expressly certifies or affirms that the contents of any statements of the **Licensee** made or referred to in this document are truthful and accurate.):


Signature of Authorized Official

Date

Elma Hawkins, Ph.D.
Printed Name

President and CEO
Title

I. Official and Mailing Address for **Agreement** notices:

Peter Ho, Ph.D.
Director, Business Development
112 West 34th Street, 17th Floor
New York, NY 10120
Phone: 212-946-4856
Email: peter.ho@lionbio.com

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II. Official and Mailing Address for Financial notices (the **Licensee's** contact person for royalty payments):

Peter Ho, Ph.D.
Director, Business Development 112 West 34th Street, 17th Floor
New York, NY 10120 Phone: 212-946-4856
Email: peter.ho@lionbio.com

Any false or misleading statements made, presented, or submitted to the **Government**, including any relevant omissions, under this **Agreement** and during the course of negotiation of this **Agreement** are subject to all applicable civil and criminal statutes including Federal statutes [31 U.S.C. §§3801-3812](#) (civil liability) and [18 U.S.C. §1001](#) (criminal liability including fine(s) or imprisonment).

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APPENDIX B – LICENSED FIELDS OF USE AND TERRITORY

VIII. **Licensed Fields of Use:**

The use of the **Licensed Patent Rights** to develop, manufacture, distribute, sell, and use unselected whole autologous tumor infiltrating lymphocyte (TIL) adoptive cell therapy products for the treatment of metastatic melanoma, lung, breast, bladder, and HPV-positive cancers. Specifically excluded from this **Agreement** are methods of generating or using selected subpopulations of TIL and the use of T cell receptors isolated from TIL.

Tumor infiltrating lymphocytes (TIL) are a subset of T lymphocytes (T cells) that migrate and are located within a tumor site. TIL isolated from these tumor sites exhibit natural anti-tumor activity without genetic modifications. For the avoidance of doubt, cell therapy products involving genetically modified TIL or TIL selected for reactivity against cancer-specific mutations are excluded from the **Licensed Fields of Use**, unless such cell therapy products are a combination of unselected, unmodified TIL therapy with the **Licensee's** proprietary technologies or the **Licensee's** in-licensed technologies.

IX. **Licensed Territory:** Worldwide

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APPENDIX D – BENCHMARKS AND PERFORMANCE

	<u>Benchmark</u>	<u>Deadline</u>
I.	[* * *]	[* * *]
II.	[* * *]	[* * *]
III.	[* * *]	[* * *]
IV.	[* * *]	[* * *]
V.	[* * *]	[* * *]
VI.	[* * *]	[* * *]
VII.	[* * *]	[* * *]
VIII.	[* * *]	[* * *]
IX.	[* * *]	[* * *]
X.	[* * *]	[* * *]
XI.	[* * *]	[* * *]
XII.	[* * *]	[* * *]
XIII.	[* * *]	[* * *]

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APPENDIX E – COMMERCIAL DEVELOPMENT PLAN

Licensee intends to use the licensed technology to develop and commercialize a product based on T cells derived from tumors or tumor-infiltrating lymphocytes (TIL) to treat patients with melanoma, HPV-associated cancers, bladder cancer, breast cancer, lung cancer, and other solid tumors.

In August 2011, **Licensee** entered into a Cooperative Research and Development Agreement (CRADA) with the National Cancer Institute (NCI) to develop and evaluate improved adoptive cell transfer (ACT) based immunotherapies using TIL to treat patients with metastatic melanoma utilizing the business development expertise and resources of **Licensee** (C-057-2011, NCI 02734). The CRADA includes the development of improved methods for the generation and selection of TIL, standard operating procedures (SOPs) for large-scale TIL growth, selection and testing to support the FDA approval of an ACT/TIL therapy approach. It further includes clinical trials designed and implemented to evaluate the clinical effectiveness of ACT/TIL therapy resulting from large-scale techniques in patients with metastatic melanoma based on the proprietary NCI Surgery Branch technology and approaches developed as part of the CRADA.

In January 2015, **Licensee** amended its CRADA with the NCI, increasing **Licensee's** funding of ACT/TIL therapy research from \$1 million to \$2 million per year. This amendment to the original CRADA dated August 2011 expanded the scope of the research to include HPV-positive, lung, breast and bladder cancers. Specifically this CRADA will (1) support the *in vitro* development of improved methods for the large scale generation and selection of TIL with anti-tumor reactivity from patients with metastatic melanoma, bladder, lung, triple-negative breast, and HPV-positive cancers, based on ACT/TIL therapies developed by and proprietary to the NCI Surgery Branch, to be used for large scale production of TIL for the ACT treatment of patients with these cancers; (2) develop these approaches for large scale TIL generation that are in accord with Good Manufacturing Practice (GMP) procedures suitable for use in treating patients with metastatic melanoma, bladder, lung, triple-negative breast, and HPV- positive cancers; and (3) develop clinical trials using these improved methods of large scale TIL generation as well as improved patient preparative regimens with the goal of commercializing the ACT/TIL therapy approach for treating patients with metastatic melanoma, bladder, lung, triple-negative breast, and HPV-positive cancers.

Under the expanded CRADA, **Licensee** agrees to:

- (a) Develop, implement and evaluate GMP procedures for the large scale production of TIL suitable for infusion into patients with metastatic melanoma, bladder, lung, triple-negative breast, and HPV- positive cancers.
- (b) Conduct studies including scale-out for the methods of expansion of individualized lymphocyte treatments, assays for product and in-process performance, and harmonization assays for centralized process development and determination of TIL product consistency. Additional studies may be conducted for the development of qualifying assays and process development related to scale-out of the TIL expansion process.
- (c) Consult with the FDA to determine the appropriate clinical trial design necessary to secure approval for the commercial development of TIL therapy for patients with metastatic melanoma, bladder, lung, triple-negative breast, and HPV-positive cancers and sponsor the IND for these new clinical protocols and serve as the coordinating center for the multicenter licensing clinical trials.
- (d) Supply TIL in sufficient quantities to the NCI Surgery Branch and other multicenter sites to complete the planned clinical trials (including the licensing trial) needed for FDA approval of TIL. Support the establishment of a central facility for the processing and provision of TIL for the planned studies.

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Furthermore, under the expanded CRADA, **Licensee**, NCI and the Surgery Branch agree to:

- (e) Develop SOPs for large scale TIL growth, selection and testing to support the FDA approval of the ACT/TIL therapy approach. Attend joint meetings with the FDA to define the exact format and criteria needed in the clinical trial(s) to obtain FDA approval.
- (f) Develop, conduct and evaluate multi-institutional clinical trials (to include the NCI Surgery Branch as a clinical trial site) for patients with metastatic melanoma, bladder, lung, triple-negative breast and HPV-positive cancers treated with TIL that can be used as licensing trials required for FDA approval and subsequent commercialization of TIL.
- (g) Conduct assays to be used in the selection of appropriate cells (based on both functional and phenotypic criteria) to optimize the effectiveness of the adoptive transfer.
- (h) Exchange information and expertise to further the successful development of TIL therapy for patients with metastatic melanoma, bladder, lung, triple-negative breast and HPV-positive cancers.

The overall strategy for commercial development and program prioritization for an ACT/TIL product for the treatment of metastatic melanoma, HPV-positive, breast, lung and bladder cancers will be informed by the results of the research under the amended CRADA is summarized below.

Clinical Development

[* * *]

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ATTACHMENT 1 – ROYALTY PAYMENT OPTIONS

The OTT License Number MUST appear on payments, reports and correspondence.

Automated Clearing House (ACH) for payments through U.S. banks only

The NIH encourages its licensees to submit electronic funds transfer payments through the Automated Clearing House (ACH). Submit your ACH payment through the U.S. Treasury web site located at: <https://www.pay.gov/public/form/start/28680443>. Locate the "NIH Royalty Payment Page" through the HHS link in the Pay.gov "Agency List".

Electronic Funds Wire Transfers

The following account information is provided for wire payments. In order to process payment via Electronic Funds Wire Transfer sender MUST supply the following information within the transmission:

Drawn on a **U.S. bank account** via FEDWIRE should be sent directly to the following account:

Beneficiary Account:	Federal Reserve Bank of New York or TREAS NYC
Bank:	Federal Reserve Bank of New York
ABA#	021030004
Account Number:	75080031
Bank Address:	33 Liberty Street, New York, NY 10045
Payment Details:	License Number (L-XXX-XXXX) Name of the Licensee

Drawn on a **foreign bank account** should be sent directly to the following account. Payment must be sent in **U.S. Dollars (USD)** using the following instructions:

Beneficiary Account:	Federal Reserve Bank of New York/ITS or FRBNY/ITS
Bank:	Citibank N.A. (New York)
SWIFT Code:	CITIUS33
Account Number:	36838868
Bank Address:	388 Greenwich Street, New York, NY 10013
Payment Details (Line 70):	NIH 75080031 License Number (L-XXX-XXXX) Name of the Licensee

Detail of Charges (line 71a): Charge Our

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Checks

All checks should be made payable to “NIH Patent Licensing”

Checks drawn on a **U.S. bank account** and sent by US Postal Service should be sent directly to the following address:

National Institutes of Health (NIH)
P.O. Box 979071
St. Louis, MO 63197-9000

Checks drawn on a U.S. bank account and sent by **overnight or courier** should be sent to the following address:

US Bank
Government Lockbox SL-MO-C2GL 1005 Convention Plaza
St. Louis, MO 63101 Phone: 314-418-4087

Checks drawn on a **foreign bank account** should be sent directly to the following address:

National Institutes of Health (NIH) Office of Technology Transfer
Royalties Administration Unit 6011 Executive Boulevard
Suite 325, MSC 7660
Rockville, Maryland 20852

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CERTIFICATION

I, Elma Hawkins, Chief Executive Officer of Lion Biotechnologies, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lion Biotechnologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 6, 2015

By: /s/ Elma Hawkins
Elma Hawkins
Chief Executive Officer

CERTIFICATION

I, Molly Henderson, Chief Financial Officer of Lion Biotechnologies, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lion Biotechnologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 6, 2015

By: /s/ Molly Henderson
Molly Henderson
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Lion Biotechnologies, Inc. (the "Company") for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Elma Hawkins, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 6, 2015

By: /s/ Elma Hawkins
Elma Hawkins
Chief Executive Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Lion Biotechnologies, Inc. (the "Company") for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Molly Henderson, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 6, 2015

By: /s/ Molly Henderson
Molly Henderson
Chief Financial Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
