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 **June 30, 2016**

☐ 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	75-3254381
(State or other jurisdiction of incorporation or organization)	(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 ☐	Accelerated filer ☑
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	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 July 28, 2016, the issuer had 58,436,579 shares of common stock, par value $0.000041666 per share, outstanding.

LION BIOTECHNOLOGIES, INC.
FORM 10-Q
For the Quarter Ended June 30, 2016

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. **Condensed Financial Statements**

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

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 101,222	$ 13,642
Money market funds	19,744	19,945
Short-term investments available for sale	70,602	70,113
Prepaid expenses and other current assets	782	277
Total Current Assets	192,350	103,977
Property and equipment, net of accumulated depreciation and amortization of $1,643 and $1,103, respectively	1,192	1,676
Total Assets	$ 193,542	$ 105,653
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 725	$ 958
Accrued expenses	3,881	672
Total Current Liabilities	4,606	1,630
Commitments and contingencies		
Stockholders' Equity		
Series A Preferred stock, $0.001 par value; 17,000 shares authorized, 1,694 shares issued and outstanding, respectively	-	-
Series B Preferred stock, $0.001 par value; 11,500,000 shares authorized, 11,368,633 and 0 shares issued and outstanding (aggregate liquidation value of $54,001), respectively	11	-
Common stock, $0.000041666 par value; 150,000,000 shares authorized, 58,388,905 and 48,547,720 shares issued and outstanding, respectively	3	2
Common stock to be issued, 303,125 shares	245	245
Accumulated other comprehensive income	78	48
Additional paid-in capital	311,268	207,950
Accumulated deficit	(122,669)	(104,222)
Total Stockholders' Equity	188,936	104,023
Total Liabilities and Stockholders' Equity	$ 193,542	$ 105,653

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Revenues	$ -	$ -	$ -	$ -
Costs and expenses				
Research and development	4,463	4,055	8,655	6,841
General and administrative	7,264	2,385	10,082	4,897
Total costs and expenses	11,727	6,440	18,737	11,738
Loss from operations	(11,727)	(6,440)	(18,737)	(11,738)
Other income				
Interest income	164	73	290	73
Net Loss	$ (11,563)	$ (6,367)	$ (18,447)	$ (11,665)
Net Loss Per Share, Basic and Diluted	$ (0.23)	$ (0.14)	$ (0.37)	$ (0.28)
Weighted-Average Common Shares Outstanding, Basic and Diluted	51,081,519	45,082,176	49,807,355	41,413,501

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

Condensed Statements of Comprehensive Loss
(in thousands, except share information)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Net Loss	$ (11,563)	$ (6,367)	$ (18,447)	$ (11,665)
Other comprehensive income:				
Unrealized gain on short-term investments	10	22	30	22
Comprehensive Loss	$ (11,553)	$ (6,345)	$ (18,417)	$ (11,643)

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

LION BIOTECHNOLOGIES, INC.
Statement of Stockholders' Equity
For the Six Months Ended June 30, 2016
(In thousands, except share information)
(Unaudited)

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Common Stock to	Additional Paid-In	Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Be Issued	Capital	Income	Deficit	Equity
Balance - January 1, 2016	1,694	$ -	-	$ -	48,547,720	$ 2	$ 245	$ 207,950	$ 48	$ (104,222)	$ 104,023
Fair value of vested stock options								6,068			6,068
Vesting of restricted shares issued for services								1,068			1,068
Tax payments related to shares witheld for vested restricted stock units								(349)			(349)
Common stock issued upon exercise of warrants					248,500			621			621
Common stock issued upon exercise of stock options					37,066			237			237
Common stock sold in private placement, net of offering costs					9,684,000	1		44,008			44,009
Preferred stock sold in private placement, net of offering costs			11,368,633	11				51,665			51,676
Cancellation of restricted shares issued for services					(128,381)	-					-
Unrealized gain on short- term investments									30		30
Net loss										(18,447)	(18,447)
Balance - June 30, 2016	1,694	$ -	11,368,633	$ 11	58,388,905	$ 3	$ 245	$ 311,268	$ 78	$ (122,669)	$ 188,936

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

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

	For the Six Months Ended June 30,	
	2016	**2015**
Cash Flows From Operating Activities		
Net loss	$ (18,447)	$ (11,665)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	540	425
Fair value of vested stock options	6,068	2,301
Common stock issued for services	1,068	1,088
Changes in assets and liabilities:		
Prepaid expenses and other current assets	(505)	(312)
Accounts payable and accrued expenses	2,976	204
Net Cash Used In Operating Activities	(8,300)	(7,959)
Cash Flows From Investing Activities		
Liquidation (Purchase) of money market funds	201	(7,477)
Purchase of short- term investments	(68,340)	(96,281)
Maturities of short- term investments	67,881	4,000
Purchase of property and equipment	(56)	(919)
Net Cash Used In Investing Activities	(314)	(100,677)
Cash Flows From Financing Activities		
Tax payments related to shares withheld for vested restricted stock units	(349)	-
Proceeds from the issuance of common stock upon exercise of warrants	621	7,975
Proceeds from the issuance of common stock upon exercise of stock options	237	-
Proceeds from the issuance of preferred and common stock, net	95,685	68,308
Net Cash Provided By Financing Activities	96,194	76,283
Net increase (decrease) in cash and cash equivalents	87,580	(32,353)
Cash and Cash Equivalents, Beginning of Period	13,642	44,909
Cash and Cash Equivalents, End of Period	$ 101,222	$ 12,556
Interest	$ -	$ -
Taxes	$ -	$ -
Supplemental Disclosures of Cash Flow Information:		
Unrealized gain on short-term investments	$ 30	$ 22

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

NOTE 1. GENERAL ORGANIZATION AND BUSINESS

Lion Biotechnologies, Inc. (the "Company," "we," "us" or "our") is a biotechnology company focused on developing and commercializing adoptive cell therapy (ACT) using autologous tumor infiltrating lymphocytes (TIL) for the treatment of metastatic melanoma and other solid cancers. ACT utilizes T-cells harvested from a patient to treat cancer in that patient. TIL, a kind of anti-tumor T-cells that are naturally present in a patient's tumors, are collected from individual patient tumor samples. The TIL are then activated and expanded ex vivo and then infused back into the patient to fight their tumor cells.

Basis of Presentation of Unaudited Condensed Financial Information

The unaudited condensed financial statements of the Company for the three and six months ended June 30, 2016 and 2015 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, 2015 was derived from the audited financial statements included in the Company's financial statements as of and for the year ended December 31, 2015 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 11, 2016. 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 2016 from the sale or licensing of any products. As shown in the accompanying condensed financial statements, we have incurred a net loss of $18.4 million for the six months ended June 30, 2016 and used $8.3 million of cash in our operating activities during the six months ended June 30, 2016. As of June 30, 2016, we had $191.6 million of cash, money market funds, and short-term investments on hand, stockholders' equity of $188.9 million and had working capital of $187.7 million.

During 2016, we expect to further ramp up our clinical operations and research activities, which will increase the amount of cash we will use. Specifically, our budget for 2016 includes increased spending on clinical trials, research and development activities, higher payroll expenses as we increase our professional and scientific staff, as well as anticipated ongoing payments under our Cooperative Research and Development Agreement (CRADA) with the National Cancer Institute (NCI). Based on the funds we had available on June 30, 2016, we believe that we have sufficient capital to fund our anticipated operating expenses for at least 12 months from the date of filing this quarterly report.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

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.

Loss per Share

Basic earnings (loss) per share is computed by dividing the net income (loss) applicable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Shares of restricted stock are included in the basic weighted average number of common shares outstanding from the time they vest. Diluted earnings (loss) per share is computed by dividing the net income (loss) applicable to common stockholders 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. Shares of restricted stock are included in the diluted weighted average number of common shares outstanding from the date they are granted until which time they vest, unless they are antidilutive. For the six month ended June 30, 2016, and 2015, the calculations of basic and diluted loss per share are the same because inclusion of potential dilutive securities in the computation would have an anti-dilutive effect due to the net losses.

At June 30, 2016 and 2015, the dilutive impact of outstanding stock options for 4,270,989 and 2,238,877 shares, respectively; outstanding warrants for 6,953,716 and 11,427,764 shares, respectively; and preferred stock that can convert into 847,000 and 2,847,000 shares of our common stock, respectively, have been excluded because their impact on the loss per share is anti-dilutive.

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.

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.

The Company believes the carrying amount of its financial instruments (consisting of cash and cash equivalents, money market fund and accounts payable and accrued expenses) approximates fair value due to the short-term nature of such instruments.

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 June 30, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Corporate debt securities	$ -	$ 70,602	$ -	$ 70,602
Total	$ -	$ 70,602	$ -	$ 70,602

	Assets at Fair Value as of December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Corporate debt securities	$ -	$ 70,113	$ -	$ 70,113
Total	$ -	$ 70,113	$ -	$ 70,113

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 valuation of available-for-sale investments, accounting for potential liabilities, the valuation allowance associated with the Company's deferred tax assets, 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 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.

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.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Research and development	$ 593	$ 809	$ 1,178	$ 1,584
General and administrative	4,764	1,114	5,958	1,805
Total stock-based compensation expense	$ 5,357	$ 1,923	$ 7,136	$ 3,389

Concentrations

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash.

The Company maintains cash balances at one bank. At times, the amount on deposit exceeds the federally insured limits. Management believes that the financial institution that holds the Company's cash is financially sound and, accordingly, minimal credit risk exists. As of June 30, 2016 and 2015, the Company's cash balances were in excess of insured limits maintained at the bank.

Preferred Stock

The Company applies the accounting standards for distinguishing liabilities from equity when determining the classification and measurement of its preferred stock. Preferred shares subject to mandatory redemption are classified as liability instruments and are measured at fair value. Conditionally redeemable preferred shares (including preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control) are classified as temporary equity. At all other times, preferred shares are classified as stockholders' equity.

Convertible Instruments

The Company applies the accounting standards for derivatives and hedging and for distinguishing liabilities from equity when accounting for hybrid contracts that feature conversion options. The accounting standards require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria includes circumstances in which (i) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (ii) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (iii) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. The derivative is subsequently marked to market at each reporting date based on current fair value, with the changes in fair value reported in results of operations.

Conversion options that contain variable settlement features such as provisions to adjust the conversion price upon subsequent issuances of equity or equity linked securities at exercise prices more favorable than that featured in the hybrid contract generally result in their bifurcation from the host instrument.

The Company also records, when necessary, deemed dividends for the intrinsic value of the conversion options embedded in preferred stock based upon the difference between the fair value of the underlying common stock at the commitment date of the transaction and the effective conversion price embedded in the preferred stock.

Reclassifications

Certain amounts in prior periods have been reclassified to conform to the current period presentation. These reclassifications had no effect on previously reported net loss.

Recent Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The new guidance will impact the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. All equity investments in unconsolidated entities (other than those accounted for under the equity method of accounting) will generally be measured at fair value with changes in fair value recognized through earnings. There will no longer be an available-for-sale classification for equity securities with readily determinable fair values in which changes in fair value are currently reported in other comprehensive income. In addition, the FASB clarified the need for a valuation allowance on deferred tax assets resulting from unrealized losses on available-for-sale debt securities. In general, the new guidance will require modified retrospective application to all outstanding instruments, with a cumulative effect adjustment recorded to opening retained earnings. This guidance will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted commencing January 1, 2017. We are currently evaluating the expected impact that the standard could have on our financial statements and related disclosures.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases. ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is in the process of evaluating the impact of ASU 2016-02 on the Company's financial statements and disclosures.

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.

Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the condensed financial statements.

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

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

	June 30, 2016	December 31, 2015
Checking and savings accounts (reported as cash and cash equivalents)	$ 101,222	$ 13,642
Money market funds	19,744	19,945
Corporate debt securities (reported as short-term investments)	70,602	70,113
	$ 191,568	$ 103,700

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

June 30, 2016	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 19,744	$ -	$ -	$ 19,744
Corporate debt securities	70,524	78	-	70,602
Total	$ 90,268	$ 78	$ -	$ 90,346

December 31, 2015	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 19,945	$ -	$ -	$ 19,945
Corporate debt securities	70,065	48	-	70,113
Total	$ 90,010	$ 48	$ -	$ 90,058

As of June 30, 2016, the contractual maturities of our money market funds and short-term investments were (in thousands):

	Within One Year
Money market funds	$ 19,744
Corporate debt securities	70,602
	$ 90,346

At June 30, 2016, 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 June 30, 2016, the Company's short-term investments totaled $70.6 million, of which 53% were invested in notes of five companies, 80% were invested in notes of other domestic issuers, and 20% were invested in notes of foreign issuers. The average maturity of these notes was 114 days. At June 30, 2016 the Company's money-market funds totaled approximately $19.7 million and were invested in a single, no-load money market fund.

NOTE 4. STOCKHOLDERS' EQUITY

Series B Preferred Stock

In June 2016, the Company created a new class of Preferred Stock designated as Series B Preferred Stock. The rights of the Series B Preferred are set forth in the Certificate of Designation of Preferences and Rights of Series B Preferred Stock (the "Series B Certificate of Designation"). A total of 11,500,000 shares of Series B Preferred are authorized for issuance under the Certificate of Designation. The shares of Series B Preferred have a stated value of $4.75 per share and, if stockholder approval of the conversion feature is obtained, will be convertible into shares of common stock at an initial conversion price of $4.75 per share.

Holders of the Series B Preferred are entitled to dividends on an as-if-converted basis in the same form as any dividends actually paid on shares of our Series A Preferred or other securities. So long as any Series B Preferred remains outstanding, the Company may not redeem, purchase or otherwise acquire any material amount of our Series A Preferred or other securities.

Private Placement

On June 2, 2016, the Company entered into a securities purchase agreement with various institutional and individual accredited investors to raise gross proceeds of $100 million in a private placement (the "Private Placement"). On June 7, 2016, the Company completed the Private Placement. In the Private Placement, the Company issued (i) 9,684,000 shares of its common stock and (ii) 11,368,633 shares of its new Series B Preferred Stock (the "Series B Preferred"). The shares of common stock and Series B Preferred were sold for $4.75 per share. The shares of Series B Preferred are not currently convertible into common stock and, except as required by law, are non-voting. On July 7, 2016 the Company filed a proxy statement with the SEC with respect to a stockholders meeting to be held on August 16, 2016 at which the stockholders will be asked to vote on a proposal to permit the Series B Preferred to become convertible into shares of the Company's common stock and to permit the issuance of shares of common stock upon such conversion. If the requisite stockholder approval is obtained, the Series B Preferred will be convertible into shares of common stock at an initial conversion price of $4.75 per share. The Company will account for the conversion feature associated with the Series B Preferred Stock if and when stockholder approval is received and the conversion feature is no longer contingent.

The Company received net proceeds of approximately $95.7 million from the Private Placement, after paying placement agent fees and estimated offering expenses.

On June 2, 2016, in connection with the Purchase Agreement, the Company entered into a registration rights agreement (the "Registration Rights Agreement") with the investors pursuant to which the Company agreed to file with the Securities and Exchange Commission, or the SEC, within 30 days of the closing of the private placement under the Purchase Agreement, a registration statement covering the resale by the investors of the shares of common stock purchased by them. The Company also agreed in the Registration Rights Agreement to file with the SEC within 30 days of any stockholders meeting approving the conversion feature of the Series B Preferred Stock, a registration statement covering the resale of the shares of our common stock issuable upon conversion of their shares of Series B Preferred Stock by the holders of shares of Series B Preferred Stock. The Company also agreed to use its best efforts to have the respective registration statements declared effective as soon as practicable upon filing, but in any event within 90 days after filing. The Registration Rights Agreement provides, among other things, that in the event (i) the Company does not file either registration statement within the prescribed time period, (ii) the SEC does not declare effective either registration statement within the prescribed time period or (iii) either registration statement ceases to be effective under certain circumstances, the Company will pay to the holders on the occurrence of each such event and for each 30-day period thereafter until the applicable event is cured, an amount in cash equal to 1% of the aggregate amount invested (or outstanding, as specified in greater detail in the Registration Rights Agreement) by the holders under the Purchase Agreement for each 30-day period (prorated for any period of less than 30 days) during which such registration statement was not effective. The Company filed the registration statement under Form S-1 on July 1, 2016 to fulfill certain of its contractual obligations to the investors in the Private Placement under a registration rights agreement it entered into pursuant to the Securities Purchase Agreement.

Common stock with vesting terms

During 2016, certain employees authorized the Company to cancel 98,381 vested shares to satisfy withholding requirements related to such vesting. The cancellation is recorded as a reduction to shares outstanding. Additionally, shares of restricted stock granted below 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, 2016	321,252	$ 6.96
Granted	-	
Vested	(182,501)	6.21
Forfeited	(40,001)	
Non-vested shares, June 30, 2016	98,750	$ 8.14

Restricted Stock Units

On June 1, 2016, we entered into a restricted stock unit agreement with the Company's new Chief Executive Officer pursuant to which we granted her 550,000 non-transferrable restricted stock units at fair market value of $5.87 per share as an inducement of employment pursuant to the exception to The NASDAQ Global Market rules that generally require stockholder approval of equity incentive plans. The 550,000 restricted stock units will vest in installments as follows: (i) 137,500 restricted stock units will vest upon the first anniversary of the effective date of her employment agreement; (ii) 275,000 restricted stock units will vest upon the satisfaction of certain clinical trial milestones; and (iii) 137,500 restricted stock units will vest in equal monthly installments over the 36-month period following the first anniversary of the effective date of her employment, provided that Dr. Fardis has been continuously employed with the Company as of such vesting dates.

NOTE 5. STOCK OPTIONS AND WARRANTS

Stock Options

A summary of the status of stock options at June 30, 2016, and the changes during the six 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, 2016	2,693,237	$ 8.12	8.02	$ 2,347
Granted	2,264,983	5.71	9.9	5,417
Exercised	(37,066)	6.40	-	-
Expired/Forfeited	(650,165)	8.44	-	-
Outstanding at June 30, 2016	4,270,989	$ 6.75	9.06	$ 7,688
Exercisable at June 30, 2016	1,865,205	$ 7.19	8.38	$ 3,228

During the six months ended June 30, 2016, the Company granted options to purchase 2,264,983 shares of common stock to employees of the Company. The stock options generally vest between one and three years. The fair value of these options was determined to be $12.7 million using the Black-Scholes option pricing model based on the following assumptions: (i) volatility rate of 199%, (ii) discount rate of 1.37%, (iii) zero expected dividend yield, and (iv) expected life of 6 years.

During the six months ended June 30, 2016 and 2015, the Company recorded compensation costs of $6.1 million and $2.3 million, respectively, and for the three months ended June 30, 2016 and 2015, the Company recorded compensation costs of $4.5 million and $1.3 million, relating to the vesting of stock options. As of June 30, 2016, the aggregate value of unvested options was $13.7 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.

Warrants

A summary of the status of stock warrants at June 30, 2016, and the changes during the six 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 January 1, 2016	7,202,216	$ 2.51	3.3 years	$ 37,596
Issued	-	-		
Exercised	(248,500)	$ 2.50		
Expired	-	-		
Outstanding and exercisable at June 30, 2016	6,953,716	$ 2.51	2.7 years	$ 40,332

During the six months ended June 30, 2016, the Company received $0.6 million in cash from the exercise of 248,500 warrants for the purchase of an equal number of shares of its common stock.

NOTE 6. 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.

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. The CRADA expired on August 5, 2016 and the NCI and the Company are finalizing the terms of an amendment to extend the term of the CRADA for another five year period.

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.

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 year ended December 31, 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. 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 License.

H. Lee Moffitt Cancer Center

Research Collaboration Agreement
In September, 2014, the Company 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
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.

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 six months ended June 30, 2016 and 2015, the Company recognized $0.9 million and $1.4 million respectively, of expenses related to its license agreements. The amounts were recorded as part of research and development expenses in the statements of operations. Additionally, during the six months ended June 30, 2016, 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.

Aggregate guaranteed commitments for the remainder of 2016, under all of the Company's license and research agreements, are approximately $1.7 million.

Lease Obligations

In December 2014, the Company commenced a five-year non-cancellable operating lease with the University of South Florida Research Foundation for an approximately 5,200 square foot facility located in Tampa, Florida. The facility is part of the University of South Florida research park and is used as the Company's research and development facilities. The monthly base rent for this facility during the first year of the lease was $10,443 and will increase by 3% annually. The Company has the option to extend the lease term of this facility for an additional five-year period on the same terms and conditions, except that the base rent for the renewal term will be increased in accordance with the applicable consumer price index.

On August 4, 2016, the Company entered into an agreement to lease 8,733 square feet in San Carlos, California. The term of the lease is 54 months subsequent to the commencement date, and total expected rental payments under the lease are expected to be $2.1 million.

The minimum lease payments are as follows (in thousands):

Year	Amount
2016 (remaining)	$ 76
2017	610
2018	628
2019	647
2020	495
2021	169
	$ 2,625

NOTE 7. LEGAL PROCEEDINGS

SEC Settlement. As previously disclosed, on April 23, 2014 the Company received a subpoena from the SEC that stated that the staff of the SEC was conducting an investigation then designated as In the Matter of Galena Biopharma, Inc. File No. HO 12346 (now known as In the Matter of Certain Stock Promotions) and that the subpoena was issued to the Company as part of the foregoing investigation. The SEC's subpoena and accompanying letter did not indicate whether the Company was, or was not, under investigation. The Company produced documents in response to the subpoena and have since fully cooperated with the SEC's investigation.

The Company has recently been informed by the Staff of the SEC that the SEC's investigation, in part, involves the conduct of The Company's former Chief Executive Officer, Manish Singh, during the period between September 2013 and April 2014. As the Company understands, as it pertains to the Company's former Chief Executive Officer, the investigation has focused on the failure by authors of certain articles about the Company to disclose that they were compensated by one of our former investor relations firms. The Company understands that it is the position of the SEC Staff that the conduct of the former Chief Executive Officer with respect to these articles may be imputed to the Company.

In order to resolve this matter, the Company has agreed with the Staff of the SEC to a proposed settlement framework under which it would consent to the entry of an order requiring that it cease and desist from any future violations of certain provisions of the federal securities laws, without admitting or denying any allegations, and agree to a financial penalty. The Company is currently discussing with the Staff of the SEC the amount of the financial penalty that it would pay as part of this settlement. The Company does not anticipate that the amount of this penalty will have a material impact on its cash position. The proposed settlement is contingent upon reaching agreement with the Staff of the SEC on a complete set of settlement terms and approval by the Commissioners of the SEC, neither of which can be assured.

Solomon Capital, LLC. On April 8, 2016, a lawsuit titled Solomon Capital, LLC, Solomon Capital 401(K) Trust, Solomon Sharbat and Shelhav Raff against Lion Biotechnologies, Inc. was filed by Solomon Capital, LLC, Solomon Capital 401(k) Trust, Solomon Sharbat and Shelhav Raff against the Company in the Supreme Court of the State of New York County of New York (index no. 651881/2016). The plaintiffs allege that, between June and November 2012 they provided to the Company $52,850 and that they advanced and paid on our behalf an additional $170,000. The complaint further alleges that the Company agreed to (i) provide them with promissory notes totaling $222,850, plus interest, (ii) issue a total of 111,425 shares to the plaintiffs (before the 1-for-100 reverse split of our common stock effected in September 2013), and (iii) allow the plaintiffs to convert the foregoing funds into our securities in the next transaction. The plaintiffs allege that they should have been able to convert their advances and payments into shares of the Company's common stock in the Restructuring that it effected in May 2013. Based on the foregoing, the plaintiffs allege causes for breach of contract and unjust enrichment and demand judgment against the Company in an unspecified amount exceeding $1,500,000, plus interest and attorneys' fees.

On June 3, 2016, the Company filed an answer and counterclaims in the lawsuit. In its counterclaims, the Company alleges that the plaintiffs misrepresented their qualifications to assist it in fundraising and that they failed to disclose that they were under investigation for securities laws violations. The Company is seeking damages in an amount exceeding $500,000 and an order rescinding any and all agreements that the plaintiffs contend entitled them to obtain stock in the Company. The Company's investigation of the allegations made by the plaintiffs is ongoing and it intends to vigorously defend the complaint and pursue its counterclaims.

NOTE 8. CONTINENGIES

During the second quarter of 2016, 128,500 warrants were exercised into shares of common stock that were previously sold under an ineffective Form S-3. The Company believes that any claims brought against it would not result in a material impact to the Company's financial position or results of operations. The Company has not accrued a loss for a potential claim associated with this matter as it is unable to estimate any at this time. In January 2014, the SEC declared effective a registration statement that we filed to cover the resale of shares issued and sold (or to be issued and sold) by certain selling stockholders. On March 11, 2016, that registration statement (and the prospectus contained therein) became ineligible for future use, and selling stockholders could no longer sell any shares of our common stock in open market transactions by means of that prospectus. We believe that certain stockholders did sell up to 128,500 shares of our common stock in open market transactions in May 2016 by means of the ineffective registration statement/prospectus. Accordingly, those sales were not made in accordance with Sections 5 and 10(a)(3) of the Securities Act, and the purchasers of those shares may have rescission rights (if they still own the shares) or claims for damages (if they no longer own the shares). The amount of any such liability is uncertain and as such, an accrual for any potential loss has not been made.

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 June 30, 2016 and results of operations for the three and six months ended June 30, 2016 and 2015, 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, 2015 which was filed with the SEC on March 11, 2016.

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, 2015. 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 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. TIL, when infused back into the patient, are more able to search out and eradicate the tumor.

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. Under the amended CRADA, we are required to pay the NIH a total of $2 million annually, and as of the date of this report, we are finalizing the terms of an amendment to extend the CRADA, which expired on August 5, 2016, for another five year term. In addition to our CRADA, we also conduct research and development on TIL technology at our research facility in Tampa, Florida.

On June 7, 2016, we completed a private placement (the "Private Placement") in which we issued (i) 9,684,000 shares of our common stock and (ii) 11,368,633 shares of our new Series B Preferred Stock (the "Series B Preferred") to a limited number of institutional and accredited investors. . The shares of common stock and Series B Preferred were sold for $4.75 per share. We received net proceeds of approximately $95.7 million from the Private Placement, after paying placement agent fees and estimated offering expenses, which we will use to fund our research and development and for working capital purposes. Jefferies LLC and Piper Jaffray & Co. acted as joint lead placement agents for the Private Placement, and we paid the placement agents a customary placement fee and reimbursed them for certain expenses.

Results of Operations

Revenues

We are a clinical 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 2016 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.

Research and Development

	For the Three Months Ended June 30,		Aggregate Change	For the Six Months Ended June 30,		Aggregate Change
	2016	2015	2016 from 2015	2016	2015	2016 from 2015
Research and development	4,463	4,055	408	8,655	6,841	1,814
Stock-based compensation expense included in research and development expense	593	809	(216)	1,178	1,584	(406)

Research and development expense consists of costs incurred in performing research and development activities, clinical trials, personnel costs 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 contract manufacturer that will process and manufacture our products for our clinical trial. Research and development expenses also included amounts paid to the National Institutes of Health under terms of our license agreements, and to the NCI under the CRADA. For the three months ended June 30, 2016, our research and development costs increased by $0.4 million, or 10%, and for the six months ended June 30 2016 our research and development costs increased by $1.8 million, or 27%, when compared to the same periods in 2015 due to the general expansion of our research and development efforts, the expansion of our Tampa, Florida research facility and the initiation of our Phase II clinical trial. In addition, in the three and six month periods ended June 30, 2016 we incurred $0.6 million and $1.2 million, respectively, of non-cash stock-based compensation costs, compared to $0.8 million and $1.6 million, respectively, for such costs in the same period in 2015. The increases in our research and development stock compensation expenses are attributable to the increase in our hiring in support of our increased clinical development activities.

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 products and as we increase our research and development efforts in other 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 cost efficiency, and commercial viability.

General and Administrative

	For the Three Months Ended June 30,		Aggregate Change	For the Six Months Ended June 30,		Aggregate Change
	2016	2015	2016 from 2015	2016	2015	2016 from 2015
General and Administrative expenses	7,264	2,385	4,879	10,082	4,897	5,185
Stock-based compensation expense included general and administrative expense	4,764	1,114	3,650	5,958	1,805	4,153

General and administrative 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 June 30, 2016, our general and administrative expenses increased by $4.9 million, or 205% , for the six months ended June 30, 2016 our general and administrative expense increased $5.2 million, or 106%, when compared to the same periods in 2015. The increases are due to the hiring of new employees and severance cost for our former Chief Executive Officer. In addition, in the three and six month periods ended June 30, 2016, we incurred $4.8 million, and $6.0 million, respectively, of non-cash stock-based compensation costs compared to $1.1 million and $1.8 million, respectively, for such costs in the same periods in 2015. Share based compensation includes stock and options granted to our executive officers, employees, directors, and consultants. As a result of the planned increase in our operations and increase in the number of our employees, our general and administrative expenses in the future are expected to continue to increase.

Net Loss

We had a net loss of $18.4 million and $11.7 million, for the six months ended June 30, 2016 and 2015, respectively and for three month ended June 30, 2016 and 2015, we had a net loss $11.7 million and $6.4 million, respectively. The increase in our net loss during 2016 is due to an increase in research and development expenses and general and administrative expenses, as described above, specifically the expansion of our clinical trial activities and newly hired employees. 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

As of June 30, 2016, we had cash, cash equivalents and short-term investments of $191.6 million and $187.7 million of working capital. Our cash, cash equivalent and other short-term investments increased on June 7, 2016 as a result of the closing of the Private Placement. In addition, in 2016 we have received a total of $0.9 million from the exercise of outstanding common stock purchase options and warrants.

As of June 30, 2016, 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. Based on the funds we had available on June 30, 2016, we believe that we have sufficient capital to fund our anticipated operating expenses for at least 12 months from the date of filing this quarterly report.

Cash Flows from Operating, Investing and Financing Activities (in thousands):

	For six months ended June 30,	
	2016	**2015**
Net cash provided by (used in):		
Operating activities	$ (8,300)	$ (7,959)
Investing activities	(314)	(100,677)
Financing activities	96,194	76,283
Net increase(decrease) in cash and cash equivalents	$ 87,580	$ (32,353)

Net cash used in operating activities was approximately $8.3 million for the six months of 2016 compared to approximately $8.0 million in the same period in 2015. Net cash used in operating activities primarily consisted of cash payments related to the increased spending within our research and development group in support of our clinical development programs as well as the increase in our administrative functions as we scale up our business to support of the clinical activities. The timing of cash requirements may vary from period to period depending on our research and development activities, including our planned clinical trials.

Net cash used in investing activities was approximately $0.3 million for the six months ended June 30, 2016 compared to net cash used in investing activities of approximately $100.7 million in the first half of 2015. Net cash used in investing activities so far in 2016 related to net purchases of short-term investments and capital expenditures. The objective of the company's investment policy is to ensure the safety and preservation of its capital while maximizing total return.

Net cash provided by financing activities was $96.2 million in 2016 , primarily as a result of the Private Placement, compared to approximately $76.3 million in 2015 due to the underwritten public offering that occurred in June 2015.

Off-Balance Sheet Arrangements

At June 30, 2016, we had no obligations that would require disclosure as off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements and accompanying notes, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. When making these estimates and assumptions, we consider our historical experience, our knowledge of economic and market factors and various other factors that we believe to be reasonable under the circumstances. Actual results may differ under different estimates and assumptions.

The accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties. There were no significant changes to our critical accounting policies from those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015

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

Our exposure to market risk is limited primarily to interest income sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because a significant portion of our investments are in short-term debt securities issued by the U.S. government and institutional money market funds. The primary objective of our investment activities is to preserve principal. Due to the nature of our marketable securities, we believe that we are not exposed to any material market risk. We do not have any derivative financial instruments or foreign currency instruments. If interest rates had varied by 10% in the six months ended June 30, 2016, it would not have had a material effect on our results of operations or cash flows for that period.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report.

Changes in Internal Controls Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

SEC Settlement. As previously disclosed, on April 23, 2014 we received a subpoena from the SEC that stated that the staff of the SEC was conducting an investigation then designated as In the Matter of Galena Biopharma, Inc. File No. HO 12346 (now known as In the Matter of Certain Stock Promotions) and that the subpoena was issued to the Company as part of the foregoing investigation. The SEC's subpoena and accompanying letter did not indicate whether we were, or were not, under investigation. We produced documents in response to the subpoena and have since fully cooperated with the SEC's investigation.

We have recently been informed by the Staff of the SEC that the SEC's investigation, in part, involves the conduct of our former Chief Executive Officer, Manish Singh, during the period between September 2013 and April 2014. We understand that, as it pertains to the Company's former Chief Executive Officer, the investigation has focused on the failure by authors of certain articles about the Company to disclose that they were compensated by one of our former investor relations firms. We understand that it is the position of the SEC Staff that the conduct of our former Chief Executive Officer with respect to these articles may be imputed to the Company.

In order to resolve this matter, we have agreed with the Staff of the SEC to a proposed settlement framework under which we would consent to the entry of an order requiring that we cease and desist from any future violations of certain provisions of the federal securities laws, without admitting or denying any allegations, and agree to a financial penalty. We are currently discussing with the Staff of the SEC the amount of the financial penalty that we would pay as part of this settlement. We do not anticipate that the amount of this penalty will have a material impact on our cash position. The proposed settlement is contingent upon reaching agreement with the Staff of the SEC on a complete set of settlement terms and approval by the Commissioners of the SEC, neither of which can be assured.

Solomon Capital, LLC. On April 8, 2016, a lawsuit titled Solomon Capital, LLC, Solomon Capital 401(K) Trust, Solomon Sharbat and Shelhav Raff against Lion Biotechnologies, Inc. was filed by Solomon Capital, LLC, Solomon Capital 401(k) Trust, Solomon Sharbat and Shelhav Raff against our company in the Supreme Court of the State of New York County of New York (index no. 651881/2016). The plaintiffs allege that, between June and November 2012 they provided us with $52,850 and that they advanced and paid on our behalf an additional $170,000. The complaint further alleges that we agreed to (i) provide them with promissory notes totaling $222,850, plus interest, (ii) issue a total of 111,425 shares to the plaintiffs (before the 1-for-100 reverse split of our common stock effected in September 2013), and (iii) allow the plaintiffs to convert the foregoing funds into our securities in the next transaction. The plaintiffs allege that they should have been able to convert their advances and payments into shares of our common stock in the Restructuring that we effected in May 2013. Based on the foregoing, the plaintiffs allege causes for breach of contract and unjust enrichment and demand judgment against us in an unspecified amount exceeding $1,500,000, plus interest and attorneys' fees.

On June 3, 2016, we filed an answer and counterclaims in the lawsuit. In our counterclaims, we allege that the plaintiffs misrepresented their qualifications to assist us in our fundraising and that they failed to disclose that they were under investigation for securities laws violations. We seek damages in an amount exceeding $500,000 and an order rescinding any and all agreements that the plaintiffs contend entitled them to obtain stock in our company. Our investigation of the allegations made by the plaintiffs is ongoing and we intend to vigorously defend the complaint and pursue our counterclaims.

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, 2015. Except as follows, have been no material changes from the risk factors previously disclosed in the above-mentioned periodic report.

We may be subject to claims for rescission or damages in connection with certain sales of shares of our common stock in the open market.

In January 2014, the SEC declared effective a registration statement that we filed to cover the resale of shares issued and sold (or to be issued and sold) by certain selling stockholders. On March 11, 2016, that registration statement (and the prospectus contained therein) became ineligible for future use, and selling stockholders could no longer sell any shares of our common stock in open market transactions by means of that prospectus. We believe that certain stockholders did sell up to 128,500 shares of our common stock in open market transactions in May 2016 by means of the ineffective registration statement/prospectus. Accordingly, those sales were not made in accordance with Sections 5 and 10(a)(3) of the Securities Act, and the purchasers of those shares may have rescission rights (if they still own the shares) or claims for damages (if they no longer own the shares). In addition, we also may have indemnification obligations to the selling stockholders. The amount of any such liability is uncertain.

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

On June 2, 2016, we entered into a securities purchase agreement with a limited number of institutional and individual accredited investors to raise gross proceeds of $100 million in the Private Placement. On June 7, 2016, we completed the Private Placement. In the Private Placement, we issued (i) 9,684,000 shares of our common stock and (ii) 11,368,633 shares of our new Series B Preferred. The shares of common stock and Series B Preferred were sold for $4.75 per share. The shares of Series B Preferred are not currently convertible into common stock and, except as required by law, are non-voting. Subsequent to the closing we filed a proxy statement with the SEC for a stockholders meeting at which the stockholders will vote on a proposal to permit the Series B Preferred to become convertible into shares of common stock and to permit the issuance of shares of common stock upon such conversion. The definitive proxy statement was filed with the SEC on July 7, 2016 for a stockholders meeting scheduled to be held on August 16, 2016. If the requisite stockholder approval is obtained, the Series B Preferred will be convertible into shares of common stock at an initial conversion price of $4.75 per share.

We received net proceeds of approximately $95.7 million from the Private Placement, after paying placement agent fees and estimated offering expenses. Jefferies LLC and Piper Jaffray & Co. acted as joint lead placement agents for the Private Placement, and we paid the placement agents a customary placement fee and reimbursed them for certain expenses.

The securities were offered and sold in a transaction not involving a public offering and in compliance with exemptions from registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder, as they were offered and sold to qualified institutional investors and accredited investors only, without a view to distribution, and not by means of any general solicitation or advertisement.

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
3.1	Certificate of Designation of Rights, Preferences and Privileges of Series B Preferred Stock of Lion Biotechnologies, Inc.(1)
10.1	Form of Securities Purchase Agreement, dated June 2, 2016, among Lion Biotechnologies, Inc. and the Investors thereunder(1)
10.2	Form of Registration Rights Agreement, dated June 2, 2016, by and among Lion Biotechnologies, Inc. and the Investors thereunder.(1)
10.3	Employment Agreement, dated June 1, 2016, between Lion Biotechnologies, Inc. and Maria Fardis, Ph.D.(2)
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

(1) Previously filed on June 3, 2016 as an exhibit to the Company's current report on Form 8-K and incorporated herein by reference.
(2) 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.

August 9, 2016 By: /s/ Maria Fardis
Maria Fardis
Chief Executive Officer (Principal Executive Officer)

August 9, 2016 By: /s/ Molly Henderson
Molly Henderson
Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 10.3

Text Marked By [* * *] Has Been Omitted Pursuant To A Request For Confidential Treatment And Was Filed Separately With The Securities And Exchange Commission.

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the "**Agreement**") is entered into as of June 1, 2016, by and between Lion Biotechnologies, Inc., a Nevada corporation (the "**Company**"), and Dr. Maria Fardis ("**Executive**") (either party individually, a "**Party**"; collectively, the "**Parties**").

WHEREAS, the Company desires to engage Executive as the Company's new President and Chief Executive Officer;

WHEREAS, in connection with Executive's engagement as the Company's new President and Chief Executive Officer, the Parties desire to enter into this Agreement to set forth the terms and conditions of Executive's employment by the Company and to address certain matters related to Executive's employment with the Company;

WHEREAS, both the Company and the Executive have read and understood the terms and provisions set forth in this Agreement, and Executive acknowledges that Executive has been afforded a reasonable opportunity to review this Agreement with Executive's legal counsel to the extent desired;

NOW, THEREFORE, in consideration of the foregoing and the mutual provisions contained herein, and for other good and valuable consideration, the Parties hereto agree as follows:

1 . Employment. The Company hereby employs Executive as of June 3rd, 2016 (the "**Effective Date**"), and Executive hereby accepts such employment, upon the terms and conditions set forth herein.

2. Duties.

2.1 Position. Executive shall be employed by the Company in the position of President and Chief Executive Officer. Executive shall have the duties and responsibilities assigned by the Company's Board of Directors (the "**Board**"). Executive shall perform faithfully and diligently such duties as are reasonable and customary for Executive's position, as such duties may be assigned to Executive by the Board from time to time. The Parties agree that the Company intends to relocate its executive offices to a currently undetermined location in the San Francisco Bay Area, California, greater metropolitan area, but within thirty miles driving distance of downtown San Carlos. The Company's new executive offices, including the terms of the lease, shall be approved by the Company's Board and shall be reasonably acceptable to Executive. The Parties understand that Executive shall provide her services hereunder primarily from the Company's new San Francisco Bay area offices. Until the Company relocates its offices to the San Francisco Bay area, Executive shall provide her services from her home office.

2.2 Best Efforts/Full-Time.

2.2(a) Executive understands and agrees that Executive will faithfully devote Executive's best efforts and substantially all of her time during normal business hours to advance the interests of the Company. Executive will abide by all policies and decisions made by the Company, as well as all applicable federal, state and local laws, regulations or ordinances. Executive will act in the best interest of the Company at all times. Executive further understands and agrees that Executive has a fiduciary duty of loyalty to the Company and that other than as required to pursue any legal rights as an employee of the Company, Executive will take no action which in any way harms the business, business interests, or reputation of the Company.

2.2(b) Executive agrees that Executive will not directly engage in competition with the Company at any time during the existence of the employment relationship between the Company and Executive.

2.2(c) Executive agrees that, during the term of this Agreement, Executive shall work exclusively for the Company. Consequently, Executive agrees to not accept employment, of any kind, from any person or entity other than the Company, and to not perform duties or render services to any person or entity other than the Company, provided, however, that Executive may, subject to prior approval of the Board of the Company, provide services to civic, community or charitable organizations, and may serve on a board of directors of any entity does not compete with the Company or otherwise compete, directly with the Company's business of developing and marketing therapies based on T-cells (such as CARs, TCRs and TILs) and T-cell engineering based immunotherapy.

2.2(d) Executive understands and agrees that any information, funds (other than such funds as constitute part of Executive's compensation) ("**Funds**"), or property received or developed by Executive during Executive's employment with the Company that is related to the Company's business is, or shall become the sole property of the Company. Accordingly, Executive understands and agrees that Executive shall immediately turn over all of the foregoing information, Funds, or property that comes into Executive's possession during Executive's employment with the Company, upon the Company's request.

3. Term of Employment. However, either Party may terminate this Agreement at any time with or without cause for convenience, effective upon thirty (30) days' notice to the other Party. Executive's and the Company's respective rights and obligations at the time of termination are outlined below in Section 6 of this Agreement.

4. Compensation.

4.1 Base Salary. As compensation for the proper and satisfactory performance of all duties to be performed by Executive hereunder, the Company shall pay Executive a base salary of $500,000 per year (the "**Base Salary**"), less required deductions for state and federal withholding tax, social security and all other employment taxes and authorized payroll deductions, payable on a prorated basis as it is earned, in accordance with the normal payroll practices of the Company.

4.2 Stock Options/Restricted Stock Units. As of the Effective Date, Executive shall receive (i) stock options to purchase an aggregate of 500,000 shares of the Company's common stock, and (ii) 550,000 non-transferrable Restricted Stock Units. To the extent legally permitted, the stock options shall be incentive stock options. The stock options will have an exercise price equal to the fair market value of the common stock on the Effective Date. The foregoing stock options and Restricted Stock Units will vest and be issued as set forth in Exhibit A attached hereto. Except as set forth in Section 6 below, upon the termination of Executive's employment with the Company, the unvested options and the unvested Restricted Stock Units will be forfeited. In addition to the foregoing grant of options, Executive shall also be entitled to receive stock option grants under the Company's stock option plan at any time at the discretion of the Board, in such amounts and upon such terms as shall be determined by the Board of Directors, in its sole discretion.

4.3 Sign-Up Bonus. As of the Effective Date, as a signing bonus, Executive shall receive $150,000 on the first day of her employment.

4.4 Incentive Compensation. Executive will be eligible to participate in the Company's annual incentive compensation program ("**Incentive Plan**") applicable to Executive's position, as approved by the Board (the year for which the Incentive Plan is implemented is herein referred to as the **"Plan Year**"). The target potential amount payable to Executive under the Incentive Plan, if earned, shall be 50% of Executive's Base Salary earned during the applicable calendar year. Compensation under the Incentive Plan ("**Incentive Compensation**") will be conditioned on the satisfaction of individual and Company objectives, as established in writing by the Company, and on the condition that Executive is employed by Company on the Incentive Compensation payment date (other than for the purposes of payment of Incentive Compensation under Section 6.2 below), which shall be on or before March 15th of the year following the Plan Year. The payment of any Incentive Compensation pursuant to this Section 4.4 shall be made in accordance with the normal payroll practices of the Company, less required deductions for state and federal withholding tax, social security and all other employment taxes and authorized payroll deductions, and provided Executive satisfies the conditions for earning the Incentive Compensation. The Company will establish new Incentive Compensation objectives for the remaining portion of the 2016 Plan Year within 30 calendar days after the Effective Date.

4.5 Performance Review. The Company will periodically review Executive's performance on no less than an annual basis and increase (but not decrease) Executive's salary or other compensation, as it deems appropriate in its sole and absolute discretion.

4.6 Customary Fringe Benefits. Executive understands and agrees that certain employee benefits may be provided to the Executive by the Company incident to the Executive's employment. Executive will be eligible for all customary and usual fringe benefits generally available to employees of the Company subject to the terms and conditions of the Company's benefit plan documents. Executive understands and agrees that any employee benefits provided to the Executive by the Company incident to the Executive's employment are provided solely at the discretion of the Company and may be modified, suspended or revoked at any time, without notice or the consent of the Executive, unless otherwise provided by law. Moreover, to the extent that these benefits are provided pursuant to policies or plan documents adopted by the Company, Executive acknowledges and agrees that these benefits shall be governed by the applicable employment policies or plan documents. The benefits to be provided to Executive shall include group health and dental insurance, vision and sick and family leave, as well as participation in a 401-K plan once such plans have been established and implemented.

4.7 Personal Time Off ("**PTO**"). Executive will be eligible to receive 20 PTO days per year. PTO is an accrued benefit and will be paid out at termination in accordance with the Company's standard PTO policies.

4.8 Business Expenses; Office Sublease. Executive will be reimbursed for all reasonable, out-of-pocket business expenses incurred in the performance of Executive's duties on behalf of the Company, including travel-related expenses. To obtain reimbursement, expenses must be submitted promptly with appropriate supporting documentation in accordance with the Company's policies.

5 . Confidentiality and Proprietary Agreement. Executive agrees to abide by the Company's Employee Proprietary Information and Inventions Agreement (the "**Non-Disclosure Agreement**"), which Executive has signed and is incorporated herein by reference.

6. Termination of Executive's Employment.

6.1 Termination for Cause by the Company. The Company may terminate Executive's employment immediately at any time and without notice for "Cause." For purposes of this Agreement, "Cause" shall mean (i) a failure by Executive to perform any of her material obligations under this Agreement; (ii) the death of Executive or her disability resulting in her inability to perform her reasonable duties assigned hereunder for a consecutive period of 90 days; (iii) Executive's theft, dishonesty, or falsification of any Company documents or records; (iv) Executive's improper use or disclosure of the Company's confidential or proprietary information; or (v) Executive's conviction (including any plea of guilty or nolo contendere) of any criminal act which impairs Executive's ability to perform her duties hereunder or which in the Board's judgment may materially damage the business or reputation of the Company; provided, however, that prior to termination for Cause under clause (i) of this paragraph, Executive shall have a period of ten days after written notice from the Company to cure the event or grounds constituting such cause. Any notice of termination provided by Company to Executive under this Section 6.1 shall identify the events or conduct constituting the grounds for termination with sufficient specificity so as to enable Executive to take steps to cure the same if such default is a failure by Executive to perform any of her material obligations under this Agreement. In the event Executive's employment is terminated in accordance with this subsection 6.1, Executive shall be entitled to receive only the Base Salary and any earned Incentive Compensation (as defined in Section 4.4 above) then in effect, prorated to the date of termination. All other obligations of the Company to Executive pursuant to this Agreement will be automatically terminated and completely extinguished.

6.2 Termination Without Cause By The Company/Separation Package. The Company may terminate Executive's employment under this Agreement without Cause (as the term "Cause" is defined in Section 6.1 above) at any time on thirty (30) days' advance written notice to Executive. In the event of such termination without Cause during the six-month period ending December 3rd, 2016, Executive will receive (i) Executive's Base Salary through the date of termination, (ii) the full amount of any Incentive Compensation that was earned under Section 4.4 up to the date of termination (notwithstanding any provisions of Section 4.4 which require employment with the Company on the date of the Incentive Compensation payment date), and (iii) two month's Base Salary for each full month between the Effective Date and the date of termination. If Executive's employment agreement is terminated by the Company without Cause after December 3rd, 2016, in addition to the payments referred to in the immediately preceding sentence, (i) there shall be a twelve-month acceleration of unvested stock options and unvested time-based Restricted Stock Units, (ii) Executive shall have an additional twelve months from the date of termination within which to exercise her vested stock options, and (iii) Executive shall receive a "**Severance Payment**" equivalent to twelve months of Executive's then Base Salary and a full year's Incentive Compensation, payable in full within thirty (30) days after termination. The Company will issue the shares underlying the foregoing vested time-based Restricted Stock Units within ten (10) calendar days after the date of termination. As a condition to receiving the payments under this Section 6.2 Executive shall first satisfy the Severance Conditions. For purposes of this Agreement, the "**Severance Conditions**" are defined as (1) Executive's execution and non-revocation of a standard full general release, releasing all claims, known or unknown, that Executive may have against the Company arising out of or in any way related to Executive's employment or termination of employment with the Company, and such release has become effective in accordance with its terms prior to the 30th day following the termination date; and (2) Executive's reaffirmation of Executive's commitment to comply, and actual compliance, with all surviving provisions of this Agreement. Following payment of the Severance Payment, Base Salary and any Incentive Compensation through the date of termination, all other obligations of the Company to Executive pursuant to this Agreement will be automatically terminated and completely extinguished.

6.3 Change of Control/Acceleration and Termination. For purposes of this Agreement, "**Change of Control**" shall mean: (1) a merger or consolidation or the sale or exchange by the stockholders of the Company of all or substantially all of the capital stock of the Company, where the stockholders of the Company immediately before such transaction do not obtain or retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock or other voting equity of the surviving or acquiring corporation or other surviving or acquiring entity, in substantially the same proportion as before such transaction; (2) any transaction or series of related transactions to which the Company is a party in which in excess of fifty percent (50%) of the Company's voting power is transferred; or (3) the sale or exchange of all or substantially all of the Company's assets (other than a sale or transfer to a subsidiary of the Company as defined in section 424(f) of the Internal Revenue Code of 1986, as amended (the "**Code**")), where the stockholders of the Company immediately before such sale or exchange do not obtain or retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock or other voting equity of the corporation or other entity acquiring the Company's assets, in substantially the same proportion as before such transaction; provided, however, that a Change of Control shall not be deemed to have occurred pursuant to any transaction or series of transactions relating to a public or private financing or re-financing, the principal purpose of which is to raise money for the Company's working capital or capital expenditures and which does not result in a change in a majority of the members of the Board. Immediately upon a Change of Control, all of Executive's time based stock options and all Restricted Stock Units shall immediately vest, whether or not Executive's employment is terminated. If, either before or after a Change of Control the Executive's employment is terminated by the Company for any reason other than Cause, then Executive shall also receive all of the cash payments set forth in Section 6.2 above.

6.4 Resignation. Executive shall have the right to terminate this Agreement at any time, for any reason, by providing the Company with thirty (30) days written notice; provided, however, that subsequent to Executive's resignation, Executive shall be required to comply with all surviving provisions of this Agreement and Executive will only be entitled to receive Executive's Base Salary earned up to the date of termination. Notwithstanding the foregoing, Executive has the right upon thirty (30) days written notice to the Company to terminate Executive's employment for "Good Reason" due to occurrence of any of the following: (i) the Company's requirement that Executive's principal place of work relocate more than thirty (30) miles driving distance from downtown San Carlos without the written consent of Executive, (ii) a material adverse change in Executive's duties and responsibilities; (iii) any failure by the Company to pay, or any material reduction by Company of, the base salary, or any failure by Company to pay any Incentive Compensation to which Executive is entitled pursuant to Section 4; or (iv) the Company creates a work environment designed to constructively terminate Executive or to unlawfully harass or retaliate against Executive. In the event that Executive terminates her employment for Good Reason, then Executive shall be entitled to receive the Base Salary, any earned Incentive Compensation, Severance Payment and stock option and Restricted Stock Units vesting and exercisability as if Executive were terminated by the Company without Cause under Section 6.2, subject to Executive's compliance with all of the Severance Conditions.

6.5 Application of Section 409A.

6.5(a) Notwithstanding anything set forth in this Agreement to the contrary, no amount payable pursuant to this Agreement which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until Executive has incurred a "separation from service" within the meaning of the Section 409A Regulations.

6.5(b) The Company intends that income provided to Executive pursuant to this Agreement will not be subject to taxation under Section 409A of the Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code. **However, Company does not guarantee any particular tax effect for income provided to Executive pursuant to this Agreement.** In any event, except for Company's responsibility to withhold applicable income and employment taxes from compensation paid or provided to Executive, Company shall not be responsible for the payment of any applicable taxes on compensation paid or provided to Executive pursuant to this Agreement.

6.5(c) Furthermore, to the extent that Executive is a "specified employee" within the meaning of the Section 409A Regulations as of the date of Executive's separation from service, no amount that constitutes a deferral of compensation which is payable on account of Executive's separation from service shall be paid to Executive before the date (the "**Delayed Payment Date**") which is first day of the seventh month after the date of Executive's separation from service or, if earlier, the date of Executive's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

6.5(d) Notwithstanding anything herein to the contrary, the reimbursement of expenses or in-kind benefits provided pursuant to this Agreement shall be subject to the following conditions: (i) the expenses eligible for reimbursement or in-kind benefits in one taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year; (ii) the reimbursement of eligible expenses or in-kind benefits shall be made promptly, subject to Company's applicable policies, but in no event later than 30 days from the date the expenses are submitted to the Company; and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

6.5(e) For purposes of Section 409A of the Code, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

7. General Provisions.

7.1 Successors and Assigns. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company. Executive shall not be entitled to assign any of Executive's rights or obligations under this Agreement.

7.2 Waiver. Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, or prevent that party thereafter from enforcing each and every other provision of this Agreement.

7.3 Attorney's Fees. In the event of any dispute or claim relating to or arising out of Executive's employment relationship with Company, this Agreement, or the termination of Executive's employment with Company for any reason, the prevailing party in any such dispute or claim shall be entitled to recover its reasonable attorney's fees and costs.

7.4 Obligation to Defend and Hold Harmless. The Company is aware of Executive's past work history within the pharmaceutical industry. It is neither the intention of the Company, nor Executive, that Executive share with the Company any confidential and/or trade secret information derived from Executive's past employments. However, the Parties are aware of the fact that former employers at times do pursue specious claims and file lawsuits for improper purposes. Therefore, in the event that any claim, demand, lawsuit, and/or or other legal proceeding is brought against Executive at any time by one of her prior employers based the improper use or misappropriation of the former employer's confidential and/or trade secret information for the benefit of the Company, the Company agrees to defend Executive in such law suit and/or other legal proceeding and to pay all of Executive's Expenses incurred in such lawsuit and other legal proceeding. The term "Expenses" shall include, without limitation, attorneys' fees, retainers, court costs, transcript costs, fees of experts, reasonable travel expenses, and other disbursements or expenses of the types customarily incurred in connection with judicial proceedings, but shall not include the amount of judgments, fines or penalties against Executive or amounts paid in settlement in connection with such matters; provided, however, that the Company will pay the amount of a settlement of such lawsuit or legal proceeding if the settlement terms are acceptable to both the Company and Executive. If Executive shall reasonably conclude and advise the Company in writing that there is a conflict of interest on any significant issue between the Company and Executive in the conduct of the defense of such lawsuit or other legal proceeding, Executive may engage her separate counsel at the Company's expense, including, but not limited to payment of all costs and attorneys' fees separately incurred by Executive as they become due and payable.

7.5 Severability. In the event any provision of this Agreement is found to be unenforceable by an arbitrator or court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the parties shall receive the benefit contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of such arbitrator or court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

7.6 Interpretation; Construction. The headings set forth in this Agreement are for convenience only and shall not be used in interpreting this Agreement. Executive has participated in the negotiation of the terms of this Agreement. Furthermore, Executive acknowledges that Executive has had an opportunity to review and revise the Agreement and have it reviewed by legal counsel, if desired, and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

7.7 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the United States and the internal laws of the State of California. The parties submit to the exclusive jurisdiction of the state and federal courts of California, with state courts being venued in San Mateo County, California, and federal courts being venued in San Francisco, California.

7.8 Notices. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (a) by personal delivery when delivered personally; (b) by overnight courier upon written verification of receipt; (c) by telecopy, facsimile transmission, or electronic transmission such as e-mail, upon acknowledgment of receipt of electronic transmission; or (d) by certified or registered mail, return receipt requested, upon verification of receipt. Notice shall be sent to the following addresses/numbers, or such other address as either party may specify in writing, but in all events a copy of all notices shall be sent to the receiving party by email, as well as one other method as specified under this Section:

NOTICE TO COMPANY: Lion Biotechnologies, Inc., a Nevada corporation, c/o Chairman of the Audit Committee, 112 West 34 th Street, 18th Floor, New York, New York 10120, (212) 946-4856; Ryan Maynard rmaynard@rigel.com

NOTICE TO EXECUTIVE: Dr. Maria Fardis, 105 Aberdeen Dr., San Carlos, CA 94070; 650-722-2398; m_fardis@yahoo.com

7.9 Entire Agreement. This Agreement constitutes the entire agreement between the Parties relating to this subject matter and supersedes all prior or simultaneous representations, discussions, negotiations, and agreements, whether written or oral. This Agreement may be amended or modified only with the written consent of Executive and the Company. No oral waiver, amendment or modification will be effective under any circumstances whatsoever.

THE PARTIES TO THIS AGREEMENT HAVE READ THE FOREGOING AGREEMENT AND FULLY UNDERSTAND EACH AND EVERY PROVISION CONTAINED HEREIN. WHEREFORE, THE PARTIES HAVE EXECUTED THIS AGREEMENT ON THE DATES SHOWN BELOW.

EXECUTIVE:

Maria Fardis

/s/ MARIA FARDIS

Address: 105 Aberdeen Dr.
San Carlos, CA 94070

COMPANY:

Lion Biotechnologies, Inc.

By: /s/MOLLY HENDERSON
Name: Molly Henderson
Title: Chief Financial Officer

EXHIBIT A

Provided that Executive is still employed with the Company on the following dates (excluding cases noted under sections 6.2 and 6.3), the foregoing stock options will vest as to 25% (125,000 shares) on the first anniversary of the Effective Date, with remaining options vesting in equal monthly installments over the 36-month period following the first anniversary of the Effective Date. Provided that Executive is still employed with the Company on the following dates (excluding cases noted under sections 6.2 and 6.3), the foregoing 550,000 Restricted Stock Units will vest as to (i) 25% (137,500 Restricted Stock Units) on the first anniversary of the Effective Date, (ii) 25% (137,500 Restricted Stock Units) upon the completion enrollment of the ongoing Phase 2 melanoma study (N=20); (iii) 25% (137,500 Restricted Stock Units) when capacity for TIL manufacturing [* * * * *], and (iv) 25% (137,500 Restricted Stock Units) monthly in equal installments over the 36-month period following the first anniversary of the Effective Date. The Company will issue shares of common stock for the vested Restricted Stock Units under foregoing subparagraphs (i), (ii) and (iii) within ten (10) calendar days of those vesting dates, and will issue a number of shares of common stock for the vested Restricted Stock Units under subparagraph (iv) above within the first ten (10) calendar days of the calendar year following the calendar year in which such vesting of the Restricted Stock Units occurs.

Exhibit 31.1

CERTIFICATION

I, Maria Fardis, 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: August 9, 2016

By: /s/ Maria Fardis
Maria Fardis
Chief Executive Officer

Exhibit 31.2

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: August 9, 2016

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

Exhibit 32.1

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 June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Maria Fardis, 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: August 9, 2016

By: /s/ Maria Fardis
Maria Fardis
Chief Executive Officer

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.

Exhibit 32.2

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 June 30, 2016, 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: August 9, 2016

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

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.