

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, 2013**

For the transition period from to .

Commission File Number 000-53127

**LION BIOTECHNOLOGIES, INC.**  
(Exact name of small business issuer as specified in its charter)

**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

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

**21900 Burbank Blvd, Third Floor, Woodland Hills, CA 91367**

(Address of principal executive offices and zip code)

**(818) 992-3126**

(Registrant's telephone number, including area code)

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

Yes  No

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

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

Large accelerated filer

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

Accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

At October 22, 2013, the issuer has 15,093,812 shares of common stock outstanding.

**LION BIOTECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**FORM 10-Q**  
**For the Quarter Ended June 30, 2013**

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

LION BIOTECHNOLOGIES, INC.  
(A Development Stage Company)  
Condensed Balance Sheets

	June 30, 2013 <u>(Unaudited)</u>	December 31, 2012
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 569,581	\$ -
Deposits	5,000	5,000
Prepaid expenses	4,135	2,275
<b>Total Current Assets</b>	<u>578,716</u>	<u>7,275</u>
<b>Property and equipment</b> , net of accumulated depreciation of \$12,020 and \$8,915	19,033	22,138
<b>Total Assets</b>	<u>\$ 597,749</u>	<u>\$ 29,413</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>		
<b>Current Liabilities</b>		
Accounts payable	1,480,851	1,098,271
Accrued expenses	1,888,220	1,740,220
7% Senior secured convertible promissory notes	-	5,000,000
12% Secured promissory note	-	1,231,250
September 2012 secured promissory note	-	250,000
Accrued interest and penalty	-	2,029,148
<b>Total Current Liabilities</b>	<u>3,369,071</u>	<u>11,348,889</u>
<b>Commitments and contingencies</b>		
<b>Stockholders' Deficiency</b>		
Common stock, \$0.000041666 par value; 18,000,000 shares authorized, 13,332,315 and 818,806 shares issued and outstanding, respectively	556	34
Common stock to be issued, 303,125 shares	245,153	245,153
Common stock subscribed for, 400,000 shares	400,000	-
Additional paid-in capital	31,742,948	19,119,532
Accumulated deficit	(35,159,979)	(30,684,195)
<b>Total Stockholders' Deficiency</b>	<u>(2,771,322)</u>	<u>(11,319,476)</u>
<b>Total Liabilities and Stockholders' Deficiency</b>	<u>\$ 597,749</u>	<u>\$ 29,413</u>

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

**LION BIOTECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Condensed Statements of Operations**  
**(Unaudited)**

	For the Three Months Ended		For the Six Months Ended		For the Period
	June 30,		June 30,		from
	2013	2012	2013	2012	September 17, 2007 (Date of Inception) through June 30, 2013
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Costs and expenses</b>					
Operating expenses (including \$87,386, \$469,486, 133,032, \$1,696,712 and \$16,312,129 in share based compensation costs)	779,260	1,376,425	1,214,173	3,626,558	\$ 27,712,211
Research and development	250,000	270,000	520,000	1,156,000	4,103,045
Impairment of intangible asset	-	-	-	-	160,036
<b>Total costs and expenses</b>	<u>1,029,260</u>	<u>1,646,425</u>	<u>1,734,173</u>	<u>4,782,558</u>	<u>31,975,292</u>
<b>Loss from operations</b>	<u>(1,029,260)</u>	<u>(1,646,425)</u>	<u>(1,734,173)</u>	<u>(4,782,558)</u>	<u>(31,975,292)</u>
<b>Other income (expense)</b>					
Interest expense	(104,127)	(110,810)	(445,743)	(199,282)	(2,518,959)
Change in fair value of derivative liabilities	-	1,927,839	-	(620,235)	10,001,955
Amortization of discount on convertible notes	-	(497,888)	-	(497,888)	(5,497,888)
Cost to induce exchange transaction	(2,295,868)	-	(2,295,868)	-	(2,295,868)
Financing costs	-	-	-	-	(2,873,927)
<b>Total other income (expense)</b>	<u>(2,399,995)</u>	<u>1,319,141</u>	<u>(2,741,611)</u>	<u>(1,317,405)</u>	<u>(3,184,687)</u>
<b>Net Loss</b>	<u>\$ (3,429,255)</u>	<u>\$ (327,284)</u>	<u>\$ (4,475,784)</u>	<u>\$ (6,099,963)</u>	<u>\$ (35,159,979)</u>
<b>Net Loss Per Share, Basic and Diluted</b>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.08)</u>	
<b>Weighted-Average Common Shares</b>					
<b>Outstanding, Basic and Diluted</b>	<u>6,241,327</u>	<u>782,931</u>	<u>2,901,424</u>	<u>782,149</u>	

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

**LION BIOTECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Condensed Statements of Stockholders' Deficiency**  
**For the Six Months Ended June 30, 2013**  
**(Unaudited)**

	<u>Common Stock</u>		<u>Common Stock to Be Issued</u>	<u>Common Stock Subscribed For</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Deficiency</u>
	<u>Shares</u>	<u>Amount</u>					
<b>Balance - December 31, 2012</b>	818,806	\$ 34	\$ 245,153	\$	- \$ 19,119,532	\$ (30,684,195)	\$ (11,319,476)
Common stock issued in settlement of notes payable and accrued interest and penalty	9,267,641	386			9,267,255		9,267,641
Common stock issued for cash under the restructuring	950,000	40		400,000	839,970		1,240,010
Fair value of common stock issued for cancellation of outstanding warrants	122,734	5			122,729		122,734
Fair value of vested stock options and warrants					220,418		220,418
Fair value of additional Common Stock granted in exchange transaction, \$1.00 per share	2,173,134	91			2,173,044		2,173,135
Net loss						(4,475,784)	(4,475,784)
<b>Balance - June 30, 2013</b>	<u>13,332,315</u>	<u>\$ 556</u>	<u>\$ 245,153</u>	<u>\$ 400,000</u>	<u>\$ 31,742,948</u>	<u>\$ (35,159,979)</u>	<u>\$ (2,771,322)</u>

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

**LION BIOTECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Condensed Statements of Cash Flows**  
**(Unaudited)**

	For the Six Months Ended June 30,		September 17, 2007 (Date of Inception) through June 30, 2013
	2013	2012	
<b>Cash Flows From Operating Activities</b>			
Net loss	\$ (4,475,784)	\$ (6,099,963)	\$ (35,159,979)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	3,106	3,105	73,392
Impairment of intangible asset	-	-	160,036
Fair value of vested stock options and warrants	220,418	1,646,712	4,656,593
Fair value of common stock and warrants accounted for as financing costs	-	-	2,986,819
Fair value of vested warrants granted for services	-	-	2,563,647
Amortization of discount on convertible notes	-	-	5,000,000
Common shares to be issued with 12% promissory notes	-	497,888	-
Private placement costs	-	-	385,000
Change in fair value of derivative liabilities	-	620,236	(10,001,955)
Common stock issued to officer for services	-	-	8,010,000
Common stock issued for services	-	50,000	1,298,452
Common stock issued conversion of warrants	122,734	-	122,734
Common stock issued for repricing shares	2,173,134	-	2,173,134
Fair value of common stock transferred to officer and director	-	-	1,742,037
Write off of advances to related party	-	-	50,000
Changes in assets and liabilities:			
Deposits, prepaid expenses and other assets	(1,860)	5,236	(9,135)
Accounts payable and accrued expenses	976,323	700,058	5,843,962
Accrued expenses - National Institute of Health	-	616,000	-
Net Cash Used In Operating Activities	<u>(981,929)</u>	<u>(1,960,728)</u>	<u>(10,105,263)</u>
<b>Cash Flows From Investing Activities</b>			
Property and equipment	-	-	(35,053)
Advances to related party	-	-	(50,000)
Net Cash Used In Investing Activities	<u>-</u>	<u>-</u>	<u>(85,053)</u>
<b>Cash Flows From Financing Activities</b>			
Proceeds from the issuance of convertible notes, net	311,500	-	4,926,500
Proceeds from the issuance of secured promissory notes, net	-	1,216,250	1,481,250
Proceeds from the issuance of common stock	1,240,010	250,000	4,334,010
Due to director	-	-	18,137
Net Cash Provided By Financing Activities	<u>1,551,510</u>	<u>1,466,250</u>	<u>10,759,897</u>
<b>Net Decrease In Cash And Cash Equivalents</b>	<u>569,581</u>	<u>(494,478)</u>	<u>569,581</u>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<u>-</u>	<u>510,017</u>	<u>-</u>
<b>Cash and Cash Equivalents, End of Period</b>	<u>\$ 569,581</u>	<u>\$ 15,539</u>	<u>\$ 569,581</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>			
Derivative liability recorded upon issuance of convertible notes and warrants	\$ -	\$ -	\$ 5,535,310
Derivative liability recorded as offering cost	\$ -	\$ 182,081	\$ 1,902,998
Common stock issued for intellectual property	\$ -	\$ -	\$ 217,408
Forgiveness of debt by director, treated as contribution of capital	\$ -	\$ -	\$ 18,137
Common stock issued upon conversion of convertible notes, accrued interest and penalty	\$ 9,267,641	\$ -	\$ 9,267,641

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

**LION BIOTECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**Three and Six Months Ended June 30, 2013 and 2012 and Period**  
**from September 17, 2007 (Inception) to June 30, 2013**  
**(UNAUDITED)**

**NOTE 1. GENERAL ORGANIZATION AND BUSINESS**

Lion Biotechnologies, Inc. (the “Company,” “we,” “us” or “our”) was originally incorporated under the laws of the state of Nevada on September 17, 2007. The Company is considered a development stage company, and has had no revenues from operations to date.

The Company’s initial operations included organization, capital formation, target market identification, new product development and marketing plans. The Company has become a biopharmaceutical company engaged in the development and commercialization of drugs and other therapies using autologous tumor infiltrating lymphocytes for the treatment of Stage IV metastatic melanoma and other cancers. Our lead product candidate, Cōntego™, is an adoptive cell therapy using autologous tumor infiltrating lymphocytes for the treatment of certain cancers.

On March 15, 2010, the Company (then named Freight Management Corp.) and Genesis Biopharma, Inc., a Nevada corporation and newly formed merger subsidiary wholly owned by the Company (“Merger Sub”), consummated a merger transaction (the “Merger”) whereby Merger Sub merged into the Company, with the Company as the surviving corporation. The Company and Merger Sub filed the Articles of Merger on March 15, 2010 with the Secretary of State of Nevada, along with the Agreement and Plan of Merger entered into by the two parties effective as of March 15, 2010 (the “Merger Agreement”). The Merger Agreement and the Articles of Merger provided for an amendment of the Company’s Articles of Incorporation, which changed the Company’s name to “Genesis Biopharma, Inc.” effective March 15, 2010.

On September 26, 2013, the Company changed its name to “Lion Biotechnologies, Inc.” and effected a 1-for-100 reverse stock split. Common stock share and per share information contained in this Quarterly Report, including in these unaudited condensed financial statements, has been adjusted to reflected the foregoing stock split as if it occurred at the earliest period presented.

***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, 2013 and 2012 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, 2012 was derived from the audited financial statements included in the Company’s financial statements as of and for the year ended December 31, 2012 included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on September 23, 2013. These financial statements should be read in conjunction with that report.

***Development Stage***

We are currently in the development stage. As a development stage company that is currently engaged in the development of therapeutics to fight cancer, we have not yet generated any revenues from our biopharmaceutical business. We currently do not anticipate that we will generate any revenues during 2013 from the sale or licensing of any products. In addition, we have not generated any revenues from our prior business plans.

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***Going Concern***

The accompanying condensed financial statements have been prepared assuming that the Company will continue as a going concern. The Company has not had any revenue and is in the development stage. As shown in the accompanying condensed financial statements, the Company has incurred a net loss of \$4,475,784 for the six months ended June 30, 2013 and has used \$1,214,173 of cash in its operating activities during the six months ended June 30, 2013. As of June 30, 2013, the Company has a stockholders' deficiency of \$2,771,322 and has a working capital deficiency of \$2,790,355.

The Company's ability to continue as a going concern is dependent upon its ability to develop additional sources of capital and to ultimately achieve sustainable revenues and profitable operations. As a result, the Company's independent registered public accounting firm, in its report on the Company's December 31, 2012 financial statements, has raised substantial doubt about the Company's ability to continue as a going concern. The Company's financial statements do not include any adjustments that might result from the outcome of these uncertainties. At June 30, 2013, the Company has not yet commenced any revenue-generating operations and is dependent on debt and equity funding to finance its operations.

We currently do not have sufficient capital on hand to fund our anticipated on-going operating expenses, and we do not have any bank credit lines or other sources of capital. Accordingly, we will have to obtain additional debt or equity funding in the near future in order to continue our operations. We have not identified the sources for the additional financing that we will require, and we do not have commitments from any third parties to provide this financing. No assurance can be given that we will have access to the capital markets in future, or that financing will be available to us on acceptable terms to satisfy either our short-term future loan repayment obligations or our subsequent on-going cash requirements that we need to implement our business strategies. Our inability to access the capital markets or obtain acceptable financing could force us to terminate our business, abandon our plan to develop Cōntego™, and cease operations.

Because the Company is currently engaged in research at an early stage, it will likely take a significant amount of time to develop any product or intellectual property capable of generating revenues. As such, the Company's business is unlikely to generate any sustainable revenues in the next several years, and may never do so. Even if the Company is able to generate revenues in the future through licensing its technologies or through product sales, there can be no assurance that the Company will be able to generate a profit. These factors, coupled with our inability to meet our obligations from current operations, and the need to raise additional capital to accomplish our objectives, create a substantial doubt about our ability to continue as a going concern.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES**

***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. 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. For the three and six months ended June 30, 2013 and 2012, 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.

The potentially dilutive securities at June 30, 2013 consist of options to acquire 93,750 shares of the Company's common stock and warrants to acquire 1,000 shares of common stock.



**LION BIOTECHNOLOGIES, INC.**  
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***Fair Value Measurements***

The Company uses various inputs in determining the fair value of certain assets and liabilities and measures these on a recurring basis. Financial assets and liabilities recorded at fair value in the balance sheets are categorized by the level of objectivity associated with the inputs used to measure their fair value. Authoritative guidance provided by the Financial Accounting Standards Board (the "FASB") defines the following levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these financial assets and liabilities:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3—Unobservable inputs based on the Company's assumptions.

***Derivative financial instruments***

The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date.

For stock-based derivative financial instruments, the Company used a probability weighted average Black-Scholes-Merton models to value the derivative instruments at inception and on subsequent valuation dates through September 30, 2012. At December 31, 2012, the Company used the assistance of valuation specialist to determine fair value of the derivative liability. On May 22, 2013, upon the completed restructuring of the Company's unregistered debt and equity securities ("financial instruments") (see Note 3), all financial instruments that were subjected to a derivative liability were converted into shares of the Company's common stock. As such, the Company had no derivative liabilities as of June 30, 2013.

***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.

***Stock-Based Compensation***

The Company periodically issues stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs. The Company accounts for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by the Financial Accounting Standards Board whereas the value of the award is measured on the date of grant and recognized over the vesting period. The Company accounts for stock option and warrant grants issued and vesting to non-employees in accordance with the authoritative guidance of the Financial Accounting Standards Board whereas the value of the stock compensation is based upon the measurement date as determined 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.

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The fair value of the Company's common stock option grant is estimated using the 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.

***Recent Accounting Pronouncements***

In January 2013, the FASB issued ASU 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. This ASU clarifies which instruments and transactions are subject to the offsetting disclosure requirements established by ASU 2011-11. This guidance is effective for annual and interim reporting periods beginning January 1, 2013. We do not believe the adoption of this update will have a material effect on our financial position and results of operations.

On March 4, 2013, the FASB issued ASU 2013-05, "Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity" ("ASU 2013-05"). ASU 2013-05 updates accounting guidance related to the application of consolidation guidance and foreign currency matters. This guidance resolves the diversity in practice about what guidance applies to the release of the cumulative translation adjustment into net income. This guidance is effective for interim and annual periods beginning after December 15, 2013. We do not believe the adoption of this update will have a material effect on our financial position and results of operations.

In July 2013, the FASB issued ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. Topic 740, Income Taxes, does not include explicit guidance on the financial statement presented of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. There is diversity in practice in the presentation of unrecognized tax benefits in those instances and the amendments in this update are intended to eliminate that diversity in practice. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Early adoption is permitted. We do not believe the adoption of this update will have a material effect on our financial position and results of operations.

Other accounting pronouncements did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

**NOTE 3. RESTRUCTURING OF DEBT**

Effective May 22, 2013, the Company completed a restructuring of its unregistered debt and equity securities resulting in issuance of shares of common stock in exchange for (i) the cancellation of the 12% Secured Promissory Notes, (ii) 7% Senior Secured Notes, (iii) September 2012 Secured Promissory Notes, (iv) 18% Notes and certain other indebtedness, (v) and the receipt of \$1.35 million from the sale of shares of common stock (the "Restructuring"). To effect the Restructuring, the Company entered into an exchange agreement (the "Exchange Agreement") and a stock purchase agreement (the "Stock Purchase Agreement"). The Exchange Agreement, Stock Purchase Agreement and the transactions contemplated thereby are described in further detail below. The terms of the Restructuring were determined in negotiations between the Company and the creditors and investors party thereto, and were approved by the Board of Directors, including a majority of the disinterested directors. The securities issued pursuant the Restructuring are exempt from registration under Section 4(2) of the Securities Act of 1933 (the "Securities Act") and Rule 506 of Regulation D because, among other reasons, all offerees are "accredited investors" under Section 2(15) of the Securities Act, all participants were existing security holders of the Company, and no general solicitation or public advertisement was conducted in connection with the Restructuring. The terms of the Restructuring are as follows:

**LION BIOTECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
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**from September 17, 2007 (Inception) to June 30, 2013**  
**(UNAUDITED)**

Exchange Agreement

Before the Exchange Agreement was entered into on May 22, 2013, the Company had outstanding promissory notes payable, and accrued interest and penalties thereon, in the aggregate amount of \$9,267,641. These obligations arose as follows;

- From April to July 2012, we entered into Note and Common Stock Subscription Agreement (the “Subscription Agreement”) with accredited investors (collectively, the “Purchasers”) in connection with the subscription by the Purchasers for certain Secured Promissory Notes (the “2012 Secured Notes”) and shares of our common stock. The 2012 Secured Notes bore interest at 12% per annum and were originally due to mature on June 30, 2012. The note maturity date was amended several times but was in default as of December 31, 2012. As of December 31, 2012, and on May 22, 2013, the principal balance of these outstanding notes was \$1,231,250. In addition, approximately \$149,000 of interest and penalties was due as of May 22, 2013
- On July 27, 2011 the Company completed an offering of \$5,000,000 of its senior secured convertible promissory notes (the “Senior Secured Notes”). The Senior Secured Notes bore an interest rate of 7% per annum, were originally scheduled to mature on November 30, 2011, and were convertible into shares of the Company’s common stock at a conversion price of \$125.00 per share, subject to adjustment. The terms and maturity date of the Senior Secured Notes had been amended several times, but were in default as of December 31, 2012. As of December 31, 2012, and on May 22, 2013, the principal balance of these outstanding notes was \$5,000,000. In addition, approximately \$2,300,000 of interest and penalties was due as of May 22, 2013.
- On September 12, 2012, the Company issued a promissory note amounting to \$250,000. As amended, the note was due on demand, bore interest at a rate of 12% per annum and was secured by the Company’s assets. As of December 31, 2012, and on May 22, 2013, the principal balance of this outstanding note was \$250,000. In addition, approximately \$24,000 of interest and penalties was due as of May 22, 2013.
- In January and May, 2013, the Company issued four (4) eighteen (18%) percent convertible promissory notes in the aggregate amount of \$311,500 (each an “18% Note”) that were due on demand. As of May 22, 2013, the balance of these outstanding notes was \$311,500. In addition, approximately \$19,000 of interest and penalties was due as of May 22, 2013.

Under the Exchange Agreement, these creditors of the Company converted all of the foregoing outstanding debt into 9,267,641 shares of Common Stock at a conversion price of \$1.00 per share.

This Exchange Agreement terminated all outstanding promissory notes and warrants originally issued with these notes, and any anti-dilution protection thereunder. The Exchange Agreement provides for new limited anti-dilution protection for shares of Common Stock issued under the Exchange Agreement, whereby such shares receive anti-dilution protection for any shares of capital stock of the Company sold at less than \$1.00 per share, solely with respect to the first \$6 million of any new sales of securities of the Company. In addition, all creditors and placement agents provided a release of all claims against the Company with respect to all rights and ownership of the Debt and warrants, in consideration of the shares issued pursuant to this Exchange Agreement. These shares that may potentially be issued are deemed to be indexed to the Company’s own stock, and as such, not subject to derivative accounting.

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Stock Purchase Agreement

In addition to the exchange agreement, certain creditors entered into a Stock Purchase Agreement that resulted in the sale of 1,100,000 shares of common stock at a price of \$1.00 per share. Furthermore, certain creditors purchased an additional of 250,000 shares of Common Stock at a purchase price of \$1.00 per share under the exchange agreement, resulting in aggregate issuance of 1,350,000 shares of common stock (of which 400,000 shares have yet to be issued) for proceeds to the Company of \$1,240,010, net of legal fees of \$109,990.

In addition, any investor participating in and purchasing a minimum amount of Common Stock in the financing received, for no further consideration, the number of shares of Common Stock that such Investor would have received in debt or equity transactions if the price per share of Common Stock in prior transactions where they purchase stock or convertible notes would have been \$1.00 per share (the "Repricing Issuance"). As such, the Company issued 2,173,134 shares of common stock to these investors, and reflected the fair value of such shares of \$2,173,134 (based on a value of a \$1.00 per share) as cost to induce the exchange.

In addition, certain creditors and certain placement agents associated with the Debt, together holding warrants to purchase 40,800 shares of capital stock of the Company exchanged such warrants and received one share of Common Stock in exchange for each share of capital stock of the Company underlying the warrants. All Investors and other parties holding warrants to purchase 81,934 shares of capital stock of the Company exchanged such warrants and received one share of Common Stock in exchange for each share of capital stock of the Company underlying the warrants. In the aggregate, warrants to acquire 122,734 shares of common stock were cancelled and exchanged for 122,734 shares of common stock, which were valued at \$122,734 and reflected as a cost in the accompanying statement of operations.

The Stock Purchase Agreement resulted in the issuance of 3,245,868 shares of common stock. In addition, one investor paid \$400,000 for the right to acquire, at any time and for no additional consideration, up to 400,000 additional shares of common stock. The Stock Purchase Agreement provides for new limited anti-dilution protection for shares of Common Stock issued under the Stock Purchase Agreement, whereby such shares receive anti-dilution protection for any shares of capital stock of the Company sold at less than \$1.00 per share, solely with respect to the first \$6 million of any new sales of securities of the Company. These shares that may potentially be issued are deemed to be indexed to the Company's own stock, and as such, not subject to liability accounting.

**NOTE 4. EQUITY RESTRUCTURING**

Pursuant to the Restructuring, the Company underwent a significant change in ownership of its shares. Under the Restructuring, certain creditors, Investors, placement agents and consultants were issued approximately 94% of the Company's outstanding voting equity interests, with Ayer Capital Partners Master Fund, L.P. together with certain of its affiliates (the "Ayer Funds") and Bristol Investment Fund, Ltd., together with certain of its affiliates ("Bristol"), owning approximately 41% and 29% respectively of the Company's outstanding voting securities. Prior to the Restructuring, control of the Company was widely disseminated among various stockholders, including the Investors. No single shareholder holds more than 41% of the voting shares after the restructuring. The Company did not apply push down accounting to financial assets and liabilities as it believes the change was less than the required for push down accounting.

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On May 20, 2013, Martin Schroeder resigned from the Board of Directors. In connection with the Restructuring, on May 22, 2013, Anthony Cataldo, Michael Handelman and William Andrews resigned from our Board of Directors. Finally, on May 24, 2013, our stockholders removed Dr. L. Stephen Coles from the Board and elected Paul Kessler to serve as an additional director on the Board. Mr. Kessler is a director of Bristol Investment Fund, Ltd. and a manager of Bristol Capital, LLC who, collectively, hold approximately 27.5% of our currently outstanding shares of common stock. Under the Restructuring, Bristol converted approximately \$2.92 million in Debt (including accrued interest and penalties) into shares of Common Stock, invested \$341,111 in the Financing, received a Repricing Issuance, and exchanged 45,325 warrants for shares of capital stock of the Company into shares of Common Stock, collectively resulting in the issuance of approximately 3,910,000 shares of Common Stock to Bristol.

Effective as of May 28, 2013, the Company amended its Bylaws to opt out of the Nevada Revised Statutes acquisition of controlling interest provisions 78.378 to 78.3793, inclusive and to provide that a majority of the outstanding voting securities of the Company may fill a vacancy on the Company's board of directors.

Settlement Mr. Cataldo

On June 19, 2013, the Company entered into a Settlement Agreement and General Release of All Claims (the "Agreement") with Mr. Anthony Cataldo, the Company's former chief executive officer ("Cataldo"). Per the Agreement, Mr. Cataldo voluntarily resigned as the Company's chief executive officer, effective as of June 1, 2013. The Agreement also settles any amounts owed to Mr. Cataldo by the Company, providing that upon the Company achieving its first financing with aggregate proceeds to the Company of greater than \$5,000,000 following the date of the Agreement (the "Financing"), the Company shall provide Cataldo with a cash payment equal to \$370,000 ("settlement amount"), to be paid out as follows: (a) a payment of \$120,000 in cash, less all appropriate federal and state income and employment taxes, payable to Cataldo within ten (10) business days following the closing of the Financing, and (b) a payment of \$250,000, less all appropriate federal and state income and employment taxes, payable to Cataldo within ten (10) business days following a closing of the Financing and immediately reinvested by Company on Cataldo's behalf in the Financing, on the same terms and conditions therein. The Agreement also provides for mutual releases of all claims related in any way to the transactions or occurrences between Cataldo and the Company to date, to the fullest extent permitted by law, including, but not limited to, Cataldo's employment with Company.

The Company recorded the \$370,000 settlement amount to Mr. Cataldo under the caption "Accrued expenses" on the accompanying balance sheet as of June 30, 2013. No portion of this settlement amount was paid to Mr. Cataldo as of June 30, 2013.

NOTE 5. DERIVATIVE LIABILITIES

In June 2008, the FASB issued authoritative guidance on determining whether an instrument (or embedded feature) is indexed to an entity's own stock. Under the authoritative guidance, effective January 1, 2009, instruments which did not have fixed settlement provisions were deemed to be derivative instruments. The convertible notes and warrants issued related to the private placement do not have fixed settlement provisions because their conversion and exercise prices may be lowered if the Company issues securities at lower prices in the future. The conversion feature and warrants have been characterized as derivative liabilities to be re-measured at the end of every reporting period with the change in value reported in the statement of operations.

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The Company used the assistance of a valuation specialist due to the complexity in determining the fair value of its derivative liability at December 31, 2012. As a result of the Company's inability to pay its debt obligations, the default status of its convertible promissory notes and lack of available working capital at December 31, 2012, for valuation purposes, the Company, with the assistance of the independent valuation expert determined that the effect of the default and insolvent financial condition, as such, the outstanding conversion features and warrants accounted for as derivative upon its issuance had no more value at December 31, 2012. On May 22, 2013, upon the completed restructuring of the Company's unregistered debt and equity securities ("financial instruments") (see Note 3), all financial instruments that were subjected to derivative accounting were converted into shares of the Company's common stock. As such, the Company had no derivative liabilities as of June 30, 2013.

**NOTE 6. STOCK OPTIONS AND WARRANTS**

***Stock Options***

As of October 14, 2011, the Company's Board of Directors, based upon the approval and recommendation of the Compensation Committee, approved by unanimous written consent the Company's 2011 Equity Incentive Plan (the "2011 Plan") and form of option agreements for grants under the 2011 Plan. Employees, directors, consultants and advisors of the Company are eligible to participate in the 2011 Plan. The 2011 Plan will be administered by the Board of Directors or the Company's Compensation Committee and has 1,700,000 shares of common stock reserved for issuance in the form of incentive stock options (available for issuance to employees, and only upon shareholder approval of the 2011 Plan); non-qualified options; common stock; and grant appreciation rights. No person eligible to participate in the 2011 Plan shall be granted options or other awards during a twelve month period that exceeds 300,000 shares. No options or stock appreciation rights may be granted after ten years of the adoption of the 2011 Plan by the Board of Directors, nor may any option have a term of more than ten years from the date of grant. The exercise price of non qualified options and the base value of a stock appreciation right shall not be less than the fair market value of the common stock on the date of grant. The exercise price of an incentive stock option shall not be less than the fair market value of the stock covered by the option at the time of grant and in instances where a grantee possesses more than 10% percent of the combined voting power of all classes of stock of the Company, the exercise price shall not be less than 110% percent of the fair market value of the common stock at the time of grant. The Company's stockholders did not approve the 2011 Plan within the required one-year period. Accordingly, the Company cannot grant incentive stock options under the 2011 Plan.

A summary of the status of stock options at June 30, 2013, and the changes during the six months then ended, is presented in the following table:

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	<b>Shares Under Option</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at December 31, 2012	93,750	107.00	7.7 years	\$ 217,063
Granted				
Exercised				
Expired/Forfeited				
Outstanding at June 30, 2013	<u>93,750</u>	<u>\$ 107.00</u>	<u>7.2 years</u>	<u>\$ 0</u>
Exercisable at June 30, 2013	<u>65,165</u>	<u>\$ 102.00</u>	<u>6.8 years</u>	<u>\$ 0</u>

During the three and six months ended June 30, 2013, the Company recorded compensation costs of \$133,032 and \$220,418, respectively, relating to the vesting of the stock options discussed above. During the three and six months ended June 30, 2012, the Company recorded compensation costs of \$469,486 and \$1,646,712, respectively, relating to the vesting of the stock options. As of June 30, 2013, the aggregate value of unvested options was \$2,956,102, which will continue to be amortized as compensation cost as the options vest over terms ranging from 1 to 5 years, as applicable. On August 31, 2013, 25,000 options to purchase common stock granted to Mr. Cataldo with unamortized compensation cost of \$1,611,698 were forfeited as a result of his resignation as our chief executive officer effective June 1, 2013. See Note 4.

On March 1, 2011, the Company entered into an employment agreement that provided for the grant of options to purchase 25,000 shares of its common stock at an exercise price of \$125.00. The options were to vest as follows: a) 5,000 shares vested immediately and b) 20,000 shares vest in equal monthly installments over the two-year term of the agreement. Neither the Board of Directors nor the Compensation Committee approved the grant the foregoing options. Accordingly, the Company may be obligated to grant these options, but has not done so yet. Therefore, as the grant of these options has not been approved, they are not included in compensation expense or in number of granted options listed as of and for the year ended December 31, 2012 or as of and for the three and six months ended June 30, 2013.

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**Warrants**

A summary of the status of stock warrants at June 30, 2013, and the changes during the six months then ended, is presented in the following table:

	<u>Shares Under Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at December 31, 2012	108,734	\$ 123.00	3.5 years	\$ -
Issued	15,000			
Exercised	(122,734)			
Expired	-			
Outstanding and exercisable at June 30, 2013	<u>1,000</u>	<u>\$ 126.00</u>	<u>7.5 years</u>	<u>\$ -</u>

**NOTE 7. LICENSE AND COMMITMENTS**

***National Institutes of Health and the National Cancer Institute***

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 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.

The Company will provide funds in the amount of \$1,000,000 per year of the CRADA for Dr. Rosenberg to use to acquire technical, statistical, and administrative support for the research activities, as well as to pay for supplies and travel expenses. The Company will provide funds in the amount of \$250,000 on a quarterly basis. The first quarterly installment of \$250,000 was due within thirty (30) days of the Effective Date of the CRADA and each subsequent installment will be due within thirty (30) days of each quarterly anniversary of the December 5, 2011 Effective Date. In addition, although the CRADA has a five year term, either party to the CRADA has the right to terminate the CRADA upon 60 days' notice to the other party.

During the six months ended June 30, 2013, the Company recognized a total of \$500,000, of CRADA expenses, which was recorded as part of Research and Development expenses in the condensed statement of operations. As of June 30, 2013 and December 31, 2012, \$250,000 and \$500,000, respectively, was due under these agreements.



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***National Institutes of Health***

Effective October 5, 2011, the Company entered into a Patent License Agreement (the "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"). Pursuant to the License Agreement, NIH granted to the Company a non-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 required us to pay the NIH approximately \$723,000 of upfront licensing fees and expense reimbursements in 2011, which amounts were included in Research and Development expenses in fiscal 2011. In addition, the Company will have to pay royalties of six percent (6%) of net sales (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 cost incurred by NIH pursuant to the agreement. The Company initially intends to focus on the development of licensed products in the metastatic melanoma field of use. If the Company achieves all benchmarks for metastatic melanoma, up to and including the product's first commercial sale in the United States, the total amount of such benchmark payments will be \$6,050,000. The benchmark payments for the other three indications, if all benchmarks are achieved, will be \$6,050,000 for ovarian cancer, \$12,100,000 for breast cancer, and \$12,100,000 for colorectal cancer. Accordingly, if the Company achieves all benchmarks for all four licensed indications, the aggregate amount of benchmark royalty payments that the Company will have to make to NIH will be \$36,300,000.

During the neither the year ended December 31, 2012 or the six month ended June 30, 2013, there were no net sales subject to certain annual minimum royalty payments, 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 and regulatory milestones for each of the various indications.

As of the date of this Quarterly Report, the amount due of \$632,292 is currently past due and included in the condensed balance sheet and the Company deemed in default. The Company has not received any termination notice from the NIH and is currently in discussion to cure the default.

**NOTE 8. RELATED PARTY TRANSACTIONS**

***Accrued Payroll and Fees***

As of June 30, 2013 and December 31, 2012, the Company accrued the unpaid salaries of its officers and fees due to members of the Company's board of directors in the amount of \$758,081 and \$395,081 respectively, which is included in Accrued Expenses in the accompanying condensed balance sheet.

***Emmes Group Consulting LLC***

Effective as of February 15, 2011, the Company entered into a consulting agreement with Emmes Group Consulting LLC, a strategic business consulting firm ("Emmes"). Mr. Schroeder, a former director of the Company, is an Executive Vice President and Managing Director of Emmes and the Emmes Group, Inc. Under the consulting agreement, Emmes agreed to assist and advise us with respect to the development of an overall strategic business plan, the identification of in-licensing therapeutic opportunities, and raising debt and equity capital. In consideration for the foregoing consulting services, we issued to Emmes a ten-year warrant to purchase up to 1,000 shares of our common stock at an exercise price of \$126.00 per share. In addition, we agreed to pay Emmes \$10,000 per month. The initial term of the consulting agreement expired on May 15, 2011, but continued in accordance with the terms of the consulting agreement for an unspecified term until terminated at any time by either party with or without cause. Effective August 1, 2011, the Company amended the consulting agreement to increase the monthly consulting fee to \$20,000, commencing as of July 11, 2011. The amendment also extended the term of the consulting agreement to December 31, 2011.

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On February 12, 2012, the Company entered into a Second Amendment to the Consulting Agreement, engaging the Emmes Group as its senior contractor and project manager responsible for the overall management of the design, development, implementation, and installation of our corporate and regulatory compliant information technology infrastructure and systems. The consulting agreement with Emmes Group was terminated in January 2013.

During the six months ended June 30, 2013, the Company recognized a total of \$22,412, of consulting expenses from Emmes, which was recorded as part of Operating expenses in the condensed statement of operations.

**NOTE 9. SUBSEQUENT EVENTS**

**Agreement with Lion Biotechnologies, Inc.**

On July 24, 2013, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Lion Biotechnologies, Inc., a Delaware corporation, and Genesis Biopharma Sub, Inc., our newly formed Delaware subsidiary ("Merger Sub"), and thereby acquired Lion Biopharma (the "Merger"). In the Merger, Lion Biotechnologies' stockholders received, in exchange for all of their issued and outstanding shares of common stock, an aggregate of 1,340,000 shares of our Common Stock with a fair value of approximately \$6,700,000 for consideration of the merger. These shares were recorded as an expense in the third quarter of 2013. In addition, the Lion Biotechnologies stockholders have the ability to receive an additional 1,350,000 shares of Common Stock upon the achievement of certain milestones related to the Company's financial performance and position. As part of the Merger, Dr. Manish Singh entered into an employment agreement with us whereby we appointed him as our Chief Executive Officer and Chairman of the Board of the Company. We also agreed to reconstitute our Board of Directors by appointing Jay Venkatesan and Sanford J. Hillsberg to replace David Voyticky and Paul Kessler as directors on our Board. These appointments and resignations became effective on September 3, 2013.

In connection with his appointment as Chief Executive Officer and Chairman of the Board, we entered into an employment agreement with Dr. Singh pursuant to which we are required to pay Dr. Singh an annual base salary of \$34,000 until this Company raises at least \$1,000,000 in additional financing. If we raise at least \$1,000,000, Dr. Singh's annual salary will at that time increase to \$350,000. In addition to his base salary, Dr. Singh will be eligible to participate in the Company's annual incentive compensation program, with a target potential bonus of 30% of Dr. Singh's salary, conditioned upon the satisfaction of individual and company objectives. Dr. Singh will also be entitled to health and other benefits programs and, on July 24, 2014, he will also be eligible to receive stock option grants under the Company's stock option plan.

**Amended and Restated Articles**

Effective September 26, 2013, the Company amended and restated its articles of incorporation. The Amended and Restated Articles of Incorporation effected the following:

(1) a 1-for-100 reverse stock split (pro-rata reduction of outstanding shares) of Common Stock (the "Reverse Stock Split"). All share and per share amounts included in these financial statements have been retroactively restated to reflect the reverse stock split as if it had occurred at the beginning of the earliest period presented.

(2) to fix the number of authorized shares of Common Stock after the Reverse Stock Split at one hundred and fifty million (150,000,000) shares of Common Stock, which change resulted in an increase in the authorized number of shares of Common Stock.

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(3) to authorize the issuance of fifty million (50,000,000) shares of “blank check” preferred stock, \$0.001 par value per share, to be issued in series, and all properties of such preferred stock to be determined by the Company’s Board.

(4) to change the name of the Company to “Lion Biotechnologies, Inc.”

(5) to add indemnification and limit the personal liability of officers and members of the Company’s Board of Directors.

Amendment to 2011 Plan

The Company’s Board of Directors and the holders of a majority of the issued and outstanding shares of common stock have to approved an amendment to the Company’s 2011 Equity Incentive Plan (the “2011 Plan”) (a) to increase the number of shares of common stock authorized for issuance under the 2011 Plan from 180,000 shares of common stock to 1,700,000 shares of common stock, (b) increasing the maximum number of shares eligible for issuance under the 2011 Plan in any twelve-month period from 50,000 shares of common stock to 300,000 shares of common stock.

Director Stock Awards

On July 24, 2013, the Company entered into a Director Stock Award Agreement (the “Award Agreement”) with each of General Merrill McPeak, Matrix Group International, Inc. (on behalf of David Voyticky) (“*Matrix*”) and Bristol Capital, LLC (on behalf of Paul Kessler) (“*Bristol*”) whereby General McPeak, Matrix and Bristol each received 133,532 shares of Common Stock or an aggregate of 400,596 shares with a fair value of approximately \$2,002,982 for consideration of services rendered as directors. The terms of the Award Agreement were approved by a majority of the Company’s stockholders, including a majority of the disinterested stockholders. The securities issued pursuant the Award Agreement are exempt from registration under Section 4(2) of the Securities Act of 1933 (the “Securities Act”) because, among other reasons, all offerees are “accredited investors” under Section 2(15) of the Securities Act and no general solicitation or public advertisement was conducted in connection with the issuance. These shares were recorded as an expense in the third quarter of 2013.

## CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

*The following discussion and analysis of our results of operations and financial condition for the three and six months ended June 30, 2013 and 2012 should be read in conjunction with the notes to those financial statements that are included in Item 1 of Part 1 of this Quarterly Report. Our discussion 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, 2012. 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 Change in Strategic Focus

On March 15, 2010, we entered the biopharmaceutical business when we acquired the rights, title and interest to certain assets, including certain patents, patent applications, materials, and know-how, related to the development and commercialization of biotechnology drugs, and then commenced developing anti-cancer drugs based primarily on anti-CD55+ antibodies (the "Anti-CD55+ Antibody Program"). We engaged the University of Nottingham to conduct our research and development. Although we initially believed that the proposed anti-CD55+ therapies that we were attempting to develop had significant commercial potential, test results received in mid-2011 from the studies performed for us by the University of Nottingham failed to meet the pre-clinical development endpoints. Accordingly, in 2011 we decided to (i) end our development efforts for the anti-CD55+ technology, and (ii) pursue the development of a new ready-to-infuse adoptive cell therapy product candidate we refer to as Cōntego™.

On October 5, 2011 we licensed the rights to the adoptive cell therapy from the National Institute of Health ("NIH") and to a manufacturing process for Cōntego™ (initially for Stage IV metastatic melanoma) that we intend to develop to enable us to make the adoptive cell therapy available to a larger number of patients. The license agreement required us to pay the NIH approximately \$723,000 of upfront licensing fees and expense reimbursements in 2011. In addition, we will have to pay royalties of six percent (6%) of net sales (subject to certain annual minimum royalty payments of \$20,000 per year), 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. We also have to make certain benchmark payments to the NIH based on the development and commercial release of licensed products using the technology underlying the License Agreement. If we achieve all benchmarks for metastatic melanoma, up to and including the product's first commercial sale in the United States, the total amount of such benchmark payments will be \$6,050,000 for the melanoma indication. The benchmark payments for the other three indications, if all benchmarks are achieved, will be \$6,050,000 for ovarian cancer, \$12,100,000 for breast cancer, and \$12,100,000 for colorectal cancer. Accordingly, if we achieve all benchmarks for all four licensed indications, the aggregate amount of benchmark royalty payments that we will have to make to NIH will be \$36,300,000.

In order to develop the adoptive cell immunotherapies we licensed from the NIH, effective August 5, 2011, we signed a Cooperative Research and Development Agreement ("CRADA") with the NIH and the National Cancer Institute ("NCI"). Under the terms of the CRADA, we are required to provide \$1,000,000 per year (in quarterly installments of \$250,000) to support research activities thereunder and to pay for supplies and travel expenses.

In December 2011, we entered into a five-year Manufacturing Services Agreement with Lonza Walkersville, Inc. under which Lonza agreed to manufacture, package, ship and handle quality assurance and quality control of our Cōntego™ autologous cell therapy products. All of Lonza Walkersville's services will be provided under separate statements of work that we have agreed to enter into, from time to time, with Lonza Walkersville, Inc. In 2011, we paid Lonza a total of \$500,000, but we did not request any additional services from Lonza during the year ended December 31, 2012.

During the three months ended June 30, 2013, there were no net sales that would have required us to make royalty payments, nor were there any benchmarks or milestones achieved that would have required us to make lump sum benchmark royalty payments under the NIH license agreement. During the three months ended June 30, 2013, the Company accrued no direct expense reimbursements, such as legal costs associated with patents, incurred by the NIH in performing on the licensing agreement. Such costs are reimbursable from the Company to the NIH pursuant to the terms of the licensing agreement. The entire amount is past due and there is no assurance that we will be able to make the required payment in the future and that the NIH will not exercise its right to terminate the agreement. The costs are included in Accrued expenses – National Institutes of Health on the accompanying condensed balance sheet and in research and development in the accompanying condensed statement of operations. Other than the royalties and benchmark expenses as described above and the aforementioned direct expense reimbursements there are no additional future obligations associated with the license.

In 2011 we acquired a worldwide, non-exclusive license for various adoptive cell therapy technologies from the National Institute of Health (NIH), and have entered into a Cooperative Research and Development Agreement with the National Cancer Institute (NCI), pursuant to which we intend to support the *in vitro* development of improved methods for the generation and selection of autologous tumor-infiltrating lymphocytes (TILs). Recently, we have been in discussions with the NIH to obtain additional licenses to next generation TIL technologies. These licensed rights would consist of cells enriched for higher potency that have a lower cost of goods and a shorter manufacturing process. If we do obtain these license rights, our future license fees and other related costs will increase. In addition, should we obtain the additional licenses, a Phase I clinical trial is planned at NCI, which will also increase our future operating expenses. No assurance can be given that we will be able to obtain a license to the next generation technologies, or that we will conduct the planned Phase I clinical trial.

## **Results of Operations**

### Revenues

As a development stage company that is currently engaged in the development of therapeutics to fight cancer, 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 2013 from the sale or licensing of any products.

### Operating Expenses

Operating expenses include compensation-related costs for our employees dedicated to general and administrative activities, legal fees, audit and tax fees, consultants and professional services, and general corporate expenses. Operating expenses were \$779,260 and \$1,376,425 for the three months ended June 30, 2013 and 2012, respectively. Operating expenses were \$1,214,173 and \$3,626,558 for the six months ended June 30, 2013 and 2012, respectively.

Our operating expenses during the three months ended June 30, 2013 decreased by \$597,165 compared to the three months ended June 30, 2012, primarily as a result of the decrease in non-cash compensation we incurred for the three months ended June 30, 2013. The total amount of such non-cash compensation we incurred during the three months ended June 30, 2013 was \$87,386 compared to \$469,486 for the three months ended June 30, 2012.

Our operating expenses during the six months ended June 30, 2013 decreased by \$2,412,385 compared to the six months ended June 30, 2012, primarily as a result of the decrease in non-cash compensation we incurred for the six months ended June 30, 2013. The total amount of such non-cash compensation we incurred during the six months ended June 30, 2013 was \$133,032 compared to \$1,696,712 for the six months ended June 30, 2012.

#### Research and Development.

Research and development expenses are primarily comprised of amounts payable to (i) the National Institutes of Health under terms of our license agreement, and (ii) NCI under the CRADA. Research and development costs were \$250,000 and \$270,000 for the three months ended June 30, 2013 and 2012, respectively. Research and development costs were \$520,000 and \$1,156,000 for the six months ended June 30, 2013 and 2012, respectively. Research and development expenses in the 2013 fiscal quarter included the \$250,000 quarterly payment we made under the CRADA. In the quarter ended June 30, 2013, we made the \$20,000 annual minimum payments to the NIH under the licensing agreement. In the 2012 fiscal quarter, we made payments of \$250,000 under payable under the CRADA and accrued \$616,000 of unpaid past prosecution expenses as well as the minimum license royalty payment of \$20,000. Our goal is to substantially increase our research and development activities in the near future in order to accelerate the development of our technologies. However, the amount of our future research and development activities, and the amount of our future expenses, will depend upon the amount of funds that we have available.

#### Change in fair value of derivative liabilities.

We record the change in fair value of derivatives as other income or expenses. Derivatives included in these calculations primarily consist of the outstanding options and warrants that we issued as part of various financing activities and common shares underlying our convertible notes payable. There was no change in fair value of derivative liabilities for the three months ended June 30, 2013 compared to a gain of \$1,927,839 for the three months ended June 30, 2012. Similarly, there was no change in fair value of derivative liabilities for the six months ended June 30, 2013, compared to loss of (\$620,235) for the six months ended June 30, 2012. The significant loss for the six months ended June 30, 2012 was the result of the volatility of the trading price of our common stock in 2012. The Company used the assistance of a valuation specialist due to the complexity in determining the fair value of its derivative liability at December 31, 2012. As a result of the Company's inability to pay its debt obligations, the default status of its convertible promissory notes and lack of available working capital at December 31, 2012, for valuation purposes, the Company, with the assistance of the independent valuation expert determined that the effect of the default and insolvent financial condition, as such, the outstanding conversion features and warrants accounted for as derivative upon its issuance had no more value at December 31, 2012. The significant gain was primarily the result of the decrease in the market price of our stock, \$0.02 compared to \$1.15, used in the calculation of the fair value at June 30, 2013 compared to June 30, 2012, respectively which offset the increase in the quantity of derivative instruments recorded as of June 30, 2013 compared to June 30, 2012.

#### Interest expense.

Interest expense represents the amount of interest that accrued on the outstanding interest bearing securities issued by the Company, including the various secured convertible promissory notes.

Interest expense was \$104,127 and \$110,810 for the three months ended June 30, 2013 and 2012, respectively. Interest expense was \$445,743 and \$199,282 for the six months ended June 30, 2013 and 2012, respectively. The increase is due to increase in the amount of interest bearing promissory notes that were outstanding in 2013 compared to the amount of such notes accruing interest in 2012. In addition, the interest rate on the outstanding promissory notes increased in 2013 because the notes were in default and, therefore, those promissory notes accrued interest at the higher default rates of interest.

## Net Loss

We had a net loss of \$3,429,255 and \$327,284 for the three months ended June 30, 2013 and 2012, respectively. Our net loss for the three months ended June 30, 2013 increased compared to the three months ended June 30, 2012 due to non-cash private placement costs of \$2,295,868 and net of decreases in operating expenses, research and development costs and interest expense as described above.

We had a net loss of \$4,475,784 and \$6,099,963 for the six months ended June 30, 2013 and 2012, respectively. Our net loss for six months ended June 30, 2013 decreased compared to the six months ended June 30, 2012 primarily as a result of the aforementioned the decreases in operating expenses, research and development costs, which was offset the reduction of loss on a change in the fair value of derivative liabilities as well as an increase in non-cash private placement costs of \$2,295,868 related to the restructuring effected in May 2013. We anticipate that we will continue to incur losses in the foreseeable future because we will be primarily engaged in research and development activities and we do not anticipate receiving any revenues from our operations.

## **Liquidity and Capital Resources**

As of June 30, 2013, we had \$569,581 in cash or cash equivalents on hand, and had a working capital deficiency of \$2,790,355. As of May 24, 2013, all of our outstanding promissory notes were in default and, as a result, bore interest at default rates of interest. Since most of these notes were secured by a lien on our assets, the lenders could have foreclosed on our assets. These factors, together with our inability to meet our obligations from current operations and the need to raise additional capital to accomplish our objectives, create a substantial doubt about our ability to continue as a going concern.

On May 24, 2013, we completed a restructuring of our unregistered debt and equity securities (the "Restructuring") under which all of the Senior Secured Notes and the 12% Secured Notes, and some other debt obligations, were converted into shares of Common Stock. This transaction extinguished approximately \$9,268,000 of liabilities, ended our future interest payment obligations, and removed all liens from our assets. In addition, in connection with the Restructuring, we also raised \$1,350,000 from the sale of shares of Common Stock. Accordingly, following the Restructuring we had substantially reduced our outstanding liabilities and had received some cash to fund our short-term operating needs.

All of our capital resources since our formation have been derived through the sale of convertible debt and equity securities. Although we extinguished a substantial amount of liabilities in the Restructuring, we still have substantial other liabilities and obligations, including \$632,292 that we still owe the NIH, and no source of on-going revenues. Accordingly, we will have to raise additional proceeds in the near future to fund our working capital needs, our obligations to the NCI under the CRADA, to pay the NIH obligation, and to repay the other outstanding accrued expenses. No assurance can be given that we will have access to the capital markets in future, or that financing will be available to us on acceptable terms or otherwise. Our inability to access the capital markets or obtain acceptable financing could have a material adverse effect on our future operations and financial condition, and could severely threaten our ability to continue as a going concern.

Despite the Restructuring, we currently do not have sufficient capital on hand to fund our anticipated on-going operating expenses, and we do not have any bank credit lines or other sources of capital. Accordingly, we will have to obtain additional debt or equity funding in the near future in order to continue our operations. We have not yet identified, and cannot be sure that we will be able to obtain any additional funding from either of these sources, or that the terms under which we may be able to obtain such funding will be beneficial to us or our stockholders.

Since our inception, we have funded our operations primarily through private sales of equity securities and convertible loans. These sales of equity and debt securities consisted of the following:

- In 2010, we raised a total of \$1,945,000 from the sale of 145,783 shares of Common Stock (including warrants). In 2011, we raised a total of \$895,000 from the sale of 8,500 shares of Common and five-year Class “C” Warrants to purchase 8,500 shares that exercisable at \$125.00 per share. In February 2012 we raised \$250,000 from the sale of Common Stock (including warrants).
- On July 27, 2011, we raised gross proceeds of \$5,000,000 from the sale of the Senior Secured Notes and five year warrants (the “Note Warrants”) to purchase 40,000 shares of our common stock. The Senior Secured Notes were initially convertible at \$125.00 per share, and the Warrants are initially exercisable at \$125.00 per share, subject in both cases to anti-dilution adjustments that reduced the exercise price then in effect. The Senior Secured Notes initially were to mature November 30, 2011 but were amended and extended a number of times. The Senior Secured Notes and Note Warrants were extinguished in the Restructuring.
- In April 2012, we issued two short-term promissory notes in the aggregate amount of \$250,000. These promissory notes were exchanged for new 12% Secured Notes issued in May 2012.
- In May 2012, we issued 12% Secured Notes in the aggregate amount of \$1,231,000. These promissory notes were secured by our assets and had a maturity date of December 31, 2012. In addition, we also agreed to issue to the holders of these promissory notes, for no additional consideration, one-half the number of shares of Common Stock for every dollar funded under the 2012 Secured Notes (or 6,156 shares of Common Stock).
- In September 2012, we received \$250,000 loan, which loan was evidenced by promissory note that is due on demand. In addition, we also issued, for no additional consideration, a five year, fully vested warrant to purchase 9,434 shares of common stock at \$125.00 per share.
- In January and May 2013, we issued five 18% convertible promissory notes in the aggregate amount of \$311,500 that were due upon demand and convertible into shares of our Common Stock at a conversion price of \$125.00 per share.

All of the foregoing promissory notes and warrants were converted or extinguished in the Restructuring.

Currently, we have no sources of liquidity. Accordingly, our goal is to attempt to raise the additional funds that we need through the sale of additional debt or equity securities. The sale of additional equity or convertible debt securities will result in additional dilution to our stockholders and could subject us to covenants that may have the effect of restricting our operations. We may also in the future seek to obtain funding through strategic alliances with larger pharmaceutical or biomedical companies. However, we currently have no agreements in place with any funding sources or with any strategic partners that could provide us with some or all of the funding that we need. Accordingly, we can provide no assurance that additional financing will be available to us in an amount or on terms acceptable to us, if at all. Even if we are able to obtain additional funding from either financings or alliances, no assurance can be given that the terms of such funding will be beneficial to us or our stockholders. If we are unsuccessful or only partly successful in our efforts to secure additional financing, we may find it necessary to suspend or terminate some or all of our product development and other activities.

#### **Recent Accounting Pronouncements**

In January 2013, the FASB issued ASU 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. This ASU clarifies which instruments and transactions are subject to the offsetting disclosure requirements established by ASU 2011-11. This guidance is effective for annual and interim reporting periods beginning January 1, 2013. We do not believe the adoption of this update will have a material effect on our financial position and results of operations.



On March 4, 2013, the FASB issued ASU 2013-05, “Foreign Currency Matters (Topic 830): Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity” (“ASU 2013-05”). ASU 2013-05 updates accounting guidance related to the application of consolidation guidance and foreign currency matters. This guidance resolves the diversity in practice about what guidance applies to the release of the cumulative translation adjustment into net income. This guidance is effective for interim and annual periods beginning after December 15, 2013. We do not believe the adoption of this update will have a material effect on our financial position and results of operations.

In July 2013, the FASB issued ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Loss, or a Tax Credit Carryforward Exists. Topic 740, Income Taxes, does not include explicit guidance on the financial statement presented of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. There is diversity in practice in the presentation of unrecognized tax benefits in those instances and the amendments in this update are intended to eliminate that diversity in practice. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Early adoption is permitted. We do not believe the adoption of this update will have a material effect on our financial position and results of operations.

Other accounting pronouncements did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

### **Critical Accounting Policies**

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.

#### 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

#### Intangible Assets

We record intangible assets in accordance with guidance of the FASB. Intangible assets consist mostly of intellectual property rights that were acquired from an affiliated entity and recorded at their historical cost and are being amortized over a three years life. We review intangible assets subject to amortization at least annually to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. If the carrying value of the assets is determined not to be recoverable, we record an impairment loss equal to the excess of the carrying value over the fair value of the assets. Our estimate of fair value is based on the best information available. If the estimate of an intangible asset’s remaining useful life is changed, we amortize the remaining carrying value of the intangible asset prospectively over the revised remaining useful life.

### Stock-Based Compensation

We periodically issue stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs. We adopted FASB guidance effective January 1, 2006, and are using the modified prospective method in which compensation cost is recognized beginning with the effective date (a) for all share-based payments granted after the effective date and (b) for all awards granted to employees prior to the effective date that remain unvested on the effective date. We account for stock option and warrant grants issued and vesting to non-employees in accordance with accounting guidance whereby the fair value of the stock compensation is based on the measurement date as determined at either (a) the date at which a performance commitment is reached, or (b) the date at which the necessary performance to earn the equity instrument is complete.

We estimate the fair value of stock options using the Black-Scholes option-pricing model, which was developed for use in estimating the fair value of options that have no vesting restrictions and are fully transferable. This model requires the input of subjective assumptions, including the expected price volatility of the underlying stock and the expected life of stock options. Projected data related to the expected volatility of stock options is based on the historical volatility of the trading prices of the Company's common stock and the expected life of stock options is based upon the average term and vesting schedules of the options. Changes in these subjective assumptions can materially affect the fair value of the estimate, and therefore the existing valuation models do not provide a precise measure of the fair value of our employee stock options.

### Derivative Financial Instruments

We evaluate all of our financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For stock-based derivative financial instruments, we use both a weighted average Black-Scholes-Merton and Binomial option pricing models to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

### **Off-Balance Sheet Arrangements**

At June 30, 2013, we had no obligations that would require disclosure as off-balance sheet arrangements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

**Item 4. Controls and Procedures****Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)) as of the end of the quarterly period covered by this Quarterly Report. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. A material weakness existed relating to a lack of segregation of financial accounting personnel and the expertise necessary to properly account for certain complex transactions. Notwithstanding the existence of this material weakness, we believe that the consolidated financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented. This material weakness was identified in the Company's annual Form 10-K. However, until this material weakness is remediated, management has concluded that there is a reasonable possibility that a material misstatement to the interim consolidated financial statements could occur and not be prevented or detected by the Company's controls in a timely manner. Accordingly, management has determined that this control deficiency constitutes a material weakness.

**Changes in Controls over Financial Reporting**

There has been no change in the Company's internal control over financial reporting during the quarter ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

There are no material pending legal proceedings to which this company is a party or of which our property is the subject.

**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, 2012. There have been no material changes from the risk factors previously disclosed in the above-mentioned periodic report.

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

None.

**Item 3. Defaults Upon Senior Securities.**

As described elsewhere in this Quarterly Report on Form 10-Q, as of May 24, 2013, we were in default on the Senior Secured Notes and 12% Secured Notes.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information.**

- (a) None.
- (b) There were no changes to the procedures by which security holders may recommend nominees to our board of directors.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
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

**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.**

October 22, 2013

By: /s/ Manish Singh  
Manish Singh  
Chief Executive Officer (Principal Executive Officer)

October 22, 2013

By: /s/ Michael Handelman  
Michael Handelman  
Chief Financial Officer (Principal Financial and Accounting Officer)

## CERTIFICATION

I, Manish Singh, Chief Executive Officer of Lion Technologies, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lion Technologies, 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: October 22, 2013

By: /s/ Manish Singh  
Manish Singh  
Chief Executive Officer

## CERTIFICATION

I, Michael Handelman, Chief Financial Officer of Lion Technologies, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lion Technologies, 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: October 22, 2013

By: /s/ Michael Handelman  
Michael Handelman  
\_\_\_\_\_  
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Lion Technologies, Inc. (the "Company") for the quarter ended June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Manish Singh, 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: October 22, 2013

By: /s/ Manish Singh  
Manish Singh  
Chief Executive Officer

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

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



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

In connection with the Quarterly Report on Form 10-Q of Lion Technologies, Inc. (the "Company") for the quarter ended June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael Handelman, 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: October 22, 2013

By: /s/ Michael Handelman

Michael Handelman  
Chief Financial Officer

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

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