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

# FORM 10-Q

☑ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended **September 30, 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** | **75-3254381** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (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 ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☐ (Do not check if a smaller reporting company) | Smaller reporting company ☑ |

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

Yes ☐No ☑

At November 14, 2013, the issuer has 18,893,211 shares of common stock outstanding.

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

| | September 30, 2013 (Unaudited) | December 31, 2012 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 129,804 | $ - |
| Deposits | 5,000 | 5,000 |
| Prepaid expenses | 3,878 | 2,275 |
| **Total Current Assets** | 138,682 | 7,275 |
| **Property and equipment,** net of accumulated depreciation of $13,814 and $8,915 | 29,944 | 22,138 |
| **Total Assets** | $ 168,626 | $ 29,413 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIENCY** | | |
| **Current Liabilities** | | |
| Accounts payable | 1,550,865 | 1,098,271 |
| Accrued expenses | 1,958,220 | 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 |
| **Total Current Liabilities** | 3,509,085 | 11,348,889 |
| **Commitments and contingencies** | | |
| **Stockholders' Deficiency (See Note 9)** | | |
| Preferred stock, $0.001 par value; 50,000,000 shares authorized, no shares issued and outstanding | - | - |
| Common stock, $0.000041666 par value; 150,000,000 shares authorized, 15,072,911 and 818,806 shares issued and outstanding, respectively | 629 | 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 | 40,582,801 | 19,119,532 |
| Accumulated deficit | (44,569,042) | (30,684,195) |
| **Total Stockholders' Deficiency** | (3,340,459) | (11,319,476) |
| **Total Liabilities and Stockholders' Deficiency** | $ 168,626 | $ 29,413 |

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 September 30, | | For the Nine Months Ended September 30, | | For the Period from September 17, 2007 (Date of Inception) through September 30, |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 |
| **Revenues** | $ - | $ - | $ - | $ - | $ - |
| **Costs and expenses** | | | | | |
| Operating expenses (including $2,139,927, $697,671, $2,360,345, $2,357,370 and $9,749,073 in share based compensation costs) | 2,459,063 | 1,377,636 | 3,673,236 | 5,003,840 | $ 30,171,274 |
| Cost of Lion transaction | 6,700,000 | - | 6,700,000 | - | $ 6,700,000 |
| Research and development | 250,000 | 250,000 | 770,000 | 1,406,000 | 4,353,045 |
| Impairment of intangible asset | - | - | - | - | 160,036 |
| Total costs and expenses | 9,409,063 | 1,627,636 | 11,143,236 | 6,409,840 | 41,384,355 |
| **Loss from operations** | (9,409,063) | (1,627,636) | (11,143,236) | (6,409,840) | (41,384,355) |
| **Other income (expense)** | | | | | |
| Interest expense | - | (126,924) | (445,743) | (326,561) | (2,518,959) |
| Change in fair value of derivative liabilities | - | 1,595,933 | - | 975,698 | 10,001,955 |
| Amortization of discount on notes | - | - | - | (497,888) | (5,497,888) |
| Cost to induce exchange transaction | - | - | (2,295,868) | - | (2,295,868) |
| Financing costs | - | (515,269) | - | (515,269) | (2,873,927) |
| Total other income (expense) | - | 953,740 | (2,741,611) | (364,020) | (3,184,687) |
| **Net Loss** | $ (9,409,063) | $ (673,896) | $ (13,884,847) | $ (6,773,860) | $ (44,569,042) |
| **Net Loss Per Share, Basic and Diluted** | $ (0.66) | $ (0.86) | $ (1.97) | $ (8.66) | |
| **Weighted-Average Common Shares Outstanding, Basic and Diluted** | 14,152,052 | 782,931 | 7,037,510 | 782,410 | |

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 Nine Months Ended September 30, 2013**
**(Unaudited)**

| | Common Stock | | Common Stock to Be Issued | Common Stock Subscribed For | Additional Paid-In Capital | Accumulated Deficit | Total Stockholders' Deficiency |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | | |
| **Balance - December 31, 2012** | 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 | | | | | 357,362 | | 357,362 |
| Common stock issued to induce exchange transaction | 2,173,134 | 91 | | | 2,173,044 | | 2,173,135 |
| Common stock issued for Lion transaction | 1,340,000 | 56 | | | 6,699,944 | | 6,700,000 |
| Common stock issued to directors | 400,596 | 17 | | | 2,002,965 | | 2,002,982 |
| Net loss | | | | | | (13,884,847) | (13,884,847) |
| **Balance - September 30, 2013** | 15,072,911 | $ 629 | $ 245,153 | $ 400,000 | $ 40,582,801 | $ (44,569,042) | $ (3,340,459) |

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 Nine Months Ended September 30, | | September 17, 2007 (Date of Inception) through September 30, |
|---|---|---|---|
| | **2013** | **2012** | **2013** |
| **Cash Flows From Operating Activities** | | | |
| Net loss | $ (13,884,847) | $ (6,773,860) | $ (44,569,042) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation and amortization | 4,899 | 4,657 | 75,185 |
| Impairment of intangible asset | - | - | 160,036 |
| Fair value of vested stock options and warrants | 357,362 | 2,357,370 | 4,793,536 |
| 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 | 445,743 | 497,888 | 5,000,000 |
| Private placement costs | - | 515,269 | 385,000 |
| Change in fair value of derivative liabilities | - | (975,698) | (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 to induce exchange transaction | 2,295,868 | - | 2,295,868 |
| Common stock issued for Lion transaction | 6,700,000 | - | 6,700,000 |
| Common stock issued to directors | 2,002,983 | - | 2,002,983 |
| 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 | (1,603) | 24,864 | (8,878) |
| Accounts payable and accrued expenses | 670,593 | 2,058,043 | 5,983,976 |
| Net Cash Used In Operating Activities | (1,409,002) | (2,241,467) | (10,532,336) |
| | | | |
| **Cash Flows From Investing Activities** | | | |
| Purchases of computer equipment | (12,704) | - | (47,757) |
| Advances to related party | - | - | (50,000) |
| Net Cash Used In Investing Activities | (12,704) | - | (97,757) |
| | | | |
| **Cash Flows From Financing Activities** | | | |
| Proceeds from the issuance of convertible notes, net | 311,500 | - | 4,926,500 |
| Proceeds from the issuance of secured promissory notes, net | - | 1,481,250 | 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 | 1,551,510 | 1,731,250 | 10,759,897 |
| **Net Decrease In Cash And Cash Equivalents** | 129,804 | (510,217) | 129,804 |
| **Cash and Cash Equivalents, Beginning of Period** | - | 510,217 | - |
| **Cash and Cash Equivalents, End of Period** | $ 129,804 | $ - | $ 129,804 |
| | | | |
| **Supplemental Disclosures of Cash Flow Information:** | | | |
| 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.

## 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 nine months ended September 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.

***Liquidity***

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 $13,884,847 for the nine months ended September 30, 2013 and has used $1,409,002 of cash in its operating activities during the nine months ended September 30, 2013. As of September 30, 2013, the Company has a stockholders' deficiency of $44,569,042 and has a working capital deficiency of $3,370,403.

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 September 30, 2013, the Company has not yet commenced any revenue-generating operations and is dependent on debt and equity funding to finance its operations.

As of September 30, 2013, we had $129,804 in cash or cash equivalents on hand, and had a working capital deficiency of $3,370,000. On November 5, 2013, in a private placement (the "Private Placement"), we issued and sold 3,145,300 shares of common stock, 17,000 shares of Series A Convertible Preferred Stock, and warrants to purchase 11,645,300 shares of common stock for an aggregate purchase price of $23,290,600 in cash. The net proceeds of the Private Placement are approximately $21,985,007. As a result of the foregoing financing, as of the date of this Quarterly Report, we have sufficient capital to fund our anticipated operating expenses for at least the next twelve months.

Despite the amount of funds that we raised in the Private Placement, the estimated cost of completing the development of Contego and other possible product candidates, and of obtaining all required regulatory approvals to market those product candidates, is substantially greater than the amount of funds we currently have available. We believe that our existing cash balances will be sufficient to fund our currently planned level of operations for at least the next twelve months. We will seek to obtain additional funds through various financing sources, including possible sales of our securities, and in the longer term through strategic alliances with other pharmaceutical or biopharmaceutical companies.

As of September 30, 2013, our long-term obligations consist of the $1,000,000 per year (in quarterly installments of $250,000) obligation to the NCI under the CRADA to support research activities thereunder, and the benchmark payments we are required to make 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, our current primary focus, up to 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. Other than the two foregoing contractual obligations to the NCI and the NIH, we had no long-term debt obligations, no capital lease obligations, no material purchase obligations or other similar long-term liabilities. In addition, we have no financial guarantees, debt or lease agreements or other arrangements that could trigger a requirement for an early payment or that could change the value of our assets, and we do not engage in trading activities involving non-exchange traded contracts.

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

## 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 nine months ended September 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 September 30, 2013 consist of options to acquire 63,750 shares of the Company's common stock and warrants to acquire 1,000 shares of common stock.

***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, 2013. 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 September 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.

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***

The FASB has issued Accounting Standards Update (ASU) No. 2013-04, Liabilities (Topic 405), "Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date." ASU 2013-04 provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this ASU is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company does not expect the adoption of this guidance to have a material impact on the Company's unaudited condensed financial statements.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of Unrecognized Tax Benefit When a Net Operating Loss Carryforward, A Similar Tax Loss, or a Tax Credit Carryforward Exists (A Consensus the FASB Emerging Issues Task Force). ASU 2013-11 provides guidance on financial statement presentation of unrecognized tax benefit when a net operating loss carrforward, a similar tax loss, or a tax credit carryforward exists. The FASB's objective in issuing this ASU is to eliminate diversity in practice resulting from a lack of guidance on this topic in current U.S. GAAP. This ASU applies to all entities with unrecognized tax benefits that also have tax loss or tax credit carryforwards in the same tax jurisdiction as of the reporting date. This amendment is effective for public entities for fiscal years beginning after December 15, 2013 and interim periods within those years. The company does not expect the adoption of this standard to have a material impact on the Company's unaudited condensed financial position and results of operations.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not or are not believed by management to have a material impact on the Company's present or future 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:

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.

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.

In the aggregate, 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, which has been reflected as common stock subscribed for in the accompanying condensed balance sheet. The Stock Purchase Agreement provides for 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"), who owned approximately 41% and 29% respectively of the Company's outstanding voting securities immediately after the Restructuring. Prior to the Restructuring, control of the Company was widely disseminated among various stockholders, including the Investors. No single shareholder currently 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.

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 accrued expenses on the accompanying balance sheet as of September 30, 2013. No portion of this settlement amount was paid to Mr. Cataldo as of September 30, 2013.

Agreement with Lion Biotechnologies, Inc.

On July 24, 2013, we entered into an Agreement and Plan of Merger (the "Lion Agreement") with Lion Biotechnologies, Inc. ("Lion"), a privately owned Delaware corporation, and Genesis Biopharma Sub, Inc., our newly formed Delaware subsidiary. Lion was a non-operating entity with no assets and liabilities, and their only account balances were the shares held by its two (2) owners.

In the Lion Agreement, Lion's 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 $6,700,000. The acquisition was done to acquire access to technical and managerial resources to build our current and future products, which we believed would enhance or future operations and enable us to obtain additional funding. The technical resources that we acquired included access to next generation T-cell technologies (including term sheets for such technologies), access to cancer vaccine technologies that Lion was evaluating at Harvard University, NIH, Baylor University and other institutions, and other proprietary technologies and ideas on novel T-cell manufacturing technologies that Lion was designing. The value of these shares was recognized and recorded as an expense in the third quarter ended September 30, 2013. In addition, the Lion 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 Lion Agreement, 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 were required to pay Dr. Singh an annual base salary of $34,000 until this Company raised at least $1,000,000 in additional financing. Effective November 6, 2013, upon the closing of a private placement with proceeds of $23.3 million to the Company (see Note 9), Dr. Singh's annual salary increased 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 is also entitled to health and other benefits programs and, on July 24, 2014, he will become 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.

(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.

## 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.

The Company used the assistance of a valuation specialist to determine 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 September 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 September 30, 2013, and the changes during the nine months then ended, is presented in the following table:

| | Shares Under Option | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at December 31, 2012 | 93,750 | $ 107.0 | 7.7 years | $ 217,063 |
| Granted | | | | |
| Exercised | | | | |
| Expired/Forfeited | (30,000) | $ 125.0 | | |
| Outstanding at September 30, 2013 | 63,750 | $ 101.8 | 6.5 years | $ 39,388 |
| Exercisable at September 30, 2013 | 49,188 | $ 93.8 | 6.0 years | $ 0 |

During the three and nine months ended September 30, 2013, the Company recorded compensation costs of $136,944 and $357,362, respectively, relating to the vesting of the stock options discussed above. During the three and nine months ended September 30, 2012, the Company recorded compensation costs of $697,671 and $2,357,370, respectively, relating to the vesting of the stock options. As of September 30, 2013, the aggregate value of unvested options was $1,206,495, 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 of 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 nine months ended September 30, 2013.

***Warrants***

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

| | Shares Under Warrants | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at December 31, 2012 | 108,734 | $ 123.00 | 3.5 years | $ - |
| Issued | 15,000 | | | |
| Exercised | (122,734) | | | |
| Expired | - | | | |
| Outstanding and exercisable at September 30, 2013 | 1,000 | $ 126.00 | 7.4 years | $ - |

## 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 nine months ended September 30, 2013, the Company recognized a total of $750,000 of CRADA expenses, which was recorded as part of Research and Development expenses in the condensed statement of operations. As of September 30, 2013 and December 31, 2012, $250,000 and $500,000, respectively, was due under these agreements.

***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 year ended December 31, 2012 and the nine months ended September 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.

## NOTE 8. RELATED PARTY TRANSACTIONS

***Accrued Payroll and Fees***

As of September 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 $798,081 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.

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 nine months ended September 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

### Private Placement

On November 5, 2013, the Company received gross proceeds of $23,290,600 from the sale of its securities in a private placement (the “Private Placement”) to the institutional and other accredited investors (each, an “Investor” and collectively, the “Investors”). At the closing, the Company issued (i) 3,145,300 shares of the Company’s common stock (“Common Stock”), (ii) 17,000 shares of its new Series A Convertible Preferred Stock (the “Series A Preferred”), and (iii) warrants (“Warrants”) to purchase a total of 11,645,300 shares of Common Stock. The purchasers of Common Stock received warrants to purchase the same number of shares of Common Stock as such Investors purchased in the Private Placement, and the Investors who purchased shares of Series A Convertible Preferred Stock received warrants to purchase the number of shares of Common Stock into which the Series A Preferred is initially convertible. The purchase price of each Common Stock/Warrant unit was $2.00, and the purchase price of each Series A Convertible Preferred Stock/Warrants unit was $1,000. The offer and sale of the foregoing securities under the Securities Purchase Agreement was not a “public offering” as referred to in Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and was intended meet the requirements to qualify for exemption under Rule 506(b) of Regulation D promulgated under the Securities Act.

The Company believes that in accordance with current accounting requirements, the fair value of the conversion feature of the Series A Preferred Stock and the fair value of the warrants issued with the Series A Preferred Stock will approximate $15,594,000 and will be recorded as deemed dividend to the Preferred Shareholders at issuance. The valuation will be calculated based on fair value of the conversion feature and warrants based upon a Black - Scholes option pricing model.

The terms of the Series A Convertible Preferred Stock and Warrants are as follows:

*Series A Convertible Preferred Stock*

A total of 17,000 shares of Series A Convertible Preferred Stock (the “Series A Preferred Stock”) have been authorized for issuance under the Certificate Of Designation Of Preferences And Rights Of Series A Convertible Preferred Stock (the “Certificate of Designation”). The shares of Series A Preferred Stock have a stated value of $1,000 per share and are initially convertible into shares of Common Stock at a price of $2.00 per share (subject to adjustment as described below). Under the Certificate of Designation, the holders of the Series A Preferred Stock have the following rights, preferences and privileges:

The Series A Preferred Stock may, at the option of the Investor, be converted at any time or from time to time into fully paid and non-assessable shares of Common Stock at the conversion price in effect at the time of conversion; provided, that a holder of Series A Preferred Stock may at any given time convert only up to that number of shares of Series A Preferred Stock so that, upon conversion, the aggregate beneficial ownership of the Company’s Common Stock (calculated pursuant to Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of such Investor and all persons affiliated with such Investor, is not more than 4.99% of the Company’s Common Stock then outstanding (subject to adjustment up to 9.99% solely at the Investor’s discretion upon 60 days’ prior notice). The number of shares into which one share of Series A Preferred Stock shall be convertible is determined by dividing the stated value of $1,000 per share by the initial Conversion Price. The "Conversion Price" per share for the Series A Preferred Stock is initially equal to $2.00 (subject to appropriate adjustment for certain events, including stock splits, stock dividends, combinations, recapitalizations or other recapitalizations affecting the Series A Preferred Stock).

The Series A Preferred Stock will automatically be converted into Common Stock at the then applicable Conversion Price (i) upon the written consent of the Investors holding at least a majority of the outstanding shares of Series A Preferred Stock or (ii) if required by the Company for the Company to list its Common Stock on a national securities exchange; provided, any such conversions will continue to be limited by, and subject to the beneficial ownership conversion limitations set forth above.

Except as otherwise required by law, the holders of shares of Series A Preferred Stock shall not have the right to vote on matters that come before the stockholders; provided, that the Company will not, without the prior written consent of a majority of the outstanding Series A Preferred Stock: (i) amend, alter, or repeal any provision of the Articles of Incorporation (including the Certificate of Designation setting forth the rights of the Series A Preferred Stock) or Bylaws in a manner adverse to the Series A Preferred Stock; (ii) create or authorize the creation of or issue any other security convertible into or exercisable for any equity security, having rights, preferences or privileges senior to or on parity with the Series A Preferred Stock, or increase the authorized number of shares of Series A Preferred Stock; (iii) issue or sell any equity or debt securities for one year after the initial sale of the Series A Preferred Stock, subject to certain specified and other customary exceptions; or (iv) enter into any agreement with respect to any of the foregoing.

In the event of any dissolution or winding up of the Company, whether voluntary or involuntary, the proceeds shall be paid pari passu among the holders of the shares of Common Stock and Preferred Stock, pro rata based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to Common Stock.

The Company may not declare, pay or set aside any dividends on shares of any class or series of capital stock of the Company (other than dividends on shares of Common Stock payable in shares of Common Stock) unless the holders of the Series A Preferred Stock shall first receive, or simultaneously receive, an equal dividend on each outstanding share of Series A Preferred Stock.

*Warrants.*

Each Warrant entitles the Investor to purchase the number of shares of Common Stock purchased by such Investor in the Private Placement or into the number of shares into which such Investor's Series A Preferred Stock is initially convertible. The Warrants are exercisable in whole or in part, at an initial exercise price per share of $2.50, and may be exercised in a cashless exercise if, after six months, there is no effective Registration Statement registering, or no current prospectus available for, the resale of the Warrant shares. The exercise price and number of shares of Common Stock issuable under the Warrants are subject to adjustments for stock dividends, splits, combinations and similar events. The Warrants may be exercised at any time upon the election of the holder, beginning on the date of issuance and ending on the fifth anniversary of the date of issuance.

*Registration Rights Agreement.*

The Company also entered into a Registration Rights Agreement (the "Registration Rights Agreement") with the Investors, which sets forth the rights of the Investors to have their shares of Common Stock purchased in the Private Placement and the shares of Common Stock issuable upon (i) the conversion of the Series A Preferred Stock and (ii) the exercise of the Warrants, registered with the Securities and Exchange Commission (the "SEC") for public resale under the Securities Act.

Pursuant to the Registration Rights Agreement, the Company is required to file a registration statement with the SEC (the "Registration Statement") within 30 days of the closing of the Private Placement, registering the total number of shares of Common Stock purchased in the Private Placement and the shares of Common Stock issuable upon exercise of the Warrants. The Company will be required to have the Registration Statement declared effective within 90 days after the filing of the Registration Statement. The Company will also be required to maintain the effectiveness of the Registration Statement until the earlier to occur of (i) the date on which all of the registrable securities covered by the Registration Rights Agreement have been sold; or (ii) transferred in a manner that they may be resold without subsequent registration under the Securities Act.

The Registration Rights Agreement further provides that in the event that (i) the Company has not filed the Registration Statement or a final prospectus within the prescribed time period, (ii) the SEC has not declared effective the Registration Statement within the prescribed time period, and (iii) the Registration Statement ceases to be effective and available to the investors under certain circumstances, the Company shall pay to the holders of registrable securities, on the occurrence of each such event and on each monthly anniversary thereof until the applicable event is cured, an amount in cash equal to 1.0% of the aggregate amount invested by such Purchaser pursuant to the Purchase Agreement for each 30-day period or pro rata for any portion thereof following the date by which such Registration Statement should have been effective.

**Earn Out Shares.**

On July 24, 2013, the Company acquired Lion Biotechnologies, Inc., a Delaware corporation, in a merger that also obligated the Company to issue to the Lion Biotechnologies' former stockholders an additional 1,350,000 shares of Common Stock upon the achievement of certain milestones related to the Company's market capitalization and amount of capital the Company raises. As a result of the Private Placement that was completed on November 5, 2013, the Company was required to issue a total of 675,000 shares of Common Stock to the Lion Biotechnologies' former stockholders. These additional shares were issued on November 11, 2013, and the Company estimated their fair value at that date to be $2,531,250.

## Proforma Financials

The following proforma balance sheet as of September 30, 2013, shows adjustments to the accounting for the Private Placement and the other subsequent events described above as if such events had occurred on September 30, 2013.

| | September 30, 2013 (As Reported) | | Pro-forma Adjustments | September 30, 2013 Proforma (Unaudited) |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 129,804 | (1) | 21,985,007 | $ 22,114,811 |
| Prepaid expenses & others | 8,878 | | | 8,878 |
| Computer equipment | 29,944 | | | 29,944 |
| **Total Assets** | **$ 168,626** | | **21,985,007** | **$ 22,153,633** |
| | | | | |
| **Liabilities and Stockholders' (Deficiency) Equity** | | | | |
| | | | | |
| Accounts Payable | $ 1,550,865 | | - | $ 1,550,865 |
| Accrued Expenses | 1,958,220 | | - | 1,958,220 |
| **Total Liabilities** | **3,509,085** | | **-** | **3,509,085** |
| | | | | |
| Preferred Stock | | (1) | 17 | 17 |
| | | | | |
| Common stock | 645,782 | (1) | 131 | |
| | | (2) | 28 | 645,941 |
| | | | | |
| | | | | |
| Additional Paid In Capital | 40,582,801 | (1) | 16,999,983 | |
| | | (1) | 6,290,469 | |
| | | (1) | (1,305,593) | |
| | - | (1) | 15,694,407 | |
| | | (2) | 2,531,222 | 80,793,289 |
| | | | | |
| | | | | |
| Accumulated deficit | (44,569,042) | (1) | (15,694,407) | |
| | | (2) | (2,531,250) | (62,794,699) |
| | | | | |
| **Total Stockholders' (Deficiency) Equity** | **(3,340,459)** | | **21,985,007** | **18,644,548** |
| | | | | |
| **Total Liabilities and Stockholders (Deficiency) Equity** | **$ 168,626** | | **21,985,007** | **$ 22,153,633** |

1 - To record issuance of 17,000 shares of preferred stock and 3,145,300 shares of common stock for cash of $23,290,600, less costs incurred of $1,305,593 for net proceeds of $21,985,007. The Company determined that the fair value of the conversion feature of the preferred stock and the warrants issued the preferred shareholders was $15,594,407 and recorded such amount as a deemed dividend to preferred shares.

2 - To record issuance of 675,000 shares of common stock with a fair value of $2,531,250 pursuant to the agreement with Lion Biotechnologies, Inc.

On a proforma basis, the Company would have had 18,893,211 shares of its common stock outstanding at September 30, 2013, and loss per share for the nine months ending September 30, 2013 would have been $0.73 per share.

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

**CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

*The following discussion and analysis of our results of operations and financial condition for the three and nine months ended September 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 September 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 September 30, 2013, the Company accrued no direct expense reimbursements for cost incurred by the NIH, such as legal costs associated with patents, under the licensing agreement. However, as of September 30, 2013 we still owed the NIH $632,292 for fees that were incurred in 2011. These 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.

In 2011 we acquired a worldwide, non-exclusive license for various adoptive cell therapy technologies from the NIH, and we 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 be 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.

In order to fund our operating expenses, including our expected research and development expenses, the payments due under the license agreement with the NIH, and the payments due to the NCI under the CRADA, we raised a total of $23,290,600 on from the sale of our securities. On November 5, 2013, we issued and sold an aggregate of 3,145,300 shares of our common stock, 17,000 shares of a new series of preferred stock designated as "Series A Convertible Preferred Stock," and warrants to purchase an aggregate of 11,645,300 shares of common stock for an aggregate purchase price of $23,290,600 in cash.

**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 $2,459,000 and $1,377,000 for the three months ended September 30, 2013 and 2012, respectively. Operating expenses were $3,673,000 and $5,004,000 for the nine months ended September 30, 2013 and 2012, respectively.

Our operating expenses during the three months ended September 30, 2013 increased by $1,082,000 compared to the three months ended September 30, 2012, primarily as a result of the increase in non-cash compensation we incurred for the three months ended September 30, 2013. The total amount of such non-cash compensation we incurred during the three months ended September 30, 2013 was $2,140,000 compared to $698,000 for the three months ended September 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) the NCI under the CRADA. Research and development costs were $250,000 for both of the three month periods ended September 30, 2013 and 2012, respectively. Research and development costs were $770,000 and $1,406,000 for the nine months ended September 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 payment to the NIH under the licensing agreement. In the 2012 fiscal quarter, we made payments of $750,000 payable under the CRADA and accrued $616,000 of unpaid past prosecution expenses. 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 September 30, 2013 compared to a gain of $1,596,000 for the three months ended September 30, 2012. Similarly, there was no change in fair value of derivative liabilities for the nine months ended September 30, 2013, compared to gain of $976,000 for the nine months ended September 30, 2012. The Company used the assistance of a valuation specialist to determine 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 liability 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 September 30, 2013 compared to September 30, 2012, respectively which offset the increase in the quantity of derivative instruments recorded as of September 30, 2013 compared to September 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.

We did not incur any interest expense for the three months ended September 30, 2013 because all interest bearing instruments were extinguished in the Restructuring that occurred in the second quarter of 2013. During the three month period ended September 30, 2012, we incurred $127,000 of interest expense on the various outstanding convertible promissory notes. Interest expense was $446,000 and $327,000 for the nine months ended September 30, 2013 and 2012, respectively. Interest expense increased in the nine months ended September 30, 2013 compared to the same period in 2012 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, and due to the higher interest rate on such notes. In 2013, the outstanding promissory notes were in default and, as a result, accrued interest at the higher default rates of interest.

Net Loss

We had a net loss of $9,409,000 and $674,000 for the three months ended September 30, 2013 and 2012, respectively. Our net loss for the three months ended September 30, 2013 increased compared to the three months ended September 30, 2012 due non-cash compensation of $2,140,000 and cost of the exchange transaction of 46,700,000 and net of decreases in research and development costs and interest expense as described above.

We had a net loss of $13,885,000 and $6,774,000 for the nine months ended September 30, 2013 and 2012, respectively. Our net loss for nine months ended September 30, 2013 decreased compared to the nine months ended September 30, 2012 primarily as a result of the aforementioned increases in operating expenses, research and development costs, which was offset by 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 September 30, 2013, we had $129,804 in cash or cash equivalents on hand, and had a working capital deficiency of $3,370,000. On November 5, 2013, in a private placement (the "Private Placement"), we issued and sold 3,145,300 shares of common stock, 17,000 shares of Series A Convertible Preferred Stock, and warrants to purchase 11,645,300 shares of common stock for an aggregate purchase price of $23,290,600 in cash. The net proceeds of the Private Placement were approximately $21,985,000. As a result of the foregoing financing, as of the date of this Quarterly Report, we have sufficient capital to fund our anticipated operating expenses for at least the next twelve months.

Despite the amount of funds that we raised in the Private Placement, the estimated cost of completing the development of Contego and other possible product candidates, and of obtaining all required regulatory approvals to market those product candidates, is substantially greater than the amount of funds we currently have available. We believe that our existing cash balances will be sufficient to fund our currently planned level of operations for at least the next twelve months. We will seek to obtain additional funds through various financing sources, including possible sales of our securities, and in the longer term through strategic alliances with other pharmaceutical or biopharmaceutical companies.

As of September 30, 2013, our long-term obligations consist of the $1,000,000 per year (in quarterly installments of $250,000) obligation to the NCI under the CRADA to support research activities thereunder, and the benchmark payments we are required to make 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, our current primary focus, up to 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. Other than the two foregoing contractual obligations to the NCI and the NIH, we had no long-term debt obligations, no capital lease obligations, no material purchase obligations or other similar long-term liabilities. In addition, we have no financial guarantees, debt or lease agreements or other arrangements that could trigger a requirement for an early payment or that could change the value of our assets, and we do not engage in trading activities involving non-exchange traded contracts.

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

**Recent Accounting Pronouncements**

The FASB has issued Accounting Standards Update (ASU) No. 2013-04, Liabilities (Topic 405), “Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date.” ASU 2013-04 provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this ASU is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company does not expect the adoption of this guidance to have a material impact on the Company’s unaudited condensed financial statements.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of Unrecognized Tax Benefit When a Net Operating Loss Carryforward, A Similar Tax Loss, or a Tax Credit Carryforward Exists (A Consensus the FASB Emerging Issues Task Force). ASU 2013-11 provides guidance on financial statement presentation of unrecognized tax benefit when a net operating loss carrforward, a similar tax loss, or a tax credit carryforward exists. The FASB’s objective in issuing this ASU is to eliminate diversity in practice resulting from a lack of guidance on this topic in current U.S. GAAP. This ASU applies to all entities with unrecognized tax benefits that also have tax loss or tax credit carryforwards in the same tax jurisdiction as of the reporting date. This amendment is effective for public entities for fiscal years beginning after December 15, 2013 and interim periods within those years. The company does not expect the adoption of this standard to have a material impact on the Company’s unaudited condensed financial position and results of operations.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not or are not believed by management to have a material impact on the Company's present or future 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.

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 September 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 September 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.**

None.

**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**

| Exhibit Number | Description of Exhibit |
|---|---|
| 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.

November 14, 2013 By: /s/ Manish Singh
Manish Singh
Chief Executive Officer (Principal Executive Officer)

November 14, 2013 By: /s/ Michael Handelman
Michael Handelman
Chief Financial Officer (Principal Financial and Accounting Officer)

**Exhibit 31.1**

**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: November 14, 2013

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

**Exhibit 31.2**

**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: November 14, 2013

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

**Exhibit 32.1**

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

In connection with the Quarterly Report on Form 10-Q of Lion Technologies, Inc. (the "Company") for the quarter ended September 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: November 14, 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.

**Exhibit 32.2**

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

In connection with the Quarterly Report on Form 10-Q of Lion Technologies, Inc. (the "Company") for the quarter ended September 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: November 14, 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.