

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 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 March 31, 2017

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-35006



**SPECTRUM PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**93-0979187**

(I.R.S. Employer  
Identification No.)

**11500 South Eastern Avenue, Suite 240  
Henderson, Nevada**

(Address of principal executive offices)

**89052**

(Zip Code)

**(702) 835-6300**

(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of April 24, 2017, 80,412,251 shares of the registrant's common stock were outstanding.

**SPECTRUM PHARMACEUTICALS, INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2017**

**TABLE OF CONTENTS**

<u>Item</u>		<u>Page</u>
<b>PART I. FINANCIAL INFORMATION</b>		
Item 1.	Condensed Consolidated Financial Statements (unaudited):	
	<a href="#">Condensed Consolidated Balance Sheets as of March 31, 2017 and December 31, 2016</a>	<a href="#">3</a>
	<a href="#">Condensed Consolidated Statements of Operations for the three months ended March 31, 2017 and 2016</a>	<a href="#">4</a>
	<a href="#">Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2017 and 2016</a>	<a href="#">5</a>
	<a href="#">Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2017 and 2016</a>	<a href="#">6</a>
	<a href="#">Notes to Condensed Consolidated Financial Statements</a>	<a href="#">7</a>
Item 2.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">37</a>
Item 3.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">44</a>
Item 4.	<a href="#">Controls and Procedures</a>	<a href="#">44</a>
<b>PART II. OTHER INFORMATION</b>		
Item 1.	<a href="#">Legal Proceedings</a>	<a href="#">45</a>
Item 1A.	<a href="#">Risk Factors</a>	<a href="#">45</a>
Item 6.	<a href="#">Exhibits</a>	<a href="#">46</a>
	<a href="#">Signatures</a>	<a href="#">47</a>

Items 2 through 5 of Part II have been omitted because they are not applicable with respect to the current reporting period.

*SPECTRUM PHARMACEUTICALS, INC.* ®, *FUSILEV*®, *FOLOTYN*®, *ZEVALIN*®, *MARQIBO*®, *BELEODAQ*®, and *EVOMELA*® are registered trademarks of Spectrum Pharmaceuticals, Inc. and its affiliates. *ROLONTIS*™, *QAPZOLA*™, *REDEFINING CANCER CARE*™ and the Spectrum Pharmaceuticals' logos are trademarks owned by Spectrum Pharmaceuticals, Inc. Any other trademarks are the property of their respective owners.

**PART I: FINANCIAL INFORMATION**  
**ITEM 1: CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SPECTRUM PHARMACEUTICALS, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and par value amounts)  
(Unaudited)

	March 31, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 137,196	\$ 158,222
Marketable securities	247	247
Accounts receivable, net of allowance for doubtful accounts of \$88, respectively	39,488	39,782
Other receivables	5,948	5,754
Inventories	10,388	8,715
Prepaid expenses and other assets	3,726	3,930
Total current assets	196,993	216,650
Property and equipment, net of accumulated depreciation	493	449
Intangible assets, net of accumulated amortization and impairment charges	157,419	164,234
Goodwill	17,917	17,886
Other assets	30,684	29,549
Total assets	\$ 403,506	\$ 428,768
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 48,228	\$ 52,483
Accrued payroll and benefits	5,174	8,981
Deferred revenue	2,922	3,188
Drug development liability	861	861
Total current liabilities	57,185	65,513
Drug development liability, less current portion	11,910	12,269
Deferred revenue, less current portion	316	323
Acquisition-related contingent obligations, less current portion	1,512	1,315
Deferred tax liabilities	6,749	6,675
Other long-term liabilities	9,874	9,604
Convertible senior notes	98,590	97,043
Total liabilities	186,136	192,742
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	—	—
Series B junior participating preferred stock, \$0.001 par value; 1,500,000 shares authorized; no shares issued and outstanding	—	—
Series E convertible voting preferred stock, \$0.001 par value and \$10,000 stated value; 2,000 shares authorized; no shares issued and outstanding.	—	—
Common stock, \$0.001 par value; 175,000,000 shares authorized; 80,423,844 and 80,466,735 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	80	80
Additional paid-in capital	642,518	640,166
Accumulated other comprehensive income (loss)	380	(1,579)
Accumulated deficit	(425,608)	(402,641)
Total stockholders' equity	217,370	236,026
Total liabilities and stockholders' equity	\$ 403,506	\$ 428,768

See accompanying notes to these unaudited condensed consolidated financial statements.

## SPECTRUM PHARMACEUTICALS, INC.

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except share and per share amounts)  
(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenues:</b>		
Product sales, net	\$ 25,845	\$ 35,241
License fees and service revenue	3,256	8,625
Total revenues	<u>\$ 29,101</u>	<u>\$ 43,866</u>
<b>Operating costs and expenses:</b>		
Cost of product sales (excludes amortization and impairment charges of intangible assets)	8,135	5,604
Cost of service revenue	2,103	1,282
Selling, general and administrative	18,607	21,962
Research and development	14,696	15,462
Amortization and impairment charges of intangible assets	6,889	5,839
Total operating costs and expenses	<u>50,430</u>	<u>50,149</u>
Loss from operations	<u>(21,329)</u>	<u>(6,283)</u>
<b>Other (expense) income:</b>		
Interest expense, net	(2,052)	(2,340)
Change in fair value of contingent consideration related to acquisitions	(197)	(1,042)
Other income, net	410	278
Total other expenses	<u>(1,839)</u>	<u>(3,104)</u>
Loss before income taxes	<u>(23,168)</u>	<u>(9,387)</u>
Benefit for income taxes	201	66
Net loss	<u>\$ (22,967)</u>	<u>\$ (9,321)</u>
<b>Net loss per share:</b>		
Basic and diluted	<u>\$ (0.29)</u>	<u>\$ (0.14)</u>
<b>Weighted average shares outstanding:</b>		
Basic and diluted	<u>78,523,023</u>	<u>65,597,261</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

## SPECTRUM PHARMACEUTICALS, INC.

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(In thousands)**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
Net loss	\$ (22,967)	\$ (9,321)
Other comprehensive income:		
Unrealized gain on available-for-sale securities, net of income tax of \$960 and \$833 for the three months ended March 31, 2017 and 2016, respectively	1,807	1,361
Foreign currency translation adjustments	152	473
Other comprehensive income	1,959	1,834
Total comprehensive loss	\$ (21,008)	\$ (7,487)

See accompanying notes to these unaudited condensed consolidated financial statements.

SPECTRUM PHARMACEUTICALS, INC.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	Three Months Ended March 31,	
	2017	2016
<b>Cash Flows From Operating Activities:</b>		
Net loss	\$ (22,967)	\$ (9,321)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	6,982	6,008
Stock-based compensation	3,140	3,177
Accretion of debt discount, recorded to interest expense on 2018 Convertible Notes (Note 14)	1,381	1,385
Amortization of deferred financing costs, recorded to interest expense on 2018 Convertible Notes (Note 14)	166	171
Bad debt recovery	—	(16)
Unrealized foreign currency exchange (gain) loss	(11)	14
Change in cash surrender value of corporate owned life insurance	(104)	—
Research and development expense recognized for the value of common stock issued in connection with QAPZOLA milestone achievement (Note 16(b)(xii))	—	111
Deferred tax liabilities	74	70
Income tax recognition on unrealized gain for available-for-sale securities	(960)	—
Change in fair value of contingent consideration related to the EVOMELA and Talon acquisitions (Note 9)	197	1,042
Changes in operating assets and liabilities:		
Accounts receivable, net	310	11,186
Other receivables	(190)	(2,500)
Inventories	(1,204)	(2,741)
Prepaid expenses	204	1,154
Other assets	1,316	(824)
Accounts payable and other accrued obligations	(4,269)	(9,074)
Accrued payroll and benefits	(3,807)	(3,641)
Drug development liability	(359)	(175)
Deferred revenue	(296)	(3,768)
Other long-term liabilities	270	659
Net cash used in operating activities	<u>(20,127)</u>	<u>(7,083)</u>
<b>Cash Flows From Investing Activities:</b>		
Redemption of mutual funds	(1)	(1)
Purchase of equity securities (Note 10)	—	(17)
Purchases of property and equipment	(136)	(61)
Net cash used in investing activities	<u>(137)</u>	<u>(79)</u>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from exercise of stock options	85	51
Purchase and retirement of restricted stock to satisfy employees' tax liability at vesting	(873)	(392)
Net cash used in financing activities	<u>(788)</u>	<u>(341)</u>
Effect of exchange rates on cash and equivalents	26	68
Net decrease in cash and cash equivalents	<u>(21,026)</u>	<u>(7,435)</u>
Cash and cash equivalents—beginning of period	158,222	139,741
Cash and cash equivalents—end of period	<u>\$ 137,196</u>	<u>\$ 132,306</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ —</u>	<u>\$ 9</u>
Cash paid for interest	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

**Spectrum Pharmaceuticals, Inc.**

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

**1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION, AND OPERATING SEGMENT**

*(a) Description of Business*

Spectrum Pharmaceuticals, Inc. ("Spectrum", the "Company", "we", "our", or "us") is a biotechnology company, with a primary strategy comprised of acquiring, developing, and commercializing a broad and diverse pipeline of late-stage clinical and commercial products. We have an in-house clinical development organization with regulatory and data management capabilities, and a commercial infrastructure and a field sales force for our marketed products. Currently, we have six approved oncology/hematology products that target different types of cancer including: non-Hodgkin's lymphoma ("NHL"), advanced metastatic colorectal cancer, acute lymphoblastic leukemia, and multiple myeloma.

We also have three drugs in mid-to-late stage development (defined as Phase 2 and Phase 3):

- ROLONTIS (formerly referred to as SPI-2012 or LAPS-G-CSF) for chemotherapy-induced neutropenia.
- QAPZOLA (formerly referred to as APAZQUONE) for immediate intravesical instillation in post-transurethral resection of bladder tumors in patients with non-muscle invasive bladder cancer ("NMIBC").
- POZIOTINIB, a novel pan-HER inhibitor used in the treatment of patients with a variety of solid tumors, including breast and lung cancer.

*(b) Basis of Presentation*

*Interim Financial Statements*

The interim financial data for the three months ended March 31, 2017 and 2016 respectively, is unaudited, and is not necessarily indicative of our operating results for a full year. In the opinion of our management, the interim data includes normal and recurring adjustments necessary for a fair presentation of our financial results for the three months ended March 31, 2017 and 2016. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to U.S. Securities and Exchange Commission ("SEC") rules and regulations relating to interim financial statements. The December 31, 2016 balances reported herein are derived from the audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016. The accompanying Condensed Consolidated Financial Statements should be read in conjunction with our audited Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on March 14, 2017.

*Principles of Consolidation*

The accompanying Condensed Consolidated Financial Statements have been prepared in accordance with GAAP and with the rules and regulations of the SEC. These financial statements include the financial position, results of operations, and cash flows of Spectrum and its subsidiaries, all of which are wholly-owned (except for Spectrum Pharma Canada ("SPC"), as discussed below). All inter-company accounts and transactions among these legal entities have been eliminated in consolidation.

*Variable Interest Entity*

We own fifty-percent of SPC, a legal entity organized in Quebec, Canada in January 2008. Some of our clinical studies are conducted through this "variable interest entity" (as defined under applicable GAAP). We fund all of SPC's operating costs, and since we assume all risks and rewards for this entity, we meet the applicable GAAP criteria as being its "primary beneficiary." Accordingly, SPC's balance sheets and statements of operations are included in our Condensed Consolidated Financial Statements as if it were a wholly-owned subsidiary for all periods presented.

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

***(c) Operating Segment***

We operate in one reportable operating segment that is focused exclusively on developing and commercializing oncology and hematology drug products. For the three months ended March 31, 2017 and 2016, all of our revenue and related expenses were solely attributable to these activities. Substantially all of our assets (excluding our cash held in certain foreign bank accounts and our ZEVALIN distribution rights for the Ex-U.S. territory) are held in the U.S.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES**

The preparation of financial statements in conformity with GAAP requires our management to make informed estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. However, actual values may materially differ, since estimates are inherently uncertain. On an on-going basis, our management evaluates its estimates and assumptions, including those related to (i) gross-to-net revenue adjustments; (ii) the timing of revenue recognition; (iii) the collectability of customer accounts; (iv) whether the cost of our inventories can be recovered; (v) the fair value of our reported goodwill and intangible assets; (vi) the realization of our tax assets and estimates of our tax liabilities; (vii) the likelihood of payment and value of contingent liabilities; (viii) the fair value of our investments; (ix) the valuation of our stock options and the periodic expense recognition of stock-based compensation; and (x) the potential outcome of our ongoing or threatened litigation.

The estimates and assumptions that most significantly impact the presented amounts within these Consolidated Financial Statements are further described below:

***(i) Revenue Recognition***

*(a) Product Sales:* We sell our products to wholesalers/distributors (i.e., our customers), except for our U.S. sales of ZEVALIN in which case the end-user (i.e., clinic or hospital) is our customer. Our wholesalers /distributors in turn sell our products directly to clinics, hospitals, and private oncology-based practices. Revenue from product sales is recognized when title and risk of loss have transferred to our customer, and the following additional criteria are met:

- (1) appropriate evidence of a binding arrangement exists with our customer;
- (2) price is substantially fixed or determinable;
- (3) collection from our customer is reasonably assured;
- (4) our customer's obligation to pay us is not contingent on resale of the product;
- (5) we do not have significant continued performance obligations to our customer; and
- (6) we have a reasonable basis to estimate returns.

Our gross revenue is reduced by our gross-to-net ("GTN") estimates each period, resulting in our reported "product sales, net" in the accompanying Condensed Consolidated Statements of Operations. We defer revenue recognition in full if these estimates are not reasonably determinable at the time of sale. These estimates are based upon information received from external sources (such as written or oral information obtained from our customers with respect to their period-end inventory levels and their sales to end-users during the period), in combination with management's informed judgments. Due to the inherent uncertainty of estimates, the actual amount we incur may be materially different than our GTN estimates, and require prospective revenue adjustments in periods after the initial sale was recorded.

Our GTN estimates are comprised of the following categories:

*Product Returns Allowances:* Our FUSILEV, MARQIBO, and BELEODAQ customers are permitted to return purchased products beginning at its expiration date and within six months thereafter. Our EVOMELA customers are permitted to return purchased product beginning at six months prior to its expiration date, and within 12 months following its expiration date (as well as for overstock inventory, as determined by end-users). Returned product is generally not resold. Returns for expiry of ZEVALIN and FOLOTYN are not contractually, or customarily, allowed. We estimate expected product returns for our allowance based on our historical return rates.



**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

*Government Chargebacks:* Our products are subject to pricing limits under certain federal government programs (e.g., Medicare and 340B Drug Pricing Program). Qualifying entities (i.e., end-users) purchase products from our customers at their qualifying discounted price. The chargeback amount we incur represents the difference between our contractual sales price to our customer, and the end-user's applicable discounted purchase price under the government program. There may be significant lag time between our reported net product sales and our receipt of the corresponding government chargeback claims from our customers.

*Prompt Pay Discounts:* Discounts for prompt payment are estimated at the time of sale, based on our eligible customers' prompt payment history and the contractual discount percentage.

*Commercial Rebates:* Commercial rebates are based on (i) our estimates of end-user purchases through a group purchasing organization ("GPO"), (ii) the corresponding contractual rebate percentage tier we expect each GPO to achieve, and (iii) our estimates of the impact of any prospective rebate program changes made by us.

*Medicaid Rebates:* Our products are subject to state government-managed Medicaid programs, whereby rebates are issued to participating state governments. These rebates arise when a patient treated with our product is covered under Medicaid, resulting in a discounted price for our product under the applicable Medicaid program. Our Medicaid rebate accrual calculations require us to project the magnitude of our sales, by state, that will be subject to these rebates. There is a significant time lag in us receiving rebate notices from each state (generally several months or longer after our sale is recognized). Our estimates are based on our historical claim levels by state, as supplemented by management's judgment.

*Distribution, Data, and GPO Administrative Fees:* Distribution, data, and GPO administrative fees are paid to authorized wholesalers/distributors of our products (except for U.S. sales of ZEVALIN) for various commercial services including: contract administration, inventory management, delivery of end-user sales data, and product returns processing. These fees are based on a contractually-determined percentage of our applicable sales.

*(b) License Fees:* Our out-license arrangements may include one or more of the following: (a) upfront license fees, (b) royalties from our licensees' sales, (c) milestone receipts from our licensees' sales, and (d) milestone receipts upon regulatory achievements by us or our licensees. We recognize revenue from these categories based on the contractual terms that establish the legal rights and obligations between us and our licensees. We complete the following steps in determining the dollar amount and timing of revenue recognition from our license fees:

- (i) We first assess the number of "units of accounting" for the elements in our out-license arrangements in accordance with multiple element arrangement guidance. We consider if elements (deliverables) have standalone value, and if standalone value does not exist for a deliverable, it is combined (as applicable) with other deliverables until the "bundle" has standalone value (as a single unit of accounting).
- (ii) Next, we allocate arrangement consideration among the separate units of accounting (using the "relative selling price method").
- (iii) Finally, we evaluate the timing of revenue recognition, which is impacted by the nature of the consideration to which we are entitled, as follows:
  - (a) *Upfront license fees:* We consider whether upfront license fees are earned (i.e., realized) at the time of contract execution (i.e., when the license rights transfer to the customer) or over the actual (or implied) contractual term of the out-license. We give specific consideration to whether we have any on-going contractual service obligations to the licensee, including any requirements for us to provide on-going support services, and/or for us to supply drug products for the licensee's future sales. As a result, we may either recognize all upfront license fees as revenue in the period of contract execution, or recognize these fees over the actual (or implied) contractual term of the out-license.
  - (b) *Royalties:* We recognize revenue in the period that our licensees report product sales to us in their territory for which we are contractually entitled to a percentage-based royalty receipt (i.e., representing the period when earned and realizable).

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

- (c) Sales milestones: We recognize revenue in the period that our licensees report achievement of annual or aggregate product sales levels in their territories for which we are contractually entitled to a specified lump-sum receipt (i.e., representing the period when earned and realizable).
- (d) Regulatory milestones: Under the terms of the respective out-license, regulatory achievements may either be our responsibility, or that of our licensee.
- When our licensee is responsible for the achievement of the regulatory milestone (and we have no on-going obligations), we recognize this revenue in the period that our product achieves specified regulatory approvals for which we are contractually entitled to a fixed receipt (i.e., representing the period when earned and realizable).
  - When we are responsible for the achievement of the regulatory milestone, we recognize this revenue in the period that our product achieves specified regulatory approvals for which we are contractually entitled to a fixed receipt. Regulatory approvals by governmental agencies are inherently uncertain, and require our substantial cost and effort in completing our submission for potential approval. Therefore, these regulatory milestones are “substantive” and these fixed receipts remain at-risk (i.e. unearned and unrealizable) until the period of achievement. We believe the amounts we are entitled to receive upon our achievement relates solely to our past performance and is commensurate with either (i) our performance in achieving the milestone, or (ii) the resulting enhancement in value of the drug compound.

(c) Service Revenue: We receive fees under certain arrangements for (a) sales and marketing services, (b) supply chain services (c) research and development services, and (d) clinical trial management services. Payment for these services may be triggered by (i) an established fixed-fee schedule, (ii) the completion of product delivery in our capacity as a procurement agent, (iii) the successful completion of a phase of development, (iv) favorable results from a clinical trial, and/or (v) regulatory approval events.

We consider whether revenue associated with these service arrangements is “realizable and earned” each reporting period, based on our completed services or deliverables during the reporting period, and the contractual terms of the arrangement (which typically includes fee schedules). For any/all milestone achievements in the reporting period that contractually result in fixed payments due to us, we apply the “milestone method” of revenue recognition. Accordingly, this revenue recognition occurs as each “substantive” milestone (as discussed below) is achieved by us, since (1) all contingencies associated with each milestone is resolved upon its achievement, (2) the milestone achievement relates solely to our past performance, and (3) no remaining milestone performance obligations exist in relation to our receipt of payment.

In recognizing revenue under the milestone method, we first assess the number of “units of accounting” in the arrangement. We consider if the separate “deliverable” has standalone value to our licensee, and if standalone value does not exist for a deliverable, it is combined with other deliverables until the “bundle” has standalone value. The allocation of arrangement consideration and the recognition of revenue is determined for those combined deliverables as a single unit of accounting. This includes allocation of consideration associated with milestones achieved by our licensees.

Next, we measure and allocate arrangement consideration among the separate units of accounting. This fixed or determinable consideration is allocated to the units of accounting using the “relative selling price method”. Variable fees subsequently earned (other than substantive milestone payments) are allocated to the units of accounting on the same basis.

We determine whether the milestone is substantive by considering (i) the extent of our effort to achieve the milestone and/or the enhancement of the value of the delivered item(s) as a result of milestone achievement, (ii) whether the milestone achievement relates solely to our past performance, and (iii) if the milestone payment is reasonable relative to all of the deliverables and payment terms (including other potential milestone consideration) within the arrangement.

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

For service contracts without milestones, we recognize revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) services have been rendered, (iii) fees are fixed or determinable, and (iv) collectability is reasonably assured.

*(d) New Revenue Recognition Standard:* The revenue recognition standard, *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)* (“*ASU 2014-09*”), is effective for us beginning January 1, 2018. This new standard requires that our revenue is recognized in a manner that reasonably reflects the delivery of our goods or services to customers in return for expected consideration. To achieve this core principle, the guidance provides the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

We intend to apply the “cumulative effect transition method” of *ASU 2014-09* for its implementation. We continue to evaluate the impact of this new standard on our current revenue recognition models for product sales, license fees, and service revenue (as described above), though we currently believe the most significant impact of this new standard relates to the timing (though not the aggregate value) of our license fee revenue recognition.

***(ii) Cash and Cash Equivalents***

Our cash and cash equivalents consist of bank deposits and highly liquid investments with maturities of three months or less from the purchase date.

***(iii) Marketable Securities***

Our marketable securities consist of our holdings in mutual funds and bank certificates of deposit (“Bank CDs”). Since we classify these securities as “available-for-sale” under applicable GAAP, any unrealized gains or losses from their change in value is reflected in “unrealized gain on available-for-sale securities” on the accompanying Condensed Consolidated Statements of Comprehensive Loss. Realized gains and losses on available-for-sale securities are included in “other income, net” on the accompanying Condensed Consolidated Statements of Operations.

***(iv) Accounts Receivable***

Our accounts receivables are derived from our product sales and license fees (our service revenue is recorded in “other receivables”), and do not bear interest. The allowance for doubtful accounts is management’s best estimate of the amount of probable credit losses in our existing accounts receivable. Account balances are charged off against the allowance after appropriate collection efforts are exhausted.

***(v) Inventories***

We value our inventory at the *lower of* (i) the actual cost of its purchase or manufacture, or (ii) its current market value. Inventory cost is determined on the first-in, first-out method. We regularly review our inventory quantities in process of manufacture and on hand. When appropriate, we record a provision for obsolete and excess inventory to derive its new cost basis, which takes into account our sales forecast by product and corresponding expiry dates.

Direct and indirect manufacturing costs related to the production of inventory prior to U.S. Food and Drug Administration (“FDA”) approval are expensed through “research and development,” rather than being capitalized to inventory cost.

***(vi) Property and Equipment***

Our property and equipment is stated at historical cost, and is depreciated on a straight-line basis over an estimated useful life that corresponds with its designated asset category. We evaluate the recoverability of “long-lived assets” (which includes property and equipment) whenever events or changes in circumstances in our business indicate that the asset’s carrying amount may not be recoverable through on-going operations.

***(vii) Goodwill and Intangible Assets***

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

Our goodwill represents the excess of our business acquisition cost over the estimated fair value of the net assets acquired in the corresponding transaction. Goodwill has an indefinite accounting life and is therefore not amortized. Instead, goodwill is evaluated for impairment on an annual basis (as of each October 1st), unless we identify impairment indicators that would require earlier testing.

We evaluate the recoverability of indefinite-lived intangible assets at least annually, or whenever events or changes in our business indicate that an intangible asset's (whether indefinite or definite-lived) carrying amount may not be recoverable. Such circumstances could include, but are not limited to the following:

- (a) a significant decrease in the market value of an asset;
- (b) a significant adverse change in the extent or manner in which an asset is used; or
- (c) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset.

Intangible assets with finite useful lives are amortized over their estimated useful lives on a straight-line basis. We review these assets for potential impairment if/when facts or circumstances suggest that the carrying value of these assets may not be recoverable.

***(viii) Stock-Based Compensation***

Stock-based compensation expense for equity awards granted to our employees and members of our board of directors is recognized on a straight-line basis over each award's vesting period. Recognized compensation expense is net of an estimated forfeiture rate, representing the percentage of awards that are expected to be forfeited (by termination of employment or service) prior to vesting. We use the Black-Scholes option pricing model to determine the fair value of stock options (as of the date of grant) which carry service conditions for vesting. We use the Monte Carlo valuation model to value equity awards (as of the date of grant) which carry combined market conditions and service conditions for vesting.

The calculation of the fair value of stock options and the recognition of stock-based compensation expense requires uncertain assumptions, including (a) the pre-vesting forfeiture rate of the award, (b) the expected term of our stock options, (c) our stock price volatility over its expected term (and that of our designated peer group with respect to certain market-based awards), and (d) the risk-free interest rate over the expected term.

We estimate forfeiture rates based on our employees' overall forfeiture history, which we believe will be representative of future results. We estimate the expected term of stock options granted based on our employees' historical exercise patterns, which we believe will be representative of their future behavior. We estimate the volatility of our common stock on the date of grant based on historical volatility of our common stock for a look-back period that corresponds with the expected term. We estimate the risk-free interest rate based upon the U.S. Treasury yields in effect at award grant, for a period equaling the stock options' expected term.

***(ix) Foreign Currency Translation***

We translate the assets and liabilities of our foreign subsidiaries that are stated in their functional currencies (i.e., local operating currencies), to U.S. dollars at the rates of exchange in effect at the reported balance sheet date. Revenues and expenses are translated using the monthly average exchange rates during the reported period. Unrealized gains and losses from the translation of our subsidiaries' financial statements (that are initially denominated in the corresponding functional currency) are included as a separate component of "accumulated other comprehensive income (loss)" in the Condensed Consolidated Balance Sheets.

We record foreign currency transactions, when initially denominated in a currency other than the respective functional currency of our subsidiary, at the prevailing exchange rate on the date of the transaction. Resulting unrealized foreign exchange gains and losses from transactions with third parties are included in "accumulated other comprehensive income (loss)" in the Condensed Consolidated Balance Sheets.

Beginning April 1, 2015, all unrealized foreign exchange gains and losses associated with our intercompany loans are included in "accumulated other comprehensive income (loss)" in the Condensed Consolidated Balance Sheets, as these loans with our foreign subsidiaries are not expected to be settled in the "foreseeable future."

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

***(x) Basic and Diluted Net Loss per Share***

We calculate basic and diluted net loss per share using the weighted average number of common shares outstanding during the periods presented. In periods of a net loss, basic and diluted loss per share are the same. For the diluted earnings per share calculation, we adjust the weighted average number of common shares outstanding to include only dilutive stock options, warrants, and other common stock equivalents outstanding during the period.

***(xi) Income Taxes***

Deferred tax assets and liabilities are recorded based on the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the financial statements, as well as operating losses and tax credit carry forwards using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain.

We have recorded a valuation allowance to reduce our deferred tax assets, because we believe that, based upon a weighting of positive and negative factors, it is more likely than not that these deferred tax assets will not be realized. If/when we were to determine that our deferred tax assets are realizable, an adjustment to the corresponding valuation allowance would increase our net income in the period that such determination was made.

In the event that we are assessed interest and/or penalties from taxing authorities that have not been previously accrued, such amounts would be included in “benefit for income taxes” within the Condensed Consolidated Statements of Operations in the period the notice was received.

***(xii) Research and Development Costs***

Our research and development costs are expensed as incurred, or as certain milestone payments become due, which are generally triggered by contractual clinical or regulatory events.

***(xiii) Fair Value Measurements***

We determine measurement-date fair value based on the proceeds that would be received through the sale of the asset, or that we would pay to settle or transfer the liability, in an orderly transaction between market participants. We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Fair value measurements are based on a three-tier hierarchy that prioritizes the inputs used to measure fair value. These tiers include the following:

*Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that are publicly accessible at the measurement date.

*Level 2:* Observable prices that are based on inputs not quoted on active markets, but that are corroborated by market data. These inputs may include quoted prices for similar assets or liabilities or quoted market prices in markets that are not active to the general public.

*Level 3:* Unobservable inputs are used when little or no market data is available.

**3. BALANCE SHEET ACCOUNT DETAIL**

The composition of selected financial statement captions that comprise the accompanying Condensed Consolidated Balance Sheets are summarized below:

***(a) Cash and Cash Equivalents and Marketable Securities***

As of March 31, 2017 and December 31, 2016, our holdings included in “cash and cash equivalents” and “marketable securities” were at major financial institutions.

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

Our investment policy requires that investments in marketable securities be in only highly-rated instruments, which are primarily U.S. treasury bills or U.S. treasury-backed securities, and limited investments in securities of any single issuer. We maintain cash balances in excess of federally insured limits with reputable financial institutions. To a limited degree, the Federal Deposit Insurance Corporation ("FDIC") and other third parties insure these investments. However, these investments are not insured against the possibility of a complete loss of earnings or principal and are inherently subject to the credit risk related to the continued credit worthiness of the underlying issuer and general credit market risks. We manage such risks on our portfolio by investing in highly liquid, highly rated instruments, and limit investing in long-term maturity instruments.

The carrying amount of our equity securities, money market funds, Bank CDs, and mutual funds approximates their fair value (utilizing *Level 1* or *Level 2* inputs – see *Note 2(xiii)*) because of our ability to immediately convert these instruments into cash with minimal expected change in value.

The following is a summary of our presented “cash and cash equivalents” and “marketable securities”:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cash and Cash Equivalents	Marketable Securities	
						Current	Long Term
<b>March 31, 2017</b>							
Bank deposits	\$ 12,757	\$ —	\$ —	\$ 12,757	\$ 12,757	\$ —	\$ —
Money market funds	124,439	—	—	124,439	124,439	—	—
Bank certificates of deposits	247	—	—	247	—	247	—
Total cash and cash equivalents and marketable securities	<u>\$ 137,443</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 137,443</u>	<u>\$ 137,196</u>	<u>\$ 247</u>	<u>\$ —</u>
<b>December 31, 2016</b>							
Bank deposits	\$ 23,915	\$ —	\$ —	\$ 23,915	\$ 23,915	\$ —	\$ —
Money market funds	128,563	—	—	128,563	128,563	—	—
Bank certificates of deposits	5,991	—	—	5,991	5,744	247	—
Total cash and cash equivalents and marketable securities	<u>\$ 158,469</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 158,469</u>	<u>\$ 158,222</u>	<u>\$ 247</u>	<u>\$ —</u>

As of March 31, 2017, none of these securities had been in a continuous unrealized loss position longer than one year.

**(b) Property and Equipment, Net of Accumulated Depreciation**

“Property and equipment, net of accumulated depreciation” consist of the following:

	March 31, 2017	December 31, 2016
Computer hardware and software	\$ 2,684	\$ 2,550
Laboratory equipment	622	622
Office furniture	217	211
Leasehold improvements	2,912	2,912
Property and equipment, at cost	6,435	6,295
(Less): Accumulated depreciation	(5,942)	(5,846)
Property and equipment, net of accumulated depreciation	<u>\$ 493</u>	<u>\$ 449</u>

Depreciation expense (included within “total operating costs and expenses” in the accompanying Condensed Consolidated Statements of Operations) for the three months ended March 31, 2017 and 2016, was \$0.1 million and \$0.2 million, respectively.

In February 2016, the FASB issued *ASU 2016-02*, which amends the FASB Accounting Standards Codification and creates *Topic 842, Leases*. The new topic supersedes *Topic 840, Leases*, and requires lease assets and lease liabilities (including for operating leases) to be presented on the balance sheet at its "gross amount" and requires additional disclosures regarding lease arrangements. The guidance is effective for us beginning January 1, 2019, and mandates a "modified retrospective" transition method. We are currently assessing the impact this guidance will have on our consolidated financial statements. We

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

presently do not have any capital lease arrangements, though we have several operating lease agreements that primarily relate to our principal executive office in Henderson, Nevada, and our research and development facility in Irvine, California, in addition to several other administrative office leases.

**(c) Inventories**

“Inventories” consist of the following:

	March 31, 2017	December 31, 2016
Raw materials	\$ 2,028	\$ 2,991
Work-in-process	10,690	7,838
Finished goods	1,620	2,305
(Less:) Non-current portion of inventories included within "other assets" *	(3,950)	(4,419)
<b>Inventories</b>	<b>\$ 10,388</b>	<b>\$ 8,715</b>

\* The "non-current" portion of inventories is presented within "other assets" in the accompanying Condensed Consolidated Balance Sheets at March 31, 2017 and December 31, 2016, respectively. This value of \$4.0 million at March 31, 2017 represents product that we expect to sell beyond March 31, 2018.

**(d) Prepaid expenses and other assets**

“Prepaid expenses and other assets” consist of the following:

	March 31, 2017	December 31, 2016
Prepaid insurance	\$ 557	\$ 721
Inventory other	1,501	1,458
Other miscellaneous prepaid operating expenses	1,668	1,751
<b>Prepaid expenses and other assets</b>	<b>\$ 3,726</b>	<b>\$ 3,930</b>

**(e) Other receivables**

“Other receivables” consist of the following:

	March 31, 2017	December 31, 2016
Income tax receivable	\$ —	\$ 1,388
Insurance receivable	759	500
CASI note - short term*	1,512	—
Receivable for contracted sales and marketing services ( <i>Note 13</i> )	1,590	1,831
Reimbursements due from development partners for incurred research and development expenses	1,373	1,796
Other miscellaneous receivables**	714	239
<b>Other receivables</b>	<b>\$ 5,948</b>	<b>\$ 5,754</b>

\* This full balance was prospectively reclassified beginning March 31, 2017 to "other receivables" (presented within current assets on the accompanying Condensed Consolidated Balance Sheets) from "other assets" (presented within non-current assets) due to this note's maturity date of March 17, 2018 (i.e., within 12 months of March 31, 2017) - see *Note 10*.

\*\* As of March 31, 2017 the balance of "other miscellaneous receivables" is inclusive of \$0.4 million of Medicaid rebate credits to be applied against future invoices for each respective state program.

**(f) Intangible Assets and Goodwill**

“Intangible assets, net of accumulated amortization and impairment charges” consist of the following:



**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

	March 31, 2017						
	Historical Cost	Accumulated Amortization	Foreign Currency Translation	Impairment	Net Amount	Full Amortization Period (months)	Remaining Amortization Period (months)
MARQIBO IPR&D (NHL and other novel indications)	\$ 17,600	\$ —	\$ —	\$ —	\$ 17,600	n/a	n/a
EVOMELA distribution rights (1)	7,700	(592)	—	—	7,108	156	144
BELEODAQ distribution rights	25,000	(5,156)	—	—	19,844	160	127
MARQIBO distribution rights	26,900	(13,943)	—	—	12,957	81	36
FOLOTYN distribution rights (2)	118,400	(44,305)	—	—	74,095	152	68
ZEVALIN distribution rights – U.S.	41,900	(34,951)	—	—	6,949	123	24
ZEVALIN distribution rights – Ex-U.S.	23,490	(14,241)	(4,747)	—	4,502	96	36
FUSILEV distribution rights (3)	16,778	(9,618)	—	(7,160)	—	56	0
FOLOTYN out-license (4)	27,900	(12,513)	—	(1,023)	14,364	110	64
Total intangible assets	<u>\$ 305,668</u>	<u>\$ (135,319)</u>	<u>\$ (4,747)</u>	<u>\$ (8,183)</u>	<u>\$ 157,419</u>		

- The FDA approval of EVOMELA in March 2016 triggered a \$6 million payment due to CyDex Pharmaceuticals, Inc. (a wholly-owned subsidiary of Ligand Pharmaceuticals Incorporated ("Ligand")). This event also resulted in a reclassification of our \$7.7 million "EVOMELA IPR&D" to "EVOMELA distribution rights" due to our ability to begin its commercialization with this FDA approval. Amortization commenced on April 1, 2016, in accordance with our capitalization policy for intangible assets.
- Beginning June 2016, we adjusted the amortization period of our FOLOTYN distribution rights to November 2022 from March 2025, representing the period through which we expect to have patent protection from generic competition (see *Note 16(g)*).
- On February 20, 2015, the U.S. District Court for the District of Nevada found the patent covering FUSILEV to be invalid, which was upheld on appeal. On April 24, 2015, Sandoz began to commercialize a generic version of FUSILEV. This represented a "triggering event" under applicable GAAP in evaluating the value of our FUSILEV distribution rights as of March 31, 2015, resulting in a \$7.2 million impairment charge (non-cash) in the first quarter of 2015. We accelerated amortization expense recognition in 2015 for the then remaining net book value of FUSILEV distribution rights.
- On May 29, 2013, we amended our FOLOTYN collaboration agreement with Mundipharma International Corporation Limited ("Mundipharma"). As a result of the amendment, Europe and Turkey were excluded from Mundipharma's commercialization territory, and their royalty rates and milestone payments to us were modified. This constituted a change under which we originally valued the FOLOTYN out-license as part of business combination accounting, resulting in an impairment charge (non-cash) of \$1.0 million in the second quarter of 2013.

	December 31, 2016				
	Historical Cost	Accumulated Amortization	Foreign Currency Translation	Impairment	Net Amount
MARQIBO IPR&D (NHL and other novel indications)	\$ 17,600	\$ —	\$ —	\$ —	\$ 17,600
EVOMELA distribution rights	7,700	(444)	—	—	7,256
BELEODAQ distribution rights	25,000	(4,688)	—	—	20,312
MARQIBO distribution rights	26,900	(12,863)	—	—	14,037
FOLOTYN distribution rights	118,400	(41,036)	—	—	77,364
ZEVALIN distribution rights – U.S.	41,900	(34,083)	—	—	7,817
ZEVALIN distribution rights – Ex-U.S.	23,490	(13,649)	(5,038)	—	4,803
FUSILEV distribution rights	16,778	(9,618)	—	(7,160)	—
FOLOTYN out-license	27,900	(11,832)	—	(1,023)	15,045
Total intangible assets	<u>\$ 305,668</u>	<u>\$ (128,213)</u>	<u>\$ (5,038)</u>	<u>\$ (8,183)</u>	<u>\$ 164,234</u>



**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

Intangible asset amortization and impairment expense recognized during the three months ended March 31, 2017 and 2016 was \$6.9 million and \$5.8 million, respectively.

Estimated intangible asset amortization expense for the remainder of 2017 and the five succeeding fiscal years and thereafter is as follows:

**Years Ending December 31,**

Remainder of 2017	\$	20,670
2018		27,560
2019		24,955
2020		19,721
2021		18,266
2022		15,882
2023 and thereafter		12,765
	<u>\$</u>	<u>139,819</u>

“Goodwill” is comprised of the following:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Acquisition of Talon (MARQIBO rights)	\$ 10,526	\$ 10,526
Acquisition of ZEVALIN Ex-U.S. distribution rights	2,525	2,525
Acquisition of Allos (FOLOTYN rights)	5,346	5,346
Foreign currency exchange translation effects	(480)	(511)
Goodwill	<u>\$ 17,917</u>	<u>\$ 17,886</u>

**(g) Other assets**

“Other assets” are comprised of the following:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Equity securities (see Note 10)*	\$ 14,241	\$ 11,533
CASI note - long term (see Note 10)**	—	1,510
Research & development supplies and other	230	224
Executive officer life insurance – cash surrender value	12,263	11,863
Inventories - non-current portion	3,950	4,419
Other assets	<u>\$ 30,684</u>	<u>\$ 29,549</u>

\* These equity securities were excluded from “marketable securities” (see Note 3(a)) due to our intent to hold these securities for at least one year beyond March 31, 2017 (see Note 10). The “unrealized gain on available-for-sale securities” within the Condensed Consolidated Statements of Comprehensive Loss, totaled \$1.8 million, net of income tax, for the three months ended March 31, 2017.

\*\* This full balance was prospectively reclassified beginning March 31, 2017 to “other receivables” (presented within current assets in the accompanying Condensed Consolidated Balance Sheets) from “other assets” (presented within non-current assets) due to this note’s maturity date of March 17, 2018 (i.e., within 12 months of March 31, 2017) - see Note 10.

**(h) Accounts payable and other accrued liabilities**

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

“Accounts payable and other accrued liabilities” are comprised of the following:

	March 31, 2017	December 31, 2016
Trade accounts payable and other accrued liabilities	\$ 27,719	\$ 30,488
Accrued rebates	8,910	8,350
Accrued product royalty	3,519	4,723
Allowance for returns	2,553	2,309
Accrued data and distribution fees	2,611	4,222
Accrued GPO administrative fees	384	384
Accrued inventory management fee	876	540
Allowance for chargebacks	1,656	1,467
Accounts payable and other accrued liabilities	<u>\$ 48,228</u>	<u>\$ 52,483</u>

Amounts presented within “accounts payable and other accrued liabilities” in the accompanying Condensed Consolidated Balance Sheets for GTN estimates (see *Note 2(i)*) were as follows:

	Rebates and Chargebacks	Data and Distribution, GPO Fees, and Inventory Management Fees	Returns
Balance as of December 31, 2015	\$ 20,167	\$ 3,386	\$ 1,394
Add: provisions	98,317	14,979	2,123
(Less): credits or actual allowances	(108,667)	(13,219)	(1,208)
Balance as of December 31, 2016	9,817	5,146	2,309
Add: provisions	27,385	4,466	310
(Less): credits or actual allowances	(26,636)	(5,741)	(66)
Balance as of March 31, 2017	<u>\$ 10,566</u>	<u>\$ 3,871</u>	<u>\$ 2,553</u>

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

**(i) Deferred revenue**

Deferred revenue (current and non-current) is comprised of the following:

	March 31, 2017	December 31, 2016
ZEVALIN out-license deferred revenue in Asia Territory (see Note 11)	\$ 640	\$ 1,255
EVOMELA deferred revenue*	2,235	1,887
ZEVALIN out-license in India territory (see Note 16(b)(iii))	363	369
Deferred revenue	<u>\$ 3,238</u>	<u>\$ 3,511</u>

\* We commercialized EVOMELA beginning in April 2016, and have deferred revenue recognition (see Note 2(i)(a)) for any product shipped to our distributors, but not ordered and received by end-users as of March 31, 2017 and December 31, 2016. This deferral is a result of our present inability to estimate future customer returns and rebate levels for this recently launched product.

**(j) Other long-term liabilities**

"Other long-term liabilities" are comprised of the following:

	March 31, 2017	December 31, 2016
Accrued executive deferred compensation	\$ 8,942	\$ 8,352
Deferred rent (non-current portion)	143	167
Clinical study holdback costs, non-current	51	47
Other tax liabilities	738	738
Royalty liability	—	300
Other long-term liabilities	<u>\$ 9,874</u>	<u>\$ 9,604</u>

**4. GROSS-TO-NET PRODUCT SALES**

The below table presents a GTN product sales reconciliation for the accompanying Condensed Consolidated Statements of Operations:

	Three Months Ended March 31,	
	2017	2016
Gross product sales	\$ 58,217	\$ 58,011
Commercial rebates and government chargebacks	(27,324)	(19,953)
Data and distribution fees, GPO fees, and inventory management fees	(4,462)	(2,227)
Prompt pay discounts	(270)	—
Product returns allowance	(316)	(590)
Net product sales	<u>\$ 25,845</u>	<u>\$ 35,241</u>

**5. COMPOSITION OF TOTAL REVENUE**

The below table presents our net product sales by geography for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,			
	2017		2016	
United States	\$ 23,801	92.1%	\$ 33,779	95.9%
Europe	2,044	7.9%	1,462	4.1%
Net product sales	\$ 25,845	100.0%	\$ 35,241	100.0%

The below table presents our net product sales by drug for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,			
	2017		2016	
FUSILEV	\$ 2,574	10.0%	\$ 15,209	43.2%
FOLOTYN	9,274	35.9%	13,292	37.7%
ZEVALIN	2,845	11.0%	2,783	7.9%
MARQIBO	1,980	7.7%	929	2.6%
BELEODAQ	2,871	11.1%	3,028	8.6%
EVOMELA	6,301	24.4%	—	—%
Net product sales	\$ 25,845	100.0%	\$ 35,241	100.0%

The below table presents our license fees and service revenue by source for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,			
	2017		2016	
Sales and marketing contracted services ( <i>Note 13</i> )	2,366	72.7%	1,933	22.4%
Out-license of ZEVALIN, FOLOTYN, BELEODAQ, MARQIBO: upfront receipt for the Canada territory ( <i>Note 16(b)(xiv)</i> )	—	—%	6,000	69.6%
Out-license of ZEVALIN: recognition of upfront receipts and royalties for Asia and certain other territories, excluding China ( <i>Note 11</i> )	615	18.9%	422	4.9%
Out-license of FOLOTYN in all countries except the U.S., Canada, Europe, and Turkey ( <i>Note 15</i> )	263	8.1%	258	3.0%
Out-license of ZEVALIN: amortization of upfront receipt related to India territory ( <i>Note 16(b)(iii)</i> ) and other	12	0.4%	12	0.1%
License fees and service revenues	\$ 3,256	100.0%	\$ 8,625	100.0%

## 6. STOCK-BASED COMPENSATION

We classify our stock-based compensation expense (inclusive of our incentive stock plan, employee stock purchase plan, and 401(k) contribution matching program) in the accompanying Condensed Consolidated Statements of Operations, based on the department to which the recipient belongs. Stock-based compensation expense included within “total operating costs and expenses” for the three months ended March 31, 2017 and 2016, was as follows:

	Three Months Ended March 31,	
	2017	2016
Cost of product sales	\$ 30	\$ 27
Research and development	369	381
Selling, general and administrative	2,741	2,769
Total stock-based compensation	\$ 3,140	\$ 3,177

## 7. NET LOSS PER SHARE

Net loss per share was computed by dividing net loss by the weighted average number of common shares outstanding for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
	2017	2016
Net loss	\$ (22,967)	\$ (9,321)
Weighted average shares – basic and diluted	78,523,023	65,597,261
Net loss per share – basic and diluted	\$ (0.29)	\$ (0.14)

The below outstanding securities were excluded from the above calculation of net loss per share because their impact under the "treasury stock method" and "if-converted method" would have been anti-dilutive due to our net loss per share in the three months ended March 31, 2017 and 2016, as summarized below:

	Three Months Ended March 31,	
	2017	2016
2018 Convertible Notes	10,454,799	11,401,284
Common stock options	1,557,920	982,748
Restricted stock awards	1,769,530	2,592,614
Preferred stock*	—	40,000
Total	13,782,249	15,016,646

\* In June 2016, our then 20 outstanding shares of Series E convertible voting preferred stock were converted (at the election of the preferred stockholders) into an aggregate of 40,000 common shares; a \$6 thousand dividend in arrears was paid upon this conversion.

## 8. FAIR VALUE MEASUREMENTS

The table below summarizes certain asset and liability fair values that are included within our accompanying Condensed Consolidated Balance Sheets, and their designations among three fair value measurement categories (see *Note 2(xiii)*):

	March 31, 2017 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
<i>Assets:</i>				
Bank certificates of deposits	\$ —	\$ 247	\$ —	\$ 247
Money market funds	—	124,439	—	124,439
Equity securities ( <i>Note 10</i> )	14,241	—	—	14,241
Mutual funds	—	59	—	59
Deferred compensation investments (life insurance cash surrender value)	—	12,263	—	12,263 *
	\$ 14,241	\$ 137,008	\$ —	\$ 151,249
<i>Liabilities:</i>				
Deferred executive compensation liability ( <i>Note 16(f)</i> )	\$ —	\$ 8,942	\$ —	\$ 8,942 *
Drug development liability ( <i>Note 15</i> )	—	—	12,771	12,771
Talon CVR ( <i>Note 9(a)</i> )	—	—	1,450	1,450
Corixa Liability ( <i>Note 16(b)(i)</i> )	—	—	62	62
	\$ —	\$ 8,942	\$ 14,283	\$ 23,225

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

	December 31, 2016 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
<i>Assets:</i>				
Bank certificates of deposits	\$ —	\$ 5,991	\$ —	\$ 5,991
Money market funds	—	128,563	—	128,563
Equity securities (Note 10)	11,533	—	—	11,533
Mutual funds	—	56	—	56
Deferred compensation investments (life insurance cash surrender value)	—	11,863	—	11,863 *
	<u>\$ 11,533</u>	<u>\$ 146,473</u>	<u>\$ —</u>	<u>\$ 158,006</u>
<i>Liabilities:</i>				
Deferred executive compensation liability (Note 16(f))	\$ —	\$ 8,352	\$ —	\$ 8,352 *
Drug development liability (Note 15)	—	—	13,130	13,130
Ligand Contingent Consideration (Note 9(b))	—	—	—	—
Talon CVR (Note 9(a))	—	—	1,253	1,253
Corixa Liability (Note 16(b)(i))	—	—	62	62
	<u>\$ —</u>	<u>\$ 8,352</u>	<u>\$ 14,445</u>	<u>\$ 22,797</u>

\* The reported value of "deferred compensation investments" is based on the cash surrender value of the life insurance policies, while the value of the "deferred executive compensation liability" is based on the market value of the underlying investment holdings.

We did not have any transfers between Levels 1 and 2 for all periods presented.

The table below summarizes the 2016 and 2017 activity of our liabilities that are valued with unobservable inputs:

	Fair Value Measurements of Unobservable Inputs (Level 3)
Balance at December 31, 2015	\$ 21,352
Settlement of Ligand Contingent Consideration liability (see Note 9(b))	(6,000)
Deferred drug development costs (see Note 15)	(1,556)
Ligand Contingent Consideration fair value adjustment prior to settlement (see Note 9(b))	773
Talon CVR fair value adjustment (see Note 9(a))	(124)
Balance at December 31, 2016	14,445
Deferred drug development costs (see Note 15)	(359)
Talon CVR fair value adjustment (see Note 9(a))	197
Balance at March 31, 2017*	<u>\$ 14,283</u>

\* This amount is comprised of the current and non-current portions of "drug development liability" and the non-current portion of "acquisition-related contingent obligations" on our accompanying Condensed Consolidated Balance Sheets.

Our carrying amounts of financial instruments such as cash equivalents, accounts receivable, prepaid expenses, accounts payable, and accrued liabilities, excluding acquisition-related contingent obligations, approximate their related fair values due to their short-term nature.

## 9. BUSINESS COMBINATIONS AND CONTINGENT CONSIDERATION

### (a) Acquisition of Talon Therapeutics, Inc.

#### Overview of Talon Acquisition

On July 17, 2013, we purchased all of the outstanding shares of common stock of Talon Therapeutics, Inc. ("Talon"). Through the acquisition of Talon, we gained worldwide rights to MARQIBO. The Talon purchase consideration comprised of (i) an aggregate upfront cash amount of \$11.3 million, (ii) issuance of 3.0 million shares of our common stock, then equivalent to \$26.3 million (based on a closing price of \$8.77 per share on July 17, 2013), and (iii) the issuance of contingent value rights ("CVR") initially valued at \$6.5 million.

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

The CVR was valued using a valuation model that probability-weights expected outcomes (ranging from 50% to 100%) and discounts those amounts to their present value, using an appropriate discount rate (these represent unobservable inputs and are therefore classified as *Level 3* inputs – see Note 2 (xiii)). The CVR has a maximum payout of \$195 million if all sales and regulatory approval milestones are achieved, as summarized below:

- \$5 million upon the achievement of net sales of MARQIBO in excess of \$30 million in any calendar year
- \$10 million upon the achievement of net sales of MARQIBO in excess of \$60 million in any calendar year
- \$25 million upon the achievement of net sales of MARQIBO in excess of \$100 million in any calendar year
- \$50 million upon the achievement of net sales of MARQIBO in excess of \$200 million in any calendar year
- \$100 million upon the achievement of net sales of MARQIBO in excess of \$400 million in any calendar year
- \$5 million upon receipt of marketing authorization from the FDA regarding Menadione Topical Lotion

*Talon CVR Fair Value as of March 31, 2017 and December 31, 2016*

The CVR fair value will continue to be evaluated on a quarterly basis. Current and future changes in its fair value results from the likelihood and timing of milestone achievement and/or the corresponding discount rate applied thereon. Adjustments to CVR fair value are recognized within “change in fair value of contingent consideration related to acquisitions” in the accompanying Condensed Consolidated Statements of Operations.

		<b>Fair Value of Talon CVR</b>
December 31, 2016	\$	1,253
Fair value adjustment for the three months ended March 31, 2017		197
March 31, 2017	\$	1,450

***(b) Acquisition of Rights to EVOMELA and Related Contingent Consideration***

*Overview of Acquisition of Rights to EVOMELA*

In March 2013, we completed the acquisition of exclusive global development and commercialization rights to Captisol-enabled®, propylene glycol-free MELPHALAN (which we branded as “EVOMELA”) for use as a conditioning treatment prior to autologous stem cell transplant for patients with MM. We acquired these rights from CyDex Pharmaceuticals, Inc. a wholly-owned subsidiary of Ligand (“CyDex”) for an initial license fee of \$3 million, and assumed responsibility for EVOMELA’s then-ongoing clinical and regulatory development program. Concurrent with the execution of this in-license agreement, we entered into an exclusive supply agreement with CyDex that requires that all of our purchases of the Captisol product (which is required to formulate EVOMELA) must be from CyDex, while CyDex must supply us with all of our future commercial needs of this raw material.

We accounted for this transaction as a business combination, which required that assets acquired and liabilities assumed be recognized on the balance sheet at their fair values as of the transaction date.

We are required to pay Ligand additional amounts up to an aggregate \$60 million upon the achievement of annual net sales thresholds (exclusive of the \$6 million milestone payment triggered in March 2016, as discussed below), however, we continue to not expect to achieve these sales thresholds based on our estimated market size for this product and our projected market share. We also must pay royalties of 20% on our net sales of EVOMELA in all territories. Our EVOMELA royalty obligation and sales-based milestones are jointly treated under GAAP as part of an “executory contract” that is connected with an at-market supply agreement for Captisol (requiring the continuing involvement of CyDex). As a result, the royalty obligation and sales-based milestones are treated as separate transactions apart from consideration for the EVOMELA rights. Our royalty expenses are reported through “cost of product sales” in our Condensed Consolidated Statements of Operations in the period of our recognized revenue for the product sale.

*Consideration Transferred*

The acquisition-date fair value of the consideration transferred consisted of the following:

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

Cash consideration	\$	3,000
Ligand Contingent Consideration		4,700
Total purchase consideration	\$	<u>7,700</u>

*Fair Value Estimate of Asset Acquired and Liability Assumed*

The total purchase consideration is allocated to the acquisition of the net tangible and intangible assets based on their estimated fair values as of the closing date. The allocation of the total purchase price to the net assets acquired is as follows:

IPR&D EVOMELA rights	\$	7,700
----------------------	----	-------

We estimated the fair value of the in-process research and development using the income approach. The income approach uses valuation techniques to convert future amounts to a single present amount (discounted). Our measurement is based on the value indicated by current market expectations about those future amounts. The fair value estimate took into account our estimates of future incremental earnings that may be achieved upon regulatory approval, promotion, and distribution associated with the rights, and included estimated cash flows of approximately 10 years and a discount rate of approximately 25%.

The fair value of the contingent consideration liability assumed was determined using the probability of success and the discounted cash flow method of the income approach (representing unobservable inputs and are therefore represent *Level 3* values - see *Note 2(xiii)*). In March 2016, the FDA approved EVOMELA, triggering a \$6 million milestone payment to Ligand ("Ligand Contingent Consideration") that was paid in April 2016. "EVOMELA IPR&D" of \$7.7 million was reclassified in April 2016 to "EVOMELA distribution rights" that is reported within "Intangible assets, net of accumulated amortization and impairment charges" (see *Note 3(ff)*). Amortization related to this intangible asset commenced on April 1, 2016.

*Ligand Contingent Consideration Fair Value as of March 31, 2017 and December 31, 2016*

The fair value of the Ligand Contingent Consideration immediately prior to its payment was the full \$6 million payment due upon milestone achievement. Accordingly, in the first quarter of 2016, we recorded a \$0.8 million adjustment to the "change in fair value of contingent consideration related to acquisitions" in the accompanying Condensed Consolidated Statements of Operations. We have no further contingent consideration obligations as part of this transaction.

	Fair Value of Ligand Contingent Consideration
December 31, 2015	\$ 5,227
Fair value adjustment for the three months ended March 31, 2016	773
Payment to Ligand in April 2016 for FDA approval milestone achievement	(6,000)
December 31, 2016	<u>\$ —</u>

**(c) Allos Acquisition**

We acquired Allos Therapeutics, Inc. ("Allos") on September 5, 2012, which was accounted for as a business combination. Our total cash consideration for this acquisition was \$205.2 million, through which we acquired FOLOTYN distribution rights. We have no contingent consideration obligations as part of this transaction.

**10. OUT-LICENSE OF MARQIBO, ZEVALIN, AND EVOMELA IN CHINA TERRITORY**

*Overview of CASI Out-License*

On September 17, 2014, we executed three product out-license agreements with a perpetual term (collectively, the "CASI Out-License") with CASI Pharmaceuticals, Inc. ("CASI"), a publicly-traded biopharmaceutical company (NASDAQ: CASI) with a primary focus on the China market. Under the CASI Out-License, we granted CASI the exclusive rights to distribute two of our commercialized oncology drugs, ZEVALIN and MARQIBO, and our Phase 3 drug candidate, EVOMELA ("CASI Out-Licensed Products") in greater China (which includes Taiwan, Hong Kong and Macau). In return, we received CASI equity for the rights related to ZEVALIN and EVOMELA and a secured promissory note for the rights related to MARQIBO.



**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

Additionally, under certain conditions which generally expire on September 17, 2019, we have a right to receive additional CASI common stock in order to maintain our post-investment ownership percentage if CASI issues additional securities. In 2016, we acquired an additional 4.6 million common shares of CASI at par value, resulting in our total holding of 10.0 million common shares as of March 31, 2017.

CASI will be responsible for the development and commercialization of these three drugs, including the submission of import drug registration applications to regulatory authorities and conducting any confirmatory clinical studies in greater China. We will provide CASI with future commercial supply of the CASI Out-Licensed Products under typical market terms.

*Proceeds Received in the Third Quarter of 2014*

The proceeds we received, and its fair value on the CASI Out-License execution date, consisted of the following:

CASI common stock (5.4 million shares)	\$	8,649 (a)
CASI secured promissory note due March 17, 2018, net of fair value discount (\$1.5 million face value and 0.5% annual coupon)		1,310 (b)
<b>Total consideration received, net of fair value discount</b>	<b>\$</b>	<b>9,959 (c)</b>

- (a) Value determined based on the September 17, 2014 closing price of 5.4 million shares of CASI common stock on the NASDAQ Capital Market of \$1.60 per share. Our current intention is to hold these securities on a long-term basis. Accordingly, we have presented its value of \$14.2 million as of March 31, 2017 within "other assets" (rather than "marketable securities") on our accompanying Condensed Consolidated Balance Sheets. The change in fair value of these securities is reported within "unrealized gain (loss) on available-for-sale securities" on the Condensed Consolidated Statements of Comprehensive Loss.
- (b) Value estimated using the terms of the \$1.5 million promissory note, the application of a synthetic debt rating based on CASI's publicly-available financial information, and the prevailing interest yields on similar public debt securities as of September 17, 2014. This full balance was prospectively reclassified beginning March 31, 2017 to "other receivables" (presented within current assets on the accompanying Condensed Consolidated Balance Sheets) from "other assets" (presented within non-current assets) due to this note's maturity date of March 17, 2018 (i.e., within 12 months of March 31, 2017).
- (c) Presented within "license fees and service revenue" in the Consolidated Statements of Operations for the year ended December 31, 2015 (see below).

In addition, CASI will be responsible for paying any royalties or milestones that we are obligated to pay to our third-party licensors resulting from the achievement of certain milestones and/or sales of CASI Out-Licensed Products, but only to the extent of the greater China portion of such royalties or milestones.

*License Fee Revenue Recognized in the Second Quarter of 2015*

The \$9.7 million value of the upfront proceeds (undiscounted, and net of certain foreign exchange adjustments) from CASI were recognized in 2015 within "license fees and service revenue" on our Consolidated Statements of Operations. The timing of this revenue recognition corresponds with the execution of supply agreements with CASI for ZEVALIN, MARQIBO, and EVOMELA. These agreements allow CASI to procure CASI Out-Licensed Products directly from approved third parties, and in such case, do not require our future involvement for their commercial supply.

**11. OUT-LICENSE OF ZEVALIN IN CERTAIN EX-U.S. TERRITORIES**

On November 16, 2015, we entered into an out-license agreement with Mundipharma International Corporation Limited for their commercialization of ZEVALIN in Asia (excluding India and Greater China), Australia, New Zealand, Africa, the Middle East, and Latin America (including the Caribbean). In return, we received \$18 million (comprised of \$15 million received in December 2015 and \$3 million received in January 2016). Of these proceeds, \$15 million was recognized within "license fees and service revenue" in the fourth quarter of 2015. Of the remaining \$3 million received, \$0.6 million and \$0.4 million were recognized in the same caption for the three months ended March 31, 2017 and 2016, respectively. As of

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

March 31, 2017, \$0.6 million remains deferred and is presented within current "deferred revenue" in the accompanying Condensed Consolidated Balance Sheets.

As Mundipharma has sales of ZEVALIN kits in their territories, the remaining unrecognized portion of this \$3 million payment will be reported by us within "license fees and service revenue" on an established per-unit basis. Mundipharma is required to reimburse us for our payment of royalties due to Bayer Pharma AG ("Bayer") from their ZEVALIN sales - see *Note 16(b)(ii)*. We are also eligible to receive an additional \$2 million upon Mundipharma's achievement of a specified sales milestone, that if/when achieved, will also be reported within "license fees and service revenue".

## **12. OUT-LICENSE OF ZEVALIN, FOLOTYN, BELEODAQ, AND MARQIBO IN CANADA TERRITORY**

On January 8, 2016, we entered into a strategic partnership with Servier Canada, Inc. ("Servier") for the out-licenses of ZEVALIN, FOLOTYN, BELEODAQ, and MARQIBO. We received \$6 million in upfront payments in the first quarter of 2016 which was recognized within "license fees and service revenue" in the accompanying Condensed Consolidated Statements of Operations for the three months ended March 31, 2016. We will also receive development milestone payments if/when achieved, and a high single-digit royalty on their sales of these products.

## **13. CO-PROMOTION ARRANGEMENT WITH EAGLE PHARMACEUTICALS**

On November 4, 2015, we executed an agreement with Eagle Pharmaceuticals, Inc. ("Eagle") whereby designated members of our sales force will concurrently market up to six of Eagle's products along with our products, in return for fixed monthly payments over the initial 18 month contract term beginning January 1, 2016 through June 30, 2017, aggregating \$12.8 million (the "Eagle Agreement"). We are also eligible to receive milestone payments of up to \$5 million for sales made in 2016 that exceed certain thresholds, and up to \$4 million for sales made in the first half 2017 that exceed certain thresholds. In addition, for performance above such sales levels in 2016, and in the first half of 2017, we are eligible to receive variable-based payments in the high single-digits on incremental sales of Eagle's products above these established threshold levels.

The fixed payments received by us, as well as reimbursable costs for certain marketing activities that we coordinate with third parties on Eagle's behalf, are recognized within "license fees and service revenue" on our accompanying Condensed Consolidated Statements of Operations. This amount was \$2.4 million and \$1.9 million for the three months ended March 31, 2017 and 2016, respectively. Any variable payments due to us will be recognized in the period earned and reported within the same revenue caption.

An allocation of our sales personnel costs that are dedicated to Eagle sales activities are reported within "cost of service revenue" on our accompanying Condensed Consolidated Statements of Operations, as are reimbursable costs for Eagle marketing activities. These were an aggregate \$2.1 million and \$1.3 million for the three months ended March 31, 2017 and 2016, respectively.

Any extension of the term of this agreement beyond June 30, 2017 requires mutual consent. The Eagle Agreement may be terminated by either party for uncured material breaches and certain other events following a change of control or insolvency of either party.

## **14. CONVERTIBLE SENIOR NOTES**

### *Overview*

On December 17, 2013, we entered into an agreement for the sale of \$120 million aggregate principal amount of 2.75% Convertible Senior Notes (equaling 120,000 notes, denominated in \$1,000 principal units) due December 2018 (the "2018 Convertible Notes"). The 2018 Convertible Notes are convertible into shares of our common stock at a conversion rate of 95 shares per \$1,000 principal units, equating to 11.4 million common shares if fully converted. The in-the-money conversion price is equivalent to \$10.53 per common share. The conversion rate and conversion price is subject to adjustment under certain limited circumstances. The 2018 Convertible Notes bear interest at a rate of 2.75% per year, payable semiannually in arrears on June 15 and December 15 of each year. The 2018 Convertible Notes will mature and become payable on December 15, 2018, subject to earlier conversion into common stock at the holders' option.

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

The sale of the 2018 Convertible Notes closed on December 23, 2013 and our net proceeds were \$115.4 million, after deducting banker and professional fees of \$4.6 million. We used a portion of these net proceeds to simultaneously enter into “bought call” and “sold warrant” transactions with Royal Bank of Canada (collectively, the “Note Hedge”). We recorded the Note Hedge on a net cost basis of \$13.1 million, as a reduction to “additional paid-in capital” in our accompanying Condensed Consolidated Balance Sheets. Under applicable GAAP, the Note Hedge transaction has not been (and is not expected to be) marked-to-market through earnings or comprehensive income.

*Open Market Purchases of 2018 Convertible Notes and Conversion Hedge Unwind*

In December 2016, we completed two open market purchases of our 2018 Convertible Notes, aggregating 9,963 note units (equivalent to \$10 million principal value) for \$9.0 million. We recognized an aggregate loss of \$25,000 on the retirement of these 2018 Convertible Notes (based on its carrying value under GAAP), which is included in “other income (expense), net” on the Consolidated Statements of Operations for the year ended December 31, 2016. Accordingly, as of March 31, 2017, \$110 million in principal of our 2018 Convertible Notes are outstanding.

We concurrently unwound a portion of our previously sold warrants and previously purchased call options that were part of our “conversion hedge” for aggregate net proceeds of \$21,000, with a corresponding net increase to “additional paid-in capital” in the Condensed Consolidated Balance Sheets as of December 31, 2016.

*Conversion Hedge*

We entered into Note Hedge transactions in December 2013 to reduce the potential dilution to our stockholders and/or offset any cash payments that we are required to make in excess of the principal amount, upon conversion of the 2018 Convertible Notes (in the event that the market price of our common stock is greater than the conversion price). The strike price of the “bought call” is equal to the conversion price and conversion rate of the 2018 Convertible Notes, then matching the 11.4 million common shares the 2018 Convertible Notes may be converted into. The strike price of our “sold warrant” is \$14.03 per share of our common stock, and is also for 11.4 million common shares.

*Conversion Events*

On and after June 15, 2018, and until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or a portion of their 2018 Convertible Notes. Prior to June 15, 2018, holders may convert all or a portion of their 2018 Convertible Notes only under any of the following circumstances: (1) during any fiscal quarter (and only during such fiscal quarter), if, for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading day period ending on the last trading day of the immediately preceding fiscal quarter, the last reported sale price of our common stock on such trading day is greater than or equal to 130% of the Notes' conversion price on such trading day; (2) during the five consecutive business day period immediately following any five consecutive trading day period in which, for each trading day of that measurement period, the trading price per \$1,000 principal amount of 2018 Convertible Notes for such trading day was less than 98% of the product of (i) the last reported sale price of our common stock on such trading day and (ii) the applicable conversion rate on such trading day; (3) upon the occurrence of certain corporate transactions; and (4) at any time prior to our stockholders' approval to settle the 2018 Convertible Notes in our common shares and/or cash.

As of March 31, 2017, the 2018 Convertible Notes are not eligible to be converted into our common stock as none of the above elements (1) through (4) were met. Our stockholders' approval of “flexible settlement” occurred at our Annual Meeting of Stockholders on June 29, 2015. As a result, we may (at our election) settle any future conversions of the 2018 Convertible Notes by paying or delivering cash, shares of our common stock, or a combination of cash and shares of our common stock. However, if the holders of the Convertible Notes do not elect any conversion into our common stock, our December 2018 obligation to repay the principal amount of \$110 million in cash, plus any accrued and unpaid interest, is unchanged.

*Carrying Value and Fair Value*

The carrying value of the 2018 Convertible Notes as of March 31, 2017 and December 31, 2016, is summarized as follows:

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

	March 31, 2017	December 31, 2016
Principal amount	\$ 110,037	\$ 110,037
(Less): Unamortized debt discount (amortized through December 2018)	(10,265)	(11,646)
(Less): Debt issuance costs	(1,182)	(1,348)
Carrying value	<u>\$ 98,590</u>	<u>\$ 97,043</u>

As of March 31, 2017 and December 31, 2016, the estimated aggregate fair value of the 2018 Notes is \$112.1 million and \$101.8 million, respectively. These estimated fair values represent a *Level 2* measurement (see *Note 2(xiii)*), based upon the 2018 Convertible Notes' quoted bid price at each date in a thinly-traded market.

*Components of Interest Expense on 2018 Convertible Notes*

The following table sets forth the components of interest expense recognized in the accompanying Condensed Consolidated Statements of Operations for the 2018 Convertible Notes for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
	2017	2016
Contractual coupon interest expense	\$ 757	\$ 825
Amortization of debt issuance costs	166	171
Accretion of debt discount	1,381	1,385
Total	<u>\$ 2,304</u>	<u>\$ 2,381</u>
Effective interest rate	<u>8.65%</u>	<u>8.66%</u>

## 15. FOLOTYN AGREEMENT AND DRUG DEVELOPMENT LIABILITY

As the result of our acquisition of Allos Therapeutics, Inc. on September 5, 2012 (through which we obtained in-license rights for FOLOTYN), we assumed its FOLOTYN development obligations under an active strategic collaboration agreement with a third-party, Mundipharma (the "Mundipharma Collaboration Agreement"). Under the Mundipharma Collaboration Agreement, we retained full commercialization rights for FOLOTYN in the U.S. and Canada, with Mundipharma having exclusive rights to commercialize FOLOTYN in all other countries in the world (the "Mundipharma Territories").

On May 29, 2013, the Mundipharma Collaboration Agreement was amended and restated (the "Amended Mundipharma Collaboration Agreement"), in order to modify: (i) the scope of the licensed territory, (ii) milestone payments, (iii) royalty rates, and (iv) drug development obligations. In connection with the Amended Mundipharma Collaboration Agreement, we received a one-time \$7 million payment from Mundipharma for certain research and development activities to be performed by us.

As a result of the Amended Mundipharma Collaboration Agreement, (a) Europe and Turkey were excluded from Mundipharma's commercialization territory, (b) we may receive regulatory milestone payments of up to \$16 million, and commercial progress and sales-dependent milestone payments of up to \$107 million, (c) we will receive tiered double-digit royalties based on net sales of FOLOTYN within Mundipharma's licensed territories, and (d) we and Mundipharma will bear our own FOLOTYN development costs.

On May 29, 2015 and effective as of May 1, 2015, we entered into an amendment to the Amended Mundipharma Collaboration Agreement (the "Amendment"). Pursuant to the Amendment, among other things, the parties revised the conditions to our exercise of the option to gain commercialization rights in Switzerland from Mundipharma, and also revised tiered double-digit royalties payable by Mundipharma on net sales in Switzerland.

The fair value of this liability is included in the current and long-term portions of "drug development liability" within the accompanying Condensed Consolidated Balance Sheets, and it includes our assumptions about personnel needed to perform these research and development activities, third party costs for projected clinical trial enrollment, and patient treatment-related follow up through approximately 2031.

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

The fair value of our “drug development liability” within our accompanying Condensed Consolidated Balance Sheets was estimated using the discounted income approach model. The unobservable inputs (i.e., Level 3 inputs - see *Note 2(xiii)*) in this valuation model that have the most significant effect on these liabilities include (i) estimates of research and development personnel costs needed to perform the research and development services, (ii) estimates of expected cash outflows to third parties for services and supplies during the expected period of performance through 2031, and (iii) an appropriate discount rate for these expenditures. These inputs are reviewed by management on a quarterly basis for continued applicability.

We assess this liability at each reporting date and record its adjustment through “research and development” expense in our accompanying Condensed Consolidated Statements of Operations.

	Drug Development Liability, Current – FOLOTYN	Drug Development Liability, Long Term – FOLOTYN	Total Drug Development Liability – FOLOTYN
Balance at December 31, 2016	\$ 861	\$ 12,269	\$ 13,130
Transfer from long-term to current in 2017	359	(359)	—
(Less): Expenses incurred in 2017	(359)	—	(359)
Balance at March 31, 2017	\$ 861	\$ 11,910	\$ 12,771

## 16. COMMITMENTS AND CONTINGENCIES

### (a) Facility Leases

We lease our principal executive office in Henderson, Nevada under a non-cancelable operating lease expiring April 30, 2019. We also lease our research and development facility in Irvine, California under a non-cancelable operating lease expiring May 31, 2019, in addition to several other administrative office leases. Each lease agreement contains scheduled rent increases which are accounted for on a straight-line basis.

### (b) In/Out Licensing Agreements and Co-Development Arrangements

The in-license agreements for our commercialized and development-stage drug products provide us with territory-specific rights to their manufacture and distribution (including further sub-licensing/out-licensing, rights). We are generally responsible for all related clinical development costs, patent filings and maintenance costs, marketing costs, and liability insurance costs. We are also obligated to make specified milestone payments to our licensors upon the achievement of certain regulatory and sales milestones, and to pay royalties based on our net sales of all in-licensed products. We also enter into out-license agreements for territory-specific rights to our drug products which include one or more of: upfront license fees, royalties from our licensees’ sales, and/or milestone payments from our licensees’ sales or regulatory achievements. For certain development-stage drug products, we may enter into cost-sharing arrangements with our licensees and licensors.

Our most significant of these agreements, and the key financial terms and our accounting for each, are summarized below:

#### (i) ZEVALIN U.S.: In-Licensing and Development in the U.S.

In December 2008, we acquired rights to commercialize and develop ZEVALIN in the U.S. as the result of a transaction with Cell Therapeutics, Inc. (“CTP”) through our wholly-owned subsidiary, RIT Oncology LLC (“RIT”). We assumed certain agreements with various third parties related to ZEVALIN intellectual property for its manufacture, use, and sale in the U.S.

In accordance with the terms of assumed contracts, we are required to meet specified payment obligations, including a milestone payment to Corixa Corporation of \$5 million based on ZEVALIN sales in the U.S. (the “Corixa Liability”). This milestone has not yet been met, and \$0.1 million for this potential milestone achievement is included within “acquisition-related contingent obligations” in our accompanying Condensed Consolidated Balance Sheets as of March 31, 2017 and December 31, 2016, respectively. Our U.S. net sales-based royalties are in the low to mid-single digits to Genentech, Inc. and mid-teens to Biogen.

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

***(ii) ZEVALIN Ex-U.S.: In-License and Asset Purchase Agreement with Bayer Pharma***

In April 2012, through our wholly-owned subsidiary, Spectrum Pharmaceuticals Cayman, L.P., we completed a €19 million acquisition of licensing rights to market ZEVALIN outside of the U.S. from Bayer. ZEVALIN is currently approved in approximately 40 countries outside the U.S. for the treatment of B-cell NHL, including countries in Europe, Latin America, and Asia.

Our ex-U.S. net sales-based royalty to Bayer ranges between the single digits to mid-teens. We amended the agreement in February 2016, which provides that our applicable royalty on net sales to Bayer would be adjusted to a tiered rate (from the current single-digits to a 20% rate) in such countries that we elect to sublicense these rights. The term of the agreement, as amended, continues until the expiration of the last-to-expire patent covering the sale of a licensed product in the relevant country, or 15 years from the date of first commercial sale of the licensed product in such country, whichever is longer.

***(iii) ZEVALIN Ex-U.S.: Out-License Agreement with Dr. Reddy's***

Effective June 27, 2014, we executed an exclusive License Agreement with Dr. Reddy's Laboratories Ltd. ("Dr. Reddy's"), for the distribution rights of ZEVALIN within India. The agreement term is 15 years from the receipt of pending approval of ZEVALIN from the Drug Controller General of India. On December 17, 2014, upon the execution of a supply agreement, an upfront and non-refundable payment of \$0.5 million was triggered and paid to us in February 2015. The recognition of the applicable portion of this upfront receipt is reported on a straight-line basis, within "license fees and service revenue" on the Condensed Consolidated Statements of Operations over a 10-year term through December 2024. Additionally, sales and regulatory milestones (aggregating \$3 million) are due to us when achieved by Dr. Reddy's, as well as a 20% royalty on net sales of ZEVALIN in India.

***(iv) ZEVALIN Ex-U.S.: Out-License Agreement with Mundipharma***

On November 16, 2015, we entered into an out-license agreement with Mundipharma for their commercialization of ZEVALIN in Asia (excluding India and Greater China), Australia, New Zealand, Africa, the Middle East, and Latin America (including the Caribbean). In return, we received \$18 million (comprised of \$15 million received in December 2015 and \$3 million received in January 2016). Of these proceeds, \$15 million was recognized within "license fees and service revenue" in the fourth quarter of 2015. Of the remaining \$3 million received, \$0.6 million and \$0.4 million were recognized in the same caption for the three months ended March 31, 2017 and 2016, respectively. As of March 31, 2017, \$0.6 million remains deferred and is presented within current "deferred revenue" in the accompanying Condensed Consolidated Balance Sheets.

As Mundipharma has sales of ZEVALIN kits in their territories, the remaining unrecognized portion of this \$3 million value will be recognized by us in subsequent periods within "license fees and service revenue" on an established per-unit basis. Mundipharma is required to reimburse us for our payment of royalties due to Bayer from their net sales of ZEVALIN (see *Note 16(b)(ii)*). We are also eligible to receive an additional \$2 million upon Mundipharma's achievement of a specified sales milestone that, if/when achieved, will also be reported within "license fees and service revenue".

***(v) FUSILEV: In-License Agreement with Merck & Cie AG***

In May 2006, we amended and restated a license agreement with Merck & Cie AG ("Merck"), which we assumed in connection with our March 2006 acquisition of the assets of Targent, Inc. Pursuant to the license agreement with Merck, we obtained the exclusive license to use regulatory filings related to FUSILEV and a non-exclusive license under certain patents and know-how to develop, manufacture, use, and sell FUSILEV in the field of oncology in North America in return for a royalty percentage (in the mid-single digits) of net sales. Merck is eligible to receive a \$0.2 million payment from us upon the achievement of a FDA approval of an oral form of FUSILEV. This milestone has not yet been met, and no amounts have been accrued in our accompanying Condensed Consolidated Balance Sheets for its potential achievement.

***(vi) FOLOTYN: In-License Agreement with Sloan-Kettering Institute, SRI International and Southern Research Institute***

In December 2002, Allos entered into the FOLOTYN License Agreement with Sloan-Kettering Institute for Cancer Research, SRI International, and Southern Research Institute. As a result of Allos becoming our wholly owned subsidiary in September 2012, we are bound by the FOLOTYN License Agreement under which we obtained exclusive worldwide rights to a portfolio of patents and patent applications related to FOLOTYN and its uses. Under the terms of the FOLOTYN License Agreement, we are required to fund all development programs and have sole responsibility for all commercialization activities. In addition, we pay graduated royalties to our licensors based on our worldwide annual net sales of FOLOTYN.



**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

(including our sub-licensees). These royalties are 8% of annual worldwide net sales up to \$150 million; 9% of annual worldwide net sales of \$150 million through \$300 million; and 11% of annual worldwide net sales in excess of \$300 million.

**(vii) EVOMELA: In-License Agreement with Cydex Pharmaceuticals, Inc.**

In March 2013, we completed the acquisition of exclusive global development and commercialization rights to EVOMELA from Ligand (see *Note 9(b)*) and assumed responsibility for EVOMELA's ongoing clinical and regulatory development program. We filed a New Drug Application ("NDA") with the FDA in December 2015 for its use as a conditioning treatment prior to autologous stem cell transplant for patients with MM. On March 10, 2016, the FDA communicated its approval of our NDA for EVOMELA. In connection with this FDA approval, we made a \$6 million milestone payment to Ligand in April 2016. The distribution rights for EVOMELA are within "intangible assets, net of accumulated amortization and impairment charges" (see *Note 3(f)*) and is included within our accompanying Condensed Consolidated Balance Sheets as of March 31, 2017.

We are required to pay Ligand additional amounts of up to \$60 million (exclusive of the \$6 million milestone paid in April 2016), upon the achievement of specified net sales thresholds. We also pay royalties of 20% on our net sales of licensed products in all territories.

**(viii) MARQIBO: Acquisition of Talon Therapeutics, Inc. and Related Contingent Consideration Agreement**

In July 2013, we completed the acquisition of Talon, through which we obtained exclusive global development and commercialization rights to MARQIBO (see *Note 9(a)*). As part of this acquisition, the former Talon stockholders have contingent financial rights that we have valued and presented on our accompanying Condensed Consolidated Balance Sheets as a \$1.5 million and \$1.3 million liability within "acquisition-related contingent obligations" as of March 31, 2017 and December 31, 2016, respectively. The maximum payout value of the contingent financial rights is \$195 million, assuming all sales and regulatory approval milestones are achieved.

**(ix) QAPZOLA: License Agreements with Allergan, Inc. and NDDO Research Foundation**

In October 2008, we entered into an exclusive development and commercialization collaboration agreement with Allergan for QAPZOLA. Pursuant to the terms of the agreement, Allergan paid us an up-front non-refundable fee of \$41.5 million at closing (which we have amortized through revenue within "license fees and service revenue" in full as of December 31, 2013). In October 2008, pursuant to a letter agreement with NDDO Research Foundation ("NDDO"), we agreed to pay NDDO the following in relation to QAPZOLA milestones: (a) upon FDA acceptance of the NDA, the issuance of 25,000 of our common shares (which occurred in March 2016); the \$0.1 million value of these shares was included in "research and development" expense for the year ended December 31, 2016, and (b) upon FDA approval of the drug, a one-time payment of \$0.3 million.

In January 2013, we entered into a second amendment to the license, development, supply and distribution agreement with Allergan to amend the agreement and reacquire the rights originally licensed to Allergan in the U.S., Europe, and other territories in exchange for a tiered single-digit royalty on certain products containing QAPZOLA, and relieved Allergan of its development and commercialization obligations.

**(x) QAPZOLA: Collaboration Agreement with Nippon Kayaku Co. LTD.**

In November 2009, we entered into a collaboration agreement with Nippon Kayaku Co., LTD. ("Nippon Kayaku") for the development and commercialization of QAPZOLA in Asia, except North and South Korea (the "Nippon Kayaku Territory"). In addition, Nippon Kayaku received exclusive rights to QAPZOLA for the treatment of NMIBC in Asia (other than North and South Korea), including Japan and China. Nippon Kayaku will conduct QAPZOLA clinical trials in the Nippon Kayaku Territory pursuant to a development plan. Further, Nippon Kayaku will be responsible for all expenses relating to the development and commercialization of QAPZOLA in the Nippon Kayaku Territory.

Under the terms of this agreement, Nippon Kayaku paid us an upfront fee of \$15 million (which we have amortized through revenue within "license fees and service revenue" in full as of December 31, 2013). Nippon Kayaku is also obligated to make additional payments to us based on the achievement of certain development, regulatory and commercialization milestones. Under the terms of the agreement, we are entitled to payment of \$10 million and \$126 million upon achievement of certain regulatory and commercialization milestones, respectively. Also, Nippon Kayaku has agreed to pay us royalties based on a percentage of net sales of the subject products in the defined territory in the mid-teen digits.

**(xi) BELEODAQ: In-License and Collaboration Agreement with Onxeo**

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

In February 2010, we entered into an in-license and collaboration agreement with TopoTarget A/S (now Onxeo DK) ("Onxeo"), as amended in October 2013, for the development and commercialization of BELEODAQ for a \$30 million upfront payment plus additional payments described below. The agreement provides that we have the exclusive right to manufacture, develop, and commercialize BELEODAQ in North America and India, with an option for China.

Under continuing terms, all development, including studies, will be conducted under a joint development plan, which we will fund 70% of such costs, and Onxeo will fund 30%. We have final decision-making authority for all developmental activities in North America and India (and China upon exercise of its option). Onxeo has final decision-making authority for all developmental activities in all other jurisdictions. In February 2014, upon FDA acceptance of our NDA, we issued one million shares of our common stock, and made a \$10 million milestone payment to Onxeo. The aggregate payout value of this first milestone at achievement was \$17.8 million, and was recognized within "research and development" expense in the accompanying Condensed Consolidated Statements of Operations in the first quarter of 2014.

In July 2014, we received approval from the FDA for BELEODAQ's use for injection and treatment of relapsed or refractory peripheral T-cell lymphoma ("PTCL"). As a result, we paid a second milestone payment to Onxeo of \$25 million in November 2014, which we capitalized as an amortizable intangible asset (see *Note 3(f)*). Other potential milestone payments due upon BELEODAQ regulatory achievements and sales thresholds (aggregating \$278 million) are not included within "total liabilities" in our accompanying Condensed Consolidated Balance Sheets.

We pay Onxeo royalties in the mid-teen digits based on net sales of BELEODAQ. The agreement will continue until the expiration of the last royalty payment period in the last country in the defined territory.

***(xii) ROLONTIS: Co-Development and Commercialization Agreement with Hanmi Pharmaceutical Co. Ltd***

In October 2014, we exercised our option under a License Option and Research Collaboration Agreement dated January 2012 (as amended) with Hanmi Pharmaceutical Co. Ltd., or Hanmi, for ROLONTIS, formerly known as "LAPS-G-CSF" or "SPI-2012", a drug based on Hanmi's proprietary LAPSCOVERY™ technology for the treatment of chemotherapy induced neutropenia. Under the terms of this agreement, as amended, we have primary financial responsibility for the ROLONTIS development plan. We have worldwide rights for ROLONTIS, except for Korea, China, and Japan. In the first quarter of 2016, we accrued a milestone payment of \$1.9 million (as quantified under GAAP) related to Hanmi, based on initial patient dosing in January 2016 as part of our Phase 3 study. On April 26, 2016, we (i) issued 318,750 of our common shares to Hanmi for \$2.3 million, and (ii) remitted a \$0.4 million payment to the Internal Revenue Service (IRS) on their behalf for related tax obligations. This aggregate \$2.7 million value was recognized within "research and development" expense in accompanying Condensed Consolidated Statements of Operations for the year ended December 31, 2016. We will also be responsible for milestones relating to regulatory approvals and sales thresholds (aggregating \$238 million), which are not included within "total liabilities" in our Condensed Consolidated Balance Sheets. We will pay Hanmi royalties in the mid-teen digits on our net sales of ROLONTIS.

***(xiii) POZIOTINIB: In-License Agreement with Hanmi***

In February 2015, we executed an in-license agreement with Hanmi for POZIOTINIB, a pan-HER inhibitor in Phase 2 clinical trials, requiring our upfront payment for these rights. This drug has shown single agent activity in the treatment of various cancer types during Phase I studies, including breast, gastric, colorectal, and lung cancers.

Under the terms of this agreement, we received the exclusive rights to commercialize POZIOTINIB, excluding Korea and China. Hanmi, and its development partners, will bear full responsibility for completion of on-going Phase 2 trials in Korea. We will bear full financial responsibility for all other clinical studies. We will pay Hanmi future regulatory and sales-dependent milestone payments (aggregating \$358 million), which are not included within "total liabilities" in our accompanying Condensed Consolidated Balance Sheets. We will pay Hanmi royalties in the low to mid-teen digits on our net sales of POZIOTINIB.

***(xiv) ZEVALIN, FOLOTYN, BELEODAQ, and MARQIBO: Out-License Agreement with Servier in Canada***

In January 2016, we entered into a strategic partnership with Servier for the out-licenses of ZEVALIN, FOLOTYN, BELEODAQ, and MARQIBO. We received an aggregate \$6 million of upfront proceeds in the first quarter of 2016, which is recognized within "license fees and service revenue" in our accompanying Condensed Consolidated Statements of Operations for the three months ended March 31, 2016. We will also receive development milestone payments upon the achievement of such regulatory milestones, and a high single-digit royalty on their sales of these products.



**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

**(c) Service Agreements**

In connection with the research and development of our drug products, we have entered into contracts with numerous third party service providers, such as radio-pharmacies, distributors, clinical trial centers, clinical research organizations, data monitoring centers, and with drug formulation, development and testing laboratories. The financial terms of these agreements are varied and generally obligate us to pay in stages, depending on achievement of certain events specified in the agreements, such as contract execution, reservation of service or production capacity, actual performance of service, or the successful accrual and dosing of patients.

At each period end, we accrue for all services received, with such accruals based on factors such as estimates of work performed, patient enrollment, completion of patient studies and other events. Should we decide to discontinue and/or slow-down the work on any project, the associated costs for those projects would be limited to the extent of the work completed. Generally, we are able to terminate these contracts due to the discontinuance of the related project(s) and thus avoid paying for the services that have not yet been rendered.

**(d) Supply Agreements**

We have entered into certain supply agreements, or have issued purchase orders, which require us to make minimum purchases from vendors for the manufacture of our products. These commitments do not exceed our planned commercial requirements, and the contracted prices do not exceed their fair market value.

**(e) Employment Agreement**

We have entered into an employment agreement with our Chief Executive Officer under which cash compensation and benefits would become payable in the event of termination by us for any reason other than cause, his resignation for good reason, or upon a change in control of our Company.

**(f) Deferred Compensation Plan**

The Spectrum Pharmaceuticals, Inc. Deferred Compensation Plan (the "DC Plan") is administered by the Compensation Committee of our Board of Directors and is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended.

The DC Plan is maintained to provide deferred compensation benefits for a select group of our employees (the "DC Participants"). Under the DC Plan, we provide the DC Participants with the opportunity to make annual elections to defer up to a specified amount or percentage of their eligible cash compensation, and we have the option to make discretionary contributions. At March 31, 2017 and December 31, 2016, the aggregate DC Plan deferrals by employees and our discretionary contributions totaled \$8.9 million and \$8.4 million, respectively, and are included within "other long-term liabilities" in the accompanying Condensed Consolidated Balance Sheets.

**(g) Litigation**

We are involved from time-to-time with various legal matters arising in the ordinary course of business. These claims and legal proceedings are of a nature we believe are normal and incidental to a pharmaceutical business, and may include product liability, intellectual property, employment matters, and other general claims.

We make provisions for liabilities when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Such provisions are assessed at least quarterly and adjusted to reflect the impact of any settlement negotiations, judicial and administrative rulings, advice of legal counsel, and other information and events pertaining to a particular case. Litigation is inherently unpredictable. Although the ultimate resolution of these various matters cannot be determined at this time, we do not believe that such matters, individually or in the aggregate, will have a material adverse effect on our consolidated results of operations, cash flows, or financial condition.

***ANDA Litigation***

On June 3, 2016 the U.S. Court of Appeals for the District of Columbia affirmed judgment in favor of the FDA et. al in an action we brought April 27, 2015 seeking a temporary restraining order or preliminary injunction to suspend FDA approval of Sandoz's ANDA of FUSILEV. On June 9, 2016 and June 22, 2016, respectively, judgment was entered in favor of additional parties who had filed separate ANDAs to manufacture generic versions of FUSILEV. On June 19, 2014, we filed a lawsuit

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**  
**(Unaudited)**

against five parties resulting from Paragraph IV certifications in connection with four separate ANDAs to manufacture a generic version of FOLOTYN. We reached confidential settlement agreements with each defendant and the FOLOTYN litigation has been dismissed as of August 17, 2016. As a result of the settlements, the defendants will be permitted to market a generic version of FOLOTYN in the United States commencing on November 15, 2022 or earlier under certain circumstances. All costs pertaining to these matters (incurred and accrued) have been recognized within "selling, general and administrative" expenses on the accompanying Condensed Consolidated Statements of Operations for all periods presented.

#### ***Stockholder Litigation***

*Timothy Fik v. Rajesh C. Shrotriya, et al.* (Filed April 11, 2013 in United States District Court, District of Nevada; Case Number 2:2013-cv-00624-JCM-CWH); *Christopher J. Watkins v. Rajesh C. Shrotriya, et al.* (Filed April 22, 2013 in United States District Court, District of Nevada; Case Number 2:2013-cv-00684-JCM-VCF); and *Stefan Muenchhagen v. Rajesh C. Shrotriya, et al.* (Filed May 28, 2013; Case Number 2:2013-cv-00942-APG-PAL) (collectively the "Federal Derivative Actions"); *Hardik Kakadia v. Rajesh C. Shrotriya, et al.* (Filed April 23, 2013 in the Eighth Judicial Court of the State of Nevada in and for Clark County; Case Number A-13-680643-B); and *Joel Besner v. Rajesh C. Shrotriya, et al.* (Filed May 31, 2013; Case Number A-13-682668-C) (collectively the "State Derivative Actions"). These consolidated Federal Derivative Actions and consolidated State Derivative Actions are brought by the respective purported stockholders on behalf of nominal plaintiff Spectrum against certain current and former directors and officers. The complaints are substantially similar and generally allege breaches of fiduciary duty based on conduct relating to a March 12, 2013 press release concerning sales of Spectrum's product FUSILEV. The complaints seek compensatory damages, corporate governance reforms, restitution and disgorgement of defendants' alleged profits, and costs and fees. These actions are stayed. On April 11, 2017, the parties executed a Stipulation and Agreement of Settlement covering the consolidated Federal Derivative Actions. Pursuant to the Agreement of Settlement, Spectrum through its insurers agreed to pay \$530,000 for plaintiffs' attorneys' fees and expenses. The Stipulation and Agreement of Settlement was filed with the Eighth Judicial District Court of the State of Nevada in and for Clark County on April 13, 2017, and is subject to preliminary and final court approval. We have estimated and accrued for this settlement within "selling, general and administrative expenses" in our accompanying Condensed Consolidated Statements of Operations for the three months ended March 31, 2017, and within "other accrued liabilities" in our accompanying Condensed Consolidated Balance Sheets as of March 31, 2017.

*Olutayo Ayeni v. Spectrum Pharmaceuticals, Inc., et al.* (Filed September 21, 2016 in the United States District Court, Central District of California; Case No. 2:16-cv-07074) (the "Ayeni Action") and *Glen Hartsock v. Spectrum Pharmaceuticals, Inc., et al.* (Filed September 28, 2016 in the United States District Court, District Court of Nevada Case; No. 2:16-cv-02279-RFB-GWF) (the "Hartsock Action"). On November 15, 2016, the Ayeni Action was transferred to the United States District Court, District Court of Nevada. The parties have stipulated to a consolidation of the Ayeni Action with the Hartsock Action. These class action lawsuits allege that we and certain of our executive officers made false or misleading statements and failed to disclose material facts about our business and the prospects of approval for our NDA to the FDA for QAPZOLA in violation of Section 10(b) (and Rule 10b-5 promulgated thereunder) and 20(a) of the Securities Exchange Act of 1934, as amended. The plaintiffs seek damages, interest, costs, attorneys' fees, and other unspecified equitable relief. We believe that these claims are without merit, and intend to vigorously defend against these claims. The value of a potential settlement cannot be reasonably estimated given its highly uncertain nature as of March 31, 2017.

*Wells v. Rajesh C. Shrotriya, et al.* (Filed February 23, 2017, in the United States District Court for the District of Delaware; Case No. 1:17-cv-00191-UNA). A shareholder filed a derivative complaint purportedly on behalf of nominal plaintiff Spectrum against certain current and former directors and executive officers. The complaint is related to the same underlying factual allegations as the Ayeni Action and the Hartsock Action described above. On April 13, 2017, the plaintiff voluntarily dismissed the complaint.

## **17. INCOME TAXES**

We apply an estimated annual effective tax rate ("ETR") approach for calculating a tax provision for interim periods, as required under GAAP. We recorded a benefit for income taxes of \$0.2 million and \$0.1 million for the three months ended March 31, 2017 and 2016, respectively. Our ETR differs from the U.S. federal statutory tax rate of 35% primarily as a result of nondeductible expenses, state income taxes, foreign income taxes, and the impact of a valuation allowance on our deferred tax assets.

Our provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for the expected future tax benefit to be derived from tax loss and credit carryforwards.

Deferred tax assets and liabilities are determined using the enacted tax rates in effect for the years in which those tax assets are expected to be realized. A valuation allowance is established when it is more likely than not the future realization of all or some of the deferred tax assets will not be achieved. The evaluation of the need for a valuation allowance is performed on a jurisdiction by jurisdiction basis, and includes a review of all available positive and negative evidence.

We recognize the impact of a tax position in our financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position. Any interest and penalties related to uncertain tax positions will be reflected in income tax expense.

The intra period tax allocation rules require that we allocate the provision for income taxes between continuing operations and other categories of earnings, such as other comprehensive income. In periods where we have a year-to-date pretax loss from continuing operations and year-to-date pre-tax income in other categories of earnings, such as other comprehensive income, *ASC 740-20-45-7* requires that we allocate the income tax provision to other categories of earnings, and then record a related tax benefit in continuing operations. For the three months ended March 31, 2017 and 2016, we recognized net income from investments and currency transactions within other comprehensive income while sustaining operating losses from continuing operations. As a result of the required allocation under *ASC 740-20-45-7*, we recorded tax expense of \$1.0 million and \$0.8 million in "other comprehensive income" on the accompanying Condensed Consolidated Statements of Comprehensive Loss, and a tax benefit of \$0.2 million and \$0.1 million within "benefit for income taxes" on the Condensed Consolidated Statements of Operations for the three months ended March 31, 2017, and 2016, respectively.

On January 1, 2017, we adopted *ASU 2016-09, Improvements to Employee Share-Based Payment Accounting*, on a modified prospective basis. Under *ASU 2016-09*, differences between the tax deduction for share based awards and the related compensation expenses recognized under *ASC 718* are now accounted for as a component of the provision for income taxes. In addition, *ASU 2016-09* eliminated the requirement that excess tax benefits from share based compensation reduce taxes payable prior to being recognized in the financial statements. As of December 31, 2016, we had cumulative excess benefits related to share based compensation of \$2.7 million which had not been reflected as a deferred tax asset. As a result of the adoption of *ASU 2016-09*, the excess benefits were reclassified to our net operating loss carryover resulting in an increase in our deferred tax assets and valuation allowance of \$2.7 million as of January 1, 2017. There was no impact to retained earnings as a result of the adoption of *ASU 2016-09* on January 1, 2017.

## 18. STOCKHOLDERS' EQUITY

### *Sale of Common Stock - December 2015 ATM Agreement*

On December 23, 2015, we entered into a collective at-market-issuance sales agreement with FBR Capital Markets & Co., MLV & Co. LLC, and H.C. Wainwright & Co., LLC. (the "December 2015 ATM Agreement"), through which we are able to raise gross proceeds of up to \$100 million from the sale of our common stock through these brokers under our shelf registration statement on Form S-3 (File No. 333-208760), declared effective by the SEC on February 3, 2016.

Beginning in the second quarter of 2016, we sold and issued shares of our common stock under the December 2015 ATM Agreement, as summarized in the following table:

Description of Financing Transaction	No. of Common Shares Issued	Proceeds Received (Net of Broker Commissions and Fees)
Common shares issued pursuant to the December 2015 ATM Agreement during the year ended December 31, 2016	10,890,915	\$ 73,869

There were no sales of our common stock under the December 2015 ATM Agreement during the three months ended March 31, 2017.

*Conversion of Series E Convertible Voting Preferred Stock*

In June 2016, our then outstanding 20 shares of Series E convertible voting preferred stock were converted (at the election of the preferred stockholders) into an aggregate of 40,000 common shares; a \$6 thousand dividend in arrears was paid upon this conversion.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, statements regarding our future product development activities and costs, the revenue potential (licensing, royalty and sales) of our products and product candidates, the success, safety and efficacy of our drug products, revenues, development timelines, product acquisitions, accounting principles, litigation expenses, liquidity and capital resources and trends, and other statements containing forward-looking words, such as, "believes," "may," "could," "will," "expects," "intends," "estimates," "anticipates," "plans," "seeks," "continues," or the negative thereof or variation thereon or similar terminology (although not all forward-looking statements contain these words). Such forward-looking statements are based on the reasonable beliefs of our management as well as assumptions made by and information currently available to our management. Readers should not put undue reliance on these forward-looking statements. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified; therefore, our actual results may differ materially from those described in any forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in our periodic reports filed with the Securities and Exchange Commission, or the SEC, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as well as those discussed elsewhere in this Quarterly Report on Form 10-Q, and the following factors:

- our ability to successfully develop, obtain regulatory approval for and market our products;
- our ability to continue to grow sales revenue of our marketed products;
- risks associated with doing business internationally;
- our ability to generate and maintain sufficient cash resources to fund our business;
- our ability to enter into strategic alliances with partners for manufacturing, development and commercialization;
- efforts of our development partners;
- the ability of our manufacturing partners to meet our timelines;
- the ability to timely deliver product supplies to our customers;
- our ability to identify new product candidates and to successfully integrate those product candidates into our operations;
- the timing and/or results of pending or future clinical trials, and our reliance on contract research organizations;
- reports of adverse events or safety concerns involving each of our products;
- our ability to protect our intellectual property rights;
- competition in the marketplace for our drugs;
- delay in approval of our products or new indications for our products by the FDA;
- the impact of legislative or regulatory reform on the pricing for pharmaceutical products;
- actions by the FDA and other regulatory agencies, including international agencies;
- securing positive reimbursement for our products;
- the impact of any product liability, or other litigation to which we are, or may become a party;
- the impact of legislative or regulatory reform of the healthcare industry and the impact of recently enacted healthcare reform legislation;
- the availability and price of acceptable raw materials and components from third-party suppliers, and their ability to meet our demands;
- our ability, and that of our suppliers, development partners, and manufacturing partners, to comply with laws, regulations and standards, and the application and interpretation of those laws, regulations and standards, that

govern or affect the pharmaceutical and biotechnology industries, the non-compliance with which may delay or prevent the development, manufacturing, regulatory approvals and sale of our products;

- defending against claims relating to improper handling, storage or disposal of hazardous chemical, radioactive or biological materials which could be time consuming and expensive;
- our ability to maintain the services of our key executives and technical and sales and marketing personnel;
- the difficulty in predicting the timing or outcome of product development efforts and regulatory approvals; and
- demand and market acceptance for our approved products.

All subsequent written and oral forward-looking statements attributable to us or by persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. We expressly disclaim any intent or obligation to update information contained in any forward-looking statement after the date thereof to conform such information to actual results or to changes in our opinions or expectations.

## Company Overview

Spectrum Pharmaceuticals, Inc. (“Spectrum”, the “Company”, “we”, “our”, or “us”) is a biotechnology company, with a primary strategy comprised of acquiring, developing, and commercializing a broad and diverse pipeline of late-stage clinical and commercial products. We have an in-house clinical development organization with regulatory and data management capabilities, and a commercial infrastructure and field sales force for our marketed products. Currently, we have six approved oncology/hematology products that target different types of cancer including: non-Hodgkin's lymphoma, advanced metastatic colorectal cancer, acute lymphoblastic leukemia, and multiple myeloma.

We also have three drugs in mid-to-late stage development (defined as Phase 2 and Phase 3):

- ROLONTIS (formerly referred to as SPI-2012 or LAPS-G-CSF) for chemotherapy-induced neutropenia.
- QAPZOLA (formerly referred to as APAZQUONE) for immediate intravesical instillation in post-transurethral resection of bladder tumors in patients with non-muscle invasive bladder cancer, or NMIBC.
- POZIOTINIB, a novel pan-HER inhibitor used in the treatment of patients with a variety of solid tumors, including breast and lung cancer.

See *Item 1. Business* of our Annual Report on Form 10-K for the year ended December 31, 2016, for a discussion of:

- Company Overview
- Cancer Background and Market Size
- Product Portfolio
- Manufacturing
- Sales and Marketing
- Customers
- Competition
- Research and Development

## Recent Highlights in Our Business, Product Development Initiatives, and Regulatory Approvals

During the three months ended March 31, 2017, and through the filing date of this quarterly report, we accomplished various critical business objectives, which included:

- ROLONTIS, a novel long-acting G-CSF: A pivotal Phase 3 study (ADVANCE Study, or SPI-GCF-301) was initiated in the first quarter of 2016 to evaluate ROLONTIS as a treatment for chemotherapy-induced neutropenia. Based on the amended Special Protocol Assessment (SPA) received from the FDA, the size of the ADVANCE study was reduced to 400 from 580 evaluable patients. The ADVANCE study is now 75% enrolled and we expect to complete enrollment in the second half of this year. To strengthen our forthcoming Biologics License Application (BLA) package for FDA review, we have initiated a second pivotal Phase 3 study (RECOVER Study, or SPI-GCF-302), which is expected to

enroll 218 patients in total, and include sites in the U.S., Europe, Canada and South Korea. We expect to file our BLA with the FDA for this indication of ROLONTIS in 2018.

- QAPZOLA, a potent tumor-activated drug being investigated for NMIBC: We submitted a New Drug Application (NDA) on December 11, 2015 which was accepted on February 9, 2016. On November 17, 2016, we received a Complete Response Letter. We have since developed a new Phase 3 study for QAPZOLA, and in February 2017, we received a SPA from the FDA. The new Phase 3 study has been specifically designed to build on learnings from the previous studies, as well as recommendations from the FDA. Compared to the previous study, this study will (i) use twice the dosage of QAPZOLA (8mg versus 4mg), (ii) will evaluate far fewer patients (425 versus 1,557), and (iii) will evaluate time-to-recurrence as the primary endpoint. We have many investigator sites identified and expect to start enrolling patients in the third quarter of 2017.
- POZIOTINIB, a novel pan-HER inhibitor:
  - In March 2016, we initiated a Phase 2 breast cancer trial for POZIOTINIB, after promising Phase 1 study efficacy data. The Phase 2 study is an open-label study that will enroll approximately 75 patients with HER-2 positive metastatic breast cancer, who have failed at least two, and no more than four, HER-2 directed therapies. The dose and schedule of oral POZIOTINIB is based on clinical experience from the studies in South Korea, and will include the use of prophylactic therapies to help minimize the known side-effects of pan-HER directed therapies.
  - In collaboration with The University of Texas MD Anderson Cancer Center, an investigator sponsored trial is being initiated with POZIOTINIB in non-small cell lung cancer patients with EGFR exon 20 insertion mutations. This study is expected to yield results before December 31, 2017. During March 2017, the first patient with exon 20 insertion mutation was treated with POZIOTINIB on a compassionate-use basis with encouraging results. Tumors with exon 20 mutations have generally not been responsive to several other EGFR inhibitors. However, POZIOTINIB, due to its unique structure and characteristics, is believed to inhibit cell growth of EGFR exon 20 insertions.
  - In addition to the above studies, other Phase 2 studies for POZIOTINIB in breast, lung, head-and-neck, and gastric cancer indications are being conducted in South Korea by Hanmi Pharmaceuticals and National OncoVenture.

## **CHARACTERISTICS OF OUR REVENUE AND EXPENSES**

See *Item 7. Characteristics of Our Revenue and Expenses* of our Annual Report on Form 10-K for the year ended December 31, 2016, for a discussion of the nature of our revenue and operating expense line items within our accompanying Condensed Consolidated Statements of Operations.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

See *Item 7. Critical Accounting Policies and Estimates* of our Annual Report on Form 10-K for the year ended December 31, 2016, for a discussion of significant estimates and assumptions as part of the preparation of our accompanying Condensed Consolidated Financial Statements. These critical accounting policies and estimates arise in conjunction with the following accounts:

- Revenue recognition
- Inventories – lower of cost or market
- Fair value of acquired assets and assumed liabilities
- Goodwill and intangible assets – impairment evaluations
- Income taxes
- Stock-based compensation
- Litigation accruals (as required)

**RESULTS OF OPERATIONS**
**Operations Overview – Three months ended March 31, 2017 and 2016**

	Three Months Ended March 31,			
	2017		2016	
	(\$ in thousands)			
Total revenues	\$ 29,101	100.0 %	\$ 43,866	100.0 %
Operating costs and expenses:				
Cost of product sales (excludes amortization and impairment charges of intangible assets)	8,135	28.0 %	5,604	12.8 %
Cost of service revenue	2,103	7.2 %	1,282	2.9 %
Selling, general and administrative	18,607	63.9 %	21,962	50.1 %
Research and development	14,696	50.5 %	15,462	35.2 %
Amortization and impairment charges of intangible assets	6,889	23.7 %	5,839	13.3 %
Total operating costs and expenses	<u>50,430</u>	<u>173.3 %</u>	<u>50,149</u>	<u>114.3 %</u>
Loss from operations	<u>(21,329)</u>	<u>(73.3)%</u>	<u>(6,283)</u>	<u>(14.3)%</u>
Interest expense, net	(2,052)	(7.1)%	(2,340)	(5.3)%
Change in fair value of contingent consideration related to acquisitions	(197)	(0.7)%	(1,042)	(2.4)%
Other income, net	410	1.4 %	278	0.6 %
Loss before income taxes	<u>(23,168)</u>	<u>(79.6)%</u>	<u>(9,387)</u>	<u>(21.4)%</u>
Benefit for income taxes	201	0.7 %	66	0.2 %
Net loss	<u>\$ (22,967)</u>	<u>(78.9)%</u>	<u>\$ (9,321)</u>	<u>(21.2)%</u>

**THREE MONTHS ENDED MARCH 31, 2017 VERSUS 2016**
**Total Revenues**

	Three months ended March 31,		\$ Change	% Change
	2017	2016		
	(\$ in millions)			
Product sales, net:				
FUSILEV	\$ 2.6	\$ 15.2	\$ (12.6)	(82.9)%
FOLOTYN	9.3	13.3	(4.0)	(30.1)%
ZEVALIN	2.8	2.8	—	— %
MARQIBO	2.0	0.9	1.1	122.2 %
BELEODAQ	2.9	3.0	(0.1)	(3.3)%
EVOMELA	6.3	—	6.3	100.0 %
	<u>\$ 25.9</u>	<u>\$ 35.2</u>	<u>\$ (9.3)</u>	<u>(26.4)%</u>
License fees and service revenue	3.3	8.6	(5.3)	(61.6)%
Total revenues	<u>\$ 29.2</u> *	<u>\$ 43.8</u>	<u>\$ (14.6)</u>	<u>(33.3)%</u>

\* Does not agree to the face of the accompanying Condensed Consolidated Statements of Operations for the three months ended March 31, 2017, by an immaterial amount due to rounding.

**Product sales, net.** To derive net product sales, gross product revenues in each period are reduced by management's latest estimated provisions for (i) product returns, (ii) government chargebacks, (iii) prompt pay discounts, (iv) commercial rebates, (v) Medicaid rebates, and (vi) distribution, data, and group purchasing organization, or GPO, administrative fees. Management considers various factors in the determination of these provisions, which are described in more detail within "Critical Accounting Policies and Estimates" of our 2016 Form 10-K.



FUSILEV revenue decrease is attributable to a continued significant decline in our unit sales and net average sales price due to the competitive launch of generic levo-leucovorin product in April 2015 - see *Note 3(f)*. We expect to report further FUSILEV quarterly net sales declines in 2017 due to this continued pricing pressure from generic competition.

FOLOTYN revenue decrease is due to a decrease in the units sold, partially offset by an increase in the net average sales price per unit in the current period.

ZEVALIN revenue remained consistent to the prior year period, due to unit sales and net average sales price remaining flat.

MARQIBO revenue increase is due to an increase in both the units sold and the net average sales price per unit in the current period.

BELEODAQ revenue decreased slightly as a result of a decrease in the units sold, partially offset by an increase in the average net sales price per unit in the current period.

EVOMELA revenue in the current period is a result of our commercial launch of this product in April 2016, thus there were no sales for this product in the prior year period.

**License fees and service revenue.** Our license fees and service revenue in the current period decreased by \$5.3 million due to the following: (i) an upfront receipt of \$6 million for the out-license of ZEVALIN, FOLOTYN, BELEODAQ and MARQIBO (see *Note 12*), which did not reoccur in the current period, partially offset by (ii) a \$0.5 million increase in fees from our co-promotion with Eagle (see *Note 13*), and (iii) a \$0.2 million increase in ZEVALIN out-license royalties.

## Operating Expenses

	Three months ended March 31,		\$ Change	% Change
	2017	2016		
	(\$ in millions)			
Operating costs and expenses:				
Cost of product sales (excludes amortization of intangible assets)	\$ 8.1	\$ 5.6	\$ 2.5	44.6 %
Cost of service revenue	2.1	1.3	0.8	61.5 %
Selling, general and administrative	18.6	22.0	(3.4)	(15.5)%
Research and development	14.7	15.5	(0.8)	(5.2)%
Amortization and impairment charges of intangible assets	6.9	5.8	1.1	19.0 %
Total operating costs and expenses	\$ 50.4	\$ 50.2	\$ 0.2	0.4 %

**Cost of Product Sales.** Cost of product sales increased in the current period, despite our net product revenue decline. This increase is due to our comparative product sales mix in these periods (particularly with respect to FUSILEV), and the inclusion of EVOMELA sales in the current year period that was not present in the prior year period due to its commercial launch in April 2016.

**Cost of Service Revenue.** Cost of service revenue increased in the current period due to an increase in the allocation percentage of commercial and marketing expenses (from "selling, general, and administrative" expenses) for our promotion and sale of Eagle products (see *Note 13*).

**Selling, General and Administrative.** Selling, general and administrative expenses decreased by \$3.4 million in the current period largely due to legal expenses related to FOLOTYN patent litigation matters in the first quarter of 2016, which did not reoccur in the current year period. In addition, in the current period we increased our allocation of employee costs that would have otherwise been reported in this account to "cost of service revenue" - all related to the promotion and sale of Eagle products (see *Note 13*).

**Research and Development.** Research and development expenses decreased by \$0.8 million in the current period due to the (i) achievement and recognition of the ROLONTIS clinical milestone during the first quarter of 2016 (see *Note 16(b)(xii)*), and (ii) our decreased EVOMELA development expenses with the product's commercial launch in April 2016. These decreases

were partially offset by current period increases in clinical trial costs associated with the progression of the ROLONTIS Phase 3 trial.

**Amortization and Impairment Charges of Intangible Assets.** Amortization expense increased by \$1.1 million compared to the prior year period due to an adjustment of the amortization period of our FOLOTYN distribution rights to November 2022 from March 2025, representing the period through which we expect to have patent protection from generic competition (see *Note 3(f)*).

### Total Other Expenses

	Three months ended March 31,		\$ Change	% Change
	2017	2016		
	(\$ in millions)			
Total other expenses	\$ (1.8)	\$ (3.1)	\$ 1.3	41.9%

Total other expenses decreased by \$1.3 million primarily due to a \$0.8 million decrease in the contingent consideration valuation related to the EVOMELA product milestone that was achieved in the first quarter of 2016 (see *Note 9(b)*), and a \$0.3 million decrease in interest expense on our 2018 Convertible Notes (see *Note 14*).

### Benefit for Income Taxes

	Three months ended March 31,		\$ Change	% Change
	2017	2016		
	(\$ in millions)			
Benefit for income taxes	\$ 0.2	\$ 0.1	\$ 0.1	100.0%

Our current period benefit for income taxes of \$0.2 million is primarily due to our expected 2017 tax losses and an unrealized investment gain recognized in "accumulated other comprehensive income (loss)" on the accompanying Condensed Consolidated Balance Sheets. Our prior period benefit for income taxes also relates to then expected 2016 tax losses and the unrealized investment gain recognized in "accumulated other comprehensive income (loss)."

## LIQUIDITY AND CAPITAL RESOURCES

	March 31, 2017	December 31, 2016	March 31, 2016
	(in thousands, except financial metrics data)		
Cash, cash equivalents and marketable securities	\$ 137,443	\$ 158,469	\$ 132,552
Accounts receivable, net	\$ 39,488	\$ 39,782	\$ 19,248
Total current assets	\$ 196,993	\$ 216,650	\$ 172,482
Total current liabilities	\$ 57,185	\$ 65,513	\$ 59,526
Working capital surplus (a)	\$ 139,808	\$ 151,137	\$ 112,956
Current ratio (b)	3.4	3.3	2.9

- (a) Total current assets at period end *minus* total current liabilities at period end.  
(b) Total current assets at period end *divided by* total current liabilities at period end.

### Net Cash Used In Operating Activities

Net cash used in operating activities was \$20.1 million for the three months ended March 31, 2017, as compared to \$7.1 million in the prior year period. For the three months ended March 31, 2017 and 2016, our cash collections from customers totaled \$35.2 million and \$47.6 million, respectively, representing 120.8% and 108.4% of reported net revenue for the same years. For the three months ended March 31, 2017 and 2016, cash payments to our employees, vendors, and end-users for products, services, chargebacks, and rebates totaled \$58.0 million and \$55.5 million, respectively.

### Net Cash Used In Investing Activities

Net cash used in investing activities was \$0.1 million for each of the three months ended March 31, 2017 and 2016, respectively, and primarily relates to \$0.1 million of property and equipment purchases made during each period.

### **Net Cash Used In Financing Activities**

Net cash used in financing activities was \$0.8 million for the three months ended March 31, 2017, as compared to \$0.3 million in the prior year period. Our cash used in financing activities during the first three months of 2017 primarily relates to \$0.9 million for the purchase and retirement of restricted stock (at our employees' election), in order to meet their respective federal and state tax obligations at the time of stock vesting, partially offset by \$0.1 million of proceeds from the issuance of common stock as a result of the exercise of employee stock options.

### **Convertible Senior Notes Due 2018**

On December 17, 2013, we entered into an agreement for the sale of \$120 million aggregate principal amount of 2.75% Convertible Senior Notes due December 2018, or the 2018 Convertible Notes. The 2018 Convertible Notes are convertible into shares of our common stock at a conversion rate of 95 shares per \$1,000 principal amount of the 2018 Convertible Notes, totaling 11.4 million common shares if fully converted. The in-the-money conversion price is equivalent to \$10.53 per common share. The conversion rate and conversion price are subject to adjustment under certain limited circumstances. We may settle conversions of the 2018 Convertible Notes by paying or delivering, as the case may be, cash, shares of our common stock, or a combination of cash and shares, at our election.

The 2018 Convertible Notes bear interest at a rate of 2.75% per year, payable semiannually in arrears on June 15 and December 15 of each year, beginning on June 15, 2014. The 2018 Convertible Notes will mature and become payable on December 15, 2018, subject to earlier conversion into common stock at the holders' option upon the occurrence of certain circumstances.

The sale of the 2018 Convertible Notes closed on December 23, 2013 and our net proceeds were \$115.4 million, after deducting banker and professional fees of \$4.6 million. We used a portion of these proceeds to simultaneously enter into "bought call" and "sold warrant" transactions with Royal Bank of Canada, collectively referred to as the Note Hedge. We recorded the Note Hedge on a net cost basis of \$13.1 million, as a reduction to "additional paid-in capital" in our accompanying Condensed Consolidated Balance Sheets. Under applicable GAAP, the Note Hedge transaction has not been (and is not expected to be) marked-to-market through earnings or comprehensive income.

In December 2016, we completed two open market purchases of our 2018 Convertible Notes, aggregating 9,963 note units (equivalent to \$10.0 million principal value) for \$9.0 million. We recognized an aggregate loss of \$25,000 on the retirement of these 2018 Convertible Notes (based on its carrying value under GAAP), which was included in "other income (expense), net" on the Consolidated Statements of Operations for the year ended December 31, 2016. Accordingly, as of March 31, 2017, \$110 million in principal of our 2018 Convertible Notes is outstanding.

We concurrently unwound a portion of our previously sold warrants and previously purchased call options that were part of our "conversion hedge" (see *Note 14*) for aggregate net proceeds of \$21,000, with a corresponding net increase to "additional paid-in capital" in the Condensed Consolidated Balance Sheets as of December 31, 2016.

### **Future Capital Requirements**

We believe that the future growth of our business will depend on our ability to successfully develop and acquire new drugs for the treatment of cancer and successfully bring these drugs to market.

The timing and amount of our future capital requirements will depend on many factors, including:

- the need for additional capital to fund future development programs;
- the need for additional capital to fund strategic acquisitions;
- the need for additional capital to fund licensing arrangements;
- our requirement for additional information technology infrastructure and systems; and
- adverse outcomes from potential litigation and the cost to defend such litigation.

We believe that our \$137 million in aggregate cash and equivalents, and marketable securities as of March 31, 2017 will allow us to fund our current and planned operations for at least the next twelve months. However, we may seek additional capital through the sale of debt or equity securities (see *Note 18*), if necessary, especially in conjunction with opportunistic acquisitions or licensing arrangements. We may be unable to obtain such additional capital when needed, or on terms favorable to us or our current stockholders and convertible senior note holders.

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

We have no off-balance sheet arrangements (except for operating leases) that provide financing, liquidity, market or credit risk support, or involve derivatives. In addition, we have no arrangements that may expose us to liability that are not expressly reflected in the accompanying Condensed Consolidated Financial Statements and/or notes thereto.

As of March 31, 2017, we did not have any relationships with unconsolidated entities or financial partnerships, often referred to as “structured finance” or “special purpose entities,” established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not subject to any material financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

In the normal course of business, our operations are exposed to risks associated with fluctuations in interest rates, credit ratings and foreign currency exchange rates.

The primary objective of our investment activities is to preserve principal, while at the same time maximizing yields without significantly increasing risk. We do not utilize hedging contracts or similar instruments. Because of our ability to generally redeem these investments at par at short notice and without penalty, changes in interest rates would have an immaterial effect on the fair value of these investments. If a 10% change in interest rates were to have occurred on March 31, 2017, any decline in the fair value of our investments would not be material in the context of our accompanying Condensed Consolidated Financial Statements. In addition, we are exposed to certain market risks associated with credit ratings of corporations whose corporate bonds we may purchase from time to time. If these companies were to experience a significant detrimental change in their credit ratings, the fair market value of such corporate bonds may significantly decrease. If these companies were to default on these corporate bonds, we may lose part or all of our principal. We believe that we effectively manage this market risk by diversifying our investments, and investing in highly rated securities.

We are exposed to foreign currency exchange rate fluctuations relating to payments we make to vendors, suppliers and license partners in Euros (and other currencies to a lesser extent). We mitigate such risk by maintaining a limited portion of our cash in Euros.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### ***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2017. The term “disclosure controls and procedures,” as defined in *Rules 13a-15(e) and 15d-15(e)* under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. These include controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Based on the evaluation of our disclosure controls and procedures as of March 31, 2017, our chief executive officer and chief financial officer concluded that, as of that date, our disclosure controls and procedures were effective.

#### ***Changes in Internal Control Over Financial Reporting***

There has been no change in our internal control over financial reporting (as defined in *Rules 13a-15(f) and 15d-15(f)* under the Exchange Act) during the first quarter of 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

***Limitations of the Effectiveness of Internal Controls***

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of inherent limitations in any control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. We are continuously seeking to improve the efficiency and effectiveness of our operations and of our internal controls.

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

We are involved from time-to-time with various legal matters arising in the ordinary course of business. These claims and legal proceedings are of a nature we believe are normal and incidental to a pharmaceutical business, and may include product liability, intellectual property, employment matters, and other general claims. We are also subject to derivative lawsuits from time-to-time.

We make provisions for liabilities when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Such provisions are assessed at least quarterly and adjusted to reflect the impact of any settlement negotiations, judicial and administrative rulings, advice of legal counsel, and other information and events pertaining to a particular case. Litigation is inherently unpredictable. Although the ultimate resolution of these various matters cannot be determined at this time, we do not believe that such matters, individually or in the aggregate, will have a material adverse effect on our consolidated results of operations, cash flows, or financial condition.

Certain of the legal proceedings in which we are involved are discussed in *Note 16*, “Commitments and Contingencies,” to our accompanying Condensed Consolidated Financial Statements, and are hereby incorporated by reference.

**ITEM 1A. RISK FACTORS**

As of the date of this filing, there have been no material changes to the RISK FACTORS included in our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission on March 14, 2017.

**ITEM 6. EXHIBITS**

Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.1#	License and Asset Purchase Agreement, dated January 23, 2012, by and between Spectrum Pharmaceuticals Cayman, L.P. and Bayer Pharma AG.					X
10.2*	Form of Performance Unit Award Agreement under 2009 Incentive Award Plan					X
<a href="#">31.1</a>	Certification of Principal Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a) promulgated under the Securities Exchange Act of 1934.					X
<a href="#">31.2</a>	Certification of Principal Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a) promulgated under the Securities Exchange Act of 1934.					X
<a href="#">32.1</a>	Certification of Principal Executive Officer pursuant to Rule 13a-14(b)/15d-14(b) promulgated under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.					X
<a href="#">32.2</a>	Certification of Principal Financial Officer pursuant to Rule 13a-14(b)/15d-14(b) promulgated under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X
*	Indicates a management contract or compensatory plan or arrangement					
#	Confidential portions omitted and filed separately with the U.S. Securities and Exchange Commission pursuant to Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.					

**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.

SPECTRUM PHARMACEUTICALS, INC.

Date: May 4, 2017

By: /s/ Kurt A. Gustafson

Kurt A. Gustafson

Executive Vice President and Chief Financial Officer

(Authorized Signatory and Principal Financial and Accounting Officer)

***CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT MARKED WITH [\*\*\*] HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT, AS AMENDED.***

***CONFIDENTIAL***

LICENSE AND ASSET PURCHASE AGREEMENT

DATED AS OF JANUARY 23, 2012

BETWEEN

SPECTRUM PHARMACEUTICALS CAYMAN, L.P.

AND

BAYER PHARMA AG

---



# TABLE OF CONTENTS

	<b>Page</b>
1. DEFINITIONS	1
2. LICENSE OF ASSETS	13
2.1 Licenses and Related Provisions	13
2.2 Know-How Transfer	20
2.3 Transfer of Licensed IP	20
2.4 Covenant Not to Sue	20
2.5 Consents to Transfer Agreements	21
3. TRANSFER OF ASSETS	21
3.1 Acquired Assets	21
3.2 Excluded Assets	22
3.3 Assumed Liabilities	24
3.4 Excluded Bayer Liabilities	25
3.5 Excluded Purchaser Liabilities	27
3.6 Consents	27
3.7 Consent Costs	28
4. CONSIDERATION	29
4.1 Consideration to Bayer	29
4.2 Interest	29
4.3 Payment Provisions	29
4.4 Records; Audit	30
4.5 Purchase Price Allocation	31
5. INVENTORY	32
5.1 Inventory Payment	32
6. CLOSING	32
6.1 The Closing	32
6.2 Closing Deliveries	32
7. REPRESENTATIONS AND WARRANTIES OF BAYER	34
7.1 Organization	34
7.2 Power and Authorization	34
7.3 Authorization of Governmental Authorities	34
7.4 Noncontravention	35
7.5 Financial Information	35
7.6 Inventory	35
7.7 Absence of Certain Developments	35
7.8 Assets	36
7.9 Real Property	36
7.10 Litigation	36
7.11 Intellectual Property	36
7.12 Intentionally Omitted	39
7.13 Legal Compliance; Permits; Regulatory Matters	39
7.14 Clinical Investigations	40
7.15 Regulatory Filings	40

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>	
7.16	Recalls	40
7.17	Tax Matters	40
7.18	Contracts	41
7.19	Enforceability, etc	41
7.20	Breach, etc	41
7.21	Litigation; Governmental Orders	41
7.22	No Brokers	41
8.	REPRESENTATIONS AND WARRANTIES OF PURCHASER	42
8.1	Organization	42
8.2	Power and Authorization	42
8.3	Authorization of Governmental Authorities	42
8.4	Noncontravention	42
8.5	No Brokers	43
8.6	Litigation	43
9.	COVENANTS	43
9.1	Closing	43
9.2	Operation of Bayer Business	43
9.3	Notices and Consents	44
9.4	Purchaser's Access to Premises; Information	45
9.5	Transaction Expenses	45
9.6	Confidentiality	46
9.7	Publicity	47
9.8	Transfer of Certain Funds Received Post-Closing	47
9.9	Transfer of Permits	47
9.10	Rebates, Chargebacks, Returns and Other Adjustments	48
9.11	Transition Assets	50
9.12	Joint Contracts	50
9.13	Books and Records	51
9.14	Further Assurances	51
9.15	Non-Competition	52
9.16	SEC Financial Statements	52
10.	INTELLECTUAL PROPERTY AND OTHER COVENANTS	53
10.1	Reservation of Intellectual Property	53
10.2	Filing, Prosecution and Maintenance of Licensed Patents and Licensed Trademarks	53
10.3	IP Enforcement	54
10.4	Claimed Infringement of Third Party Rights	56
10.5	Other Infringement Resolutions	57
10.6	Diligence	57
11.	CONDITIONS TO PURCHASER'S OBLIGATIONS AT THE CLOSING	58
11.1	Representations and Warranties	58
11.2	Performance	58

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>	
11.3	Compliance Certificate	58
11.4	Qualifications	58
11.5	Absence of Litigation	58
11.6	Consents, etc.	59
11.7	Ancillary Agreements	59
12.	CONDITIONS TO BAYER'S OBLIGATIONS AT THE CLOSING	59
12.1	Representations and Warranties	59
12.2	Performance	59
12.3	Compliance Certificate	59
12.4	Qualifications	59
12.5	Absence of Litigation	59
12.6	Ancillary Agreements	60
13.	TERMINATION	60
13.1	Termination of Agreement	60
13.2	Effect of Termination	61
13.3	Termination by Bayer For Cause	61
14.	INDEMNIFICATION	63
14.1	Indemnification by Bayer	63
14.2	Indemnification by Purchaser	63
14.3	Time for Claims	64
14.4	Third Party Claims	65
14.5	Remedies Cumulative	67
14.6	Exclusive Remedy	67
14.7	Limitation of Liability	67
14.8	Insurance	68
14.9	Insurance Recoveries	68
14.10	Disclaimer	68
15.	TAX MATTERS	68
15.1	Certain Taxes and Fees	68
15.2	Tax Record Retention; Cooperation on Tax Matters	68
15.3	Apportionment of Ad Valorem Taxes	68
15.4	Assignment of Agreement	69
16.	MISCELLANEOUS	69
16.1	Notices	69
16.2	Succession and Assignment	71
16.3	Amendments and Waivers	72
16.4	Entire Agreement	72
16.5	Counterparts	73
16.6	Severability	73
16.7	Headings	73
16.8	Construction	73
16.9	Governing Law	73

**TABLE OF CONTENTS**

(continued)

	<b>Page</b>
16.10 Dispute Resolution	73
16.11 Arbitration	74
16.12 Jurisdiction; Venue; Service of Process	76
16.13 Specific Performance	77
16.14 Waiver of Jury Trial	77
16.15 Certain Rules of Construction	78
16.16 Third Party Beneficiaries	78

## EXHIBITS & SCHEDULES

Schedule 1A – Bayer’s Knowledge  
Schedule 1B – Business Domain Names  
Schedule 1C – Business-Specific Licensed Patents  
Schedule 1D – Business-Specific Licensed Trademarks  
Schedule 1F – Shared Licensed Patents  
Schedule 1G – Shared Licensed Trade Dress  
Schedule 1H – Shared Licensed Trademarks  
Schedule 3.2(b) – Excluded Assets  
Schedule 3.2(g) – Excluded Rights, Claims, Etc.  
Schedule 3.3(d) – Assumed Volume Credits and Obligations  
Schedule 3.3(f) – Liability Imposed by Governmental Authorities  
Schedule 3.6 – Consents  
Schedule 4.1 – Purchase Price  
Schedule 4.3.1 – Royalty Payments  
Schedule 4.3.4 – Exchange Rate  
Schedule 7.3 – Authorization of Governmental Authorities (Bayer)  
Schedule 7.4 – Noncontravention (Bayer)  
Schedule 7.5 – Financial Information  
Schedule 7.7.1 – Absence of Certain Developments  
Schedule 7.8 – Assets  
Schedule 7.11.1 – Business Domain Names  
Schedule 7.11.2 – Licensed IP  
Schedule 7.11.5 – Validity and Enforcement  
Schedule 7.11.7 – Orders  
Schedule 7.11.9 – Infringement and Misappropriation  
Schedule 7.11.10 – Royalties  
Schedule 7.11.11 – Employees and Consultants  
Schedule 7.11.12 – Litigation  
Schedule 7.13.1 – Compliance  
Schedule 7.13.2 – Permits  
Schedule 7.13.3 – Regulatory and Related Matters  
Schedule 7.14 – Clinical Investigations  
Schedule 7.15 – Regulatory Filings  
Schedule 7.16 - Recalls  
Schedule 7.17 – Tax Matters  
Schedule 7.18(a) – Transferred Contracts  
Schedule 7.18(b) – Joint Contracts  
Schedule 7.21 – Litigation; Governmental Orders  
Schedule 8.3 – Authorization of Governmental Authorities (Purchaser)  
Schedule 8.4 – Noncontravention (Purchaser)  
Schedule 9.12 – Joint Contracts  
Schedule 11.6 – Consents  
Schedule 14.3A – Time for Claims (Bayer)  
Schedule 14.3B – Time for Claims (Purchaser)

Exhibit A – Transition Services Agreement  
Exhibit B – Inventory Agreement  
Exhibit C – Guaranty

## LICENSE AND ASSET PURCHASE AGREEMENT

This License and Asset Purchase Agreement, dated as of January 23, 2012 (the "Execution Date") (as amended or otherwise modified, the "Agreement"), is between Spectrum Pharmaceuticals Cayman, L.P., an Exempted Limited Partnership organized under the laws of the Cayman Islands ("Purchaser") and Bayer Pharma AG, a German aktiengesellschaft ("Bayer").

### RECITALS

WHEREAS, Bayer wishes to license certain assets of the Bayer Business (as defined herein) and to sell certain other assets of the Bayer Business, and Purchaser wishes to license certain assets of the Bayer Business and to acquire certain assets from Bayer, as specified herein, which relate to the Bayer Business, all on the terms and conditions set forth in this Agreement; and

WHEREAS, the parties also intend to execute and deliver other agreements contemporaneously with the Closing which will further the intent of the parties that Bayer shall license certain assets and sell certain assets and Purchaser shall license certain assets and acquire certain assets.

### AGREEMENT

NOW THEREFORE, in consideration of the premises and mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, Purchaser and Bayer hereby agree as follows:

#### 1. DEFINITIONS.

As used herein, the following terms will have the following meanings:

"AAA Rules" is defined in Section 16.11.1.

"Acquired Assets" is defined in Section 3.1.

"Action" means any claim, action, cause of action, chose in action or suit (whether in contract or tort or otherwise), litigation (whether at law or in equity, whether civil or criminal), controversy, assessment, arbitration, examination, audit, investigation, hearing, charge, complaint, demand, notice or proceeding to, from, by or before any Governmental Authority or arbitrator(s).

"Adjusted Expiration Date" is defined in Section 9.10.4(a).

"Affiliate" means, with respect to any Person, any other Person that, directly or indirectly, through one or more intermediaries controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities or general partnership or managing member interests, by contract or otherwise. Without limiting the generality of the foregoing, a Person shall be deemed to control any other Person in which it owns, directly or indirectly, a majority of the ownership interests.

“Agreement” is defined in the Preamble.

“Allocation Schedule” is defined in Section 4.5(a).

“Ancillary Agreements” means the Transition Services Agreement, Inventory Agreement, Guaranty, Regulatory Support Agreement and Pharmacovigilance Agreement.

“Antitrust Laws” means the EC Merger Regulation, and any competition, merger control and antitrust Legal Requirement of the European Union, any applicable European Union member states and EFTA states, and any other applicable supranational, national, federal, state, provincial or local Legal Requirement designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolizing or restraining trade or lessening competition of any other country or jurisdiction, to the extent applicable to the transactions contemplated in this Agreement.

“Apportioned Taxes” is defined in Section 15.3.1.

“Assumed Liabilities” is defined in Section 3.3.

“Audited Financial Statements” is defined in Section 9.16.

“Audit Opinion” is defined in Section 9.16.

“Average Age” is defined in Section 9.10.4(a).

“Bayer” is defined in the Preamble.

“Bayer Business” means the Business to the extent conducted by Bayer and its Affiliates in the Territory prior to or as of the Closing Date, either directly or indirectly through an extension of rights that Bayer or its Affiliates’ Control to contractors (including manufacturers, distributors) or licensees.

“Bayer Indemnified Person” is defined in Section 14.2.1.

“Bayer Rebate Liability” is defined in Section 9.10.1.

“Bayer’s Knowledge” means the actual knowledge of any of the individuals holding the positions set forth on Schedule 1A.

“Biogen Agreement” means that certain Amended and Restated License Agreement between Biogen Idec (f/k/a IDEC Pharmaceuticals Corporation) and Bayer (f/k/a Schering Aktiengesellschaft) dated as of January 16, 2012.

“Biogen Consent” is defined in Section 2.5.1.



“Biogen Idec” means Biogen Idec Inc.

“Biogen IP” means intellectual property controlled by Biogen Idec and licensed by Biogen Idec to Bayer pursuant to the Biogen Agreement as set forth on schedules to the Biogen Agreement.

“Biogen Supply Agreement” is defined in Section 2.5.2.

“Books and Records” means all customer, distributor, supplier and mailing lists, drawings, notebooks, specifications and creative materials, whether written or electronically stored or however otherwise recorded, maintained or stored, including research and development reports and records, pre-clinical studies, manufacturing documents (including drug master files, batch records, Master Batch Records, deviations, OOS investigations, CAPA, material specifications, and product-specific standard operating procedures), clinical protocols, clinical studies, pre-clinical and clinical data, results and analyses used in or resulting from any pre-clinical study or clinical trial of any Licensed Product, all regulatory files (together with all correspondence associated with such regulatory files), copies of the approved label components to the extent available, all labeling decision documents, and each Licensed Product’s safety database, marketing materials, customer master files, sales records for each product by account, written and electronic training manuals and modules, speaker slide kits, sales/demand forecasts, and all files and written correspondence exclusively related to the Bayer Business and/or Licensed Product, other than Excluded Books and Records.

“Business” means the commercialization of the Licensed Products in the Territory.

“Business Day” means any weekday other than a weekday on which banks in New York, New York or Frankfurt, Germany are authorized or required to be closed.

“Business Domain Names” means the internet domain names exclusively relating to the Bayer Business, including those listed as of the Closing Date on Schedule 1B.

“Business-Specific Licensed Copyrights” means all works of authorship (including advertising, marketing and promotional materials, artwork, labeling, and other works of authorship), and all copyrights, moral rights and other rights and interests thereto throughout the Territory, whether or not registered, that are owned by Bayer or any of its Affiliates, that are exclusively related to the Licensed Products and that are used exclusively in, had been used exclusively in and are currently exclusive to, or were developed exclusively for and are currently exclusive to, the Bayer Business.

“Business-Specific Licensed IP” means the Business-Specific Licensed Copyrights, Business-Specific Licensed Know-How, Business-Specific Licensed Patents and Business-Specific Licensed Trademarks.

“Business-Specific Licensed Know-How” means Know-How owned by Bayer or any of its Affiliates that (1) is exclusively related to the inventions claimed in the Business-Specific Licensed Patents or (2) is exclusively related to the Licensed Products and is used exclusively in, had been used exclusively in and is currently exclusive to, or was developed exclusively for and is currently

exclusive to, the Bayer Business, or (3) is exclusively related to the Licensed Products and was developed exclusively for and is currently exclusive to the Licensed Products.

“Business-Specific Licensed Patents” means any Patent Rights owned by Bayer or its Affiliates that are exclusively related to the Licensed Products and claim inventions that are used exclusively in, had been used exclusively in and are currently exclusive to, or were developed exclusively for and are currently exclusive to, the Bayer Business. The Business-Specific Licensed Patents include those Patent Rights set forth on Schedule 1C.

“Business-Specific Licensed Trademarks” means the trademarks and service marks, the goodwill associated therewith, and all registrations and applications relating thereto, that are owned by Bayer or any of its Affiliates, and are exclusively related to the Licensed Products and that are used exclusively in, had been used exclusively in and are currently exclusive to, or were developed exclusively for and are currently exclusive to, the Bayer Business. The Business-Specific Licensed Trademarks include those trademarks set forth on Schedule 1D.

“Chargeback Liability Shift Date” is defined in Section 9.10.2.

“Claim” is defined in Section 16.10.1.

“Closing” is defined in Section 6.1.

“Closing Date” means the date on which the Closing actually occurs.

“Confidential Disclosure Agreement” means that certain mutual Confidentiality Agreement between Spectrum Pharmaceuticals, Inc. and Bayer HealthCare Pharmaceuticals Inc. dated as of September 28, 2009.

“Confidential Information” is defined in Section 9.6.2.

“Contemplated Transactions” means, collectively, the transactions contemplated by this Agreement, including (a) the licenses of the Licensed IP, the sale of the Acquired Assets and the assignment and assumption of the Assumed Liabilities and (b) the execution, delivery and performance of the Ancillary Agreements.

“Contractual Obligation” means, with respect to any Person, any contract, agreement, plan, mortgage, lease, license, commitment, promise, undertaking, arrangement or understanding, whether written or oral and whether express or implied, or other document or instrument to which or by which such Person is a party or otherwise subject or bound or to which or by which any property, business, operation or right of such Person is subject or bound.

“Control” or “Controlled” means, with respect to any Intellectual Property right, possession by a party (including its Affiliates) of the right (whether by ownership, license or otherwise) to grant to another party a license or a sublicense under such Intellectual Property right without violating the terms of any agreement or other arrangement with any third party.

“Days of Channel Inventory” is defined in Section 9.10.1.

“Designated Countries” means Germany, France, Italy, Spain, United Kingdom, Korea, China (Hong Kong), Japan, Austria, Czech Republic, Netherlands, Sweden, Denmark, Finland, Poland, Hungary, Israel and Argentina.

“Disclosed Contract” is defined in Section 7.19.

“Dispute Escalation Notice” is defined in Section 16.10.2.

“Drug Laws” means the Federal Food, Drug, and Cosmetic Act, the Public Health Service Act, the United States anti-kickback statute, or the regulations and regulatory guidance promulgated thereunder or similar Legal Requirements of any foreign jurisdiction, including those relating to good laboratory practices, good clinical practices, adverse event reporting, good manufacturing practices, advertising and promotion, recordkeeping, and filing of reports.

“EC Merger Regulation” means Council Regulation (EC) No 139/2004 of January 20, 2004 on the control of concentrations between undertakings, as amended.

“Encumbrance” means any charge, claim, condition, equitable interest, lien, license, option, pledge, security interest, mortgage, right of way, easement, encroachment, servitude, right of first offer or first refusal, buy/sell agreement and any other restriction or covenant with respect to, or condition governing the use, construction, voting (in the case of any security or equity interest), transfer, receipt of income or exercise of any other attribute of ownership.

“Enforceable” means, with respect to any Contractual Obligation stated to be “Enforceable” by or against any Person, that such Contractual Obligation is a legal, valid and binding obligation of such Person enforceable by or against such Person in accordance with its terms, except to the extent that enforcement of the rights and remedies created thereby is subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application affecting the rights and remedies of creditors and to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

“Excluded Assets” are defined in Section 3.2.

“Excluded Bayer Liabilities” is defined in Section 3.4.

“Excluded Books and Records” means (i) all Books and Records prepared in connection with or related to the negotiation of the transactions contemplated by this Agreement and the Ancillary Agreements, (ii) any of the foregoing that are the subject of binding confidentiality agreements with non-Affiliates of Bayer restricting their conveyance or disclosure to Purchaser; provided, however, that Bayer shall use its commercially reasonable efforts to obtain the right from such non-Affiliates either to disclose such records to Purchaser or to transfer such confidentiality agreements to Purchaser, (iii) all Books and Records relating to Non-Transferred Businesses, Excluded Assets and Excluded Bayer Liabilities, and (iv) all Books and Records relating to Tax returns and Tax records for periods or portions thereof ending on or prior to the Closing Date, (v) all Books and Records not exclusively relating to Acquired Assets and (vi)

Books and Records reasonably necessary to the performance by Bayer and its Affiliates of the Ancillary Agreements.

“Excluded Intellectual Property” means Intellectual Property owned by Bayer and its Affiliates.

“Excluded Purchaser Liabilities” are defined in Section 3.5.

“Execution Date” is defined in the Preamble.

“Fuji Contract” means the Manufacturing and Distribution Agreement, dated July 8, 2008 between Bayer Yakuhn Ltd. and Fuji Film RI Pharma Co. Ltd.

“Fully Loaded Standard Cost” means, with respect to each type of Inventory, [\*\*\*]. All such cost determinations for raw materials and purchased goods shall be made in accordance with Bayer’s standard accounting practices under International Financial Reporting Standards as consistently practiced by Bayer and used in the accounting reports. All such cost determinations for all other items of inventory shall be made in accordance with Bayer’s standard costs as consistently practiced by Bayer. Any amounts that must be converted to Euros shall be converted using the Bayer accounting rate as of the applicable date.

“GAAP” means generally accepted accounting principles in the United States as in effect from time to time.

“GEIA” is defined in Section 7.11.11.

“Governmental Authority” means any government or any agency, bureau, board, commission, court, department, political subdivision, tribunal, or other instrumentality of any government (including any regulatory or administrative agency), whether federal, state or local, domestic or foreign, and including any multinational authority or non-governmental authority which licenses or authorizes or may license or authorize the manufacturing, distribution, marketing or sale of a Licensed Product. The term, Governmental Authority, shall not include medical facilities or institutions of higher education including colleges or universities.

“Governmental Order” means an Order entered by or with any Governmental Authority or arbitrator(s).

“Guaranty” is defined in Section 6.2(h)(iii).

“In-License Agreement” means any Contractual Obligation entered into prior to the Closing Date under which a third party has granted Bayer or its Affiliate any Intellectual Property rights related to the Licensed Products.

“Indemnified Party” means, with respect to any Indemnity Claim, the party or Person asserting such claim under Section 14.1 or 14.2, as the case may be.

[\*\*\*]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

“Indemnifying Party” means, with respect to any Indemnity Claim, the Purchaser Indemnified Person or the Bayer Indemnified Person under Section 14.1 or 14.2, as the case may be, against whom such claim is asserted.

“Indemnity Basket” is defined in Section 14.1.2.

“Indemnity Claim” means a claim for indemnity under Section 14.1 or 14.2, as the case may be.

“Independent Auditor” is defined in Section 9.16.

“Infringement Claim” is defined in Section 10.4.1.

“Intellectual Property” means intellectual property rights of every kind and nature throughout the world, however denominated, including all rights and interests pertaining to or deriving from:

(a) Patent Rights and Know-How;

(b) trademarks, trade names, service marks, service names, brands, trade dress and logos, domain names, and the goodwill and activities associated therewith;

(c) copyrights, works of authorship, rights of privacy and publicity, moral rights, and similar proprietary rights of any kind or nature, in all media now known or hereafter created; and

(d) any and all registrations, applications, recordings, licenses, statutory rights, common-law rights and rights under Contractual Obligations relating to any of the foregoing.

“Inventory” means all raw materials, work-in-process, fill-to-pack products, packed/not released products, finished goods, purchased goods, merchandise held for resale, goods in transit (not including goods in transit to third parties), goods off premises (including materials subject to process and goods held in storage) goods on consignment and other materials and supplies used exclusively in the Bayer Business, including packaging, spare parts and stores.

“Inventory Agreement” is defined in Section 6.2(h)(ii).

“Joint Contract” is defined in Section 9.12.

“Joint Permit” is defined in Section 9.9.1.

“Know-How” means inventions, business, marketing, technical and manufacturing information, know-how and materials, including technology, software, instrumentation, specifications, devices, data, compositions, formulas, biological materials, assays, reagents, constructs, compounds, discoveries, procedures, processes, practices, protocols, methods,

techniques, results of experimentation or testing, knowledge, trade secrets, skill and experience, in each case whether or not patentable or copyrightable.

“Legal Requirement” means any law, statute, standard, ordinance, code, rule, regulation, resolution or promulgation, or any Governmental Order, or any license, franchise, permit or similar right granted under any of the foregoing, or any similar provision having the force or effect of law.

“Liability” means, with respect to any Person, any liability or obligation of such Person whether known or unknown, whether asserted or unasserted, whether determined, determinable or otherwise, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, whether incurred or consequential, whether due or to become due and whether or not required to be accrued on the financial statements of such Person.

“Licensed Copyrights” means the Business-Specific Licensed Copyrights and the Shared Licensed Copyrights.

“Licensed IP” means the Business-Specific Licensed IP, the Shared Licensed IP and the Biogen IP.

“Licensed Know-How” means the Business-Specific Licensed Know-How and the Shared Licensed Know-How.

“Licensed Patents” means the Business-Specific Licensed Patents and the Shared Licensed Patents.

“Licensed Products” has the meaning set forth in the Biogen Agreement.

“Licensed Trademarks” means the Business-Specific Licensed Trademarks and the Shared Licensed Trademarks.

“Losses” means any loss, cost, Liability or expense, Tax, settlement, damage of any kind, judgment, obligation, charge, fee, fine, penalty, interest, court cost and/or administrative and reasonable attorneys’ fees, reasonable expert fees, reasonable consulting fees, and reasonable disbursements (at all levels, including appellate), but excluding all indirect corporate and administrative overhead costs. Losses shall be decreased to take into account any Tax benefit actually received by the Indemnified Parties or their Affiliates arising from the incurrence or payment of the relevant indemnified item and increased by the amount of any Tax cost actually incurred by the Indemnified Parties or their Affiliates on account of the accrual and receipt of the related indemnification payment.

“Material Adverse Effect” means any change, effect or circumstance that, individually or in the aggregate with all other changes, effects and circumstances, is or would reasonably be expected to be materially adverse to the Business as operated as of the Execution Date by Bayer or its Affiliates (including the Acquired Assets, Licensed IP and/or Assumed Liabilities), disregarding any changes, effects or circumstances to the extent they arise out of (a) a

deterioration in the economy in general in the United States or any country in which the Bayer Business is conducted, (b) an outbreak or escalation of hostilities involving the United States or any member state of the European Union, the declaration by the United States or any member state of the European Union of a national emergency or war, or the occurrence of any acts of terrorism, (c) a change in Legal Requirements (d) the announcement of the Contemplated Transactions (including a loss of customers, suppliers, distributors, service providers or employees to the extent attributable thereto) or (e) any failure to promote Licensed Product.

“Material Default” is defined in Section 13.3.1.

“Maximum Indemnity Cap” is defined in Section 14.1.2.

“NDC” means National Drug Code.

“Net Sales” has the meaning set forth in the Biogen Agreement.

“Nonassigned Asset” is defined in Section 3.6.2.

“Non-Transferred Businesses” means all businesses of Bayer and its Affiliates other than the Bayer Business.

“Notice of Dispute” is defined in Section 16.10.2.

“Order” means any order, writ, judgment, injunction, decree, stipulation, ruling, determination or award.

“Ordinary Course of Business” means an action taken by any Person in the ordinary course of such Person’s business which is consistent with the past customs and practices (excluding any product promotion) of such Person given the circumstances and which is taken in the ordinary course of the normal day-to-day operations of such Person given the circumstances, but in all cases, without taking into consideration the Contemplated Transactions.

“Organizational Documents” means, with respect to any Person (other than an individual), (a) the certificate or articles of incorporation or organization and any joint venture, limited liability company, operating or partnership agreement and other similar documents adopted or filed in connection with the creation, formation or organization of such Person and (b) all by-laws and similar instruments relating to the organization or governance of such Person, in each case, as amended or supplemented.

“Out-License Agreement” means any Contractual Obligation entered into prior to the Closing Date under which Bayer or its Affiliate has granted to any third party rights with respect to the Bayer Business, including rights with respect to the Biogen Agreement, the Business-Specific Licensed IP, Business Domain Names or any Licensed Product. The Out-License Agreements in existence as of the Closing Date are identified on Schedule 7.11.2.

“Outside Date” is defined in Section 13.1(b).

“Overlap Period” is defined in Section 9.10.4(b).

“Parent” means Spectrum Pharmaceuticals, Inc., a Delaware corporation.

“Patent Rights” means (a) all patents, patent applications and similar government-issued rights (*e.g.*, utility models) protecting inventions in any country or jurisdiction however denominated, (b) all priority applications, international applications, divisionals, continuations, substitutions, continuations-in-part of and any applications claiming priority to any of the foregoing and (c) all patents and similar government-issued rights (*e.g.*, utility models) protecting inventions issuing on any of the foregoing applications, together with all registrations, reissues, renewals, re-examinations, confirmations, supplementary protection certificates, and extensions of any of (a), (b) or (c).

“Payment Period” is defined in Section 4.3.2.

“Permits” means, with respect to any Person, any license, franchise, permit, consent, approval, right, privilege, certificate or other similar authorization issued by, or otherwise granted or required by, any Governmental Authority to which or by which such Person is subject or bound or to which or by which any property, business, operation or right of such Person is subject or bound, including all approvals, licenses or permits required by any Governmental Authority to market, offer, sell, distribute, import and export Licensed Products.

“Permitted Encumbrance” means (a) statutory liens for current Taxes, special assessments or other governmental charges not yet due and payable, (b) mechanics’, materialmen’s, carriers’, workers’, repairers’ and similar statutory liens arising or incurred in the Ordinary Course of Business which liens are not yet due and payable, (c) deposits or pledges made in connection with, or to secure payment of, worker’s compensation, unemployment insurance, old age pension programs mandated under applicable Legal Requirements or other social security and (d) restrictions on the transfer of securities arising under federal and state securities laws.

“Person” means any individual or corporation, association, partnership, limited liability company, joint venture, joint stock or other company, business trust, trust, organization, university, college, Governmental Authority or other entity of any kind.

“Purchase Price” is defined in Section 4.1.

“Purchaser” is defined in the Preamble.

“Purchaser Indemnified Person” is defined in Section 14.1.1.

“Qualifications” is defined in Section 16.11.2.

“Qualified Assignment” is defined in Section 16.2(d).

“Rebate True Up Payment” is defined in Section 9.10.1.

“Regulatory Clearance Amendment” is defined in Section 9.3.4.

“Related Affiliates” is defined in Section 13.3.1(c).



“Released” with respect to any product means the completion of the manufacturing of such product with the release by quality operations of such product from “quarantined product” to finished goods for sale, in accordance with Bayer’s standard quality assurance and quality control procedures.

“Representative” means, with respect to any Person, any director, officer, employee, agent, consultant, advisor, or other representative of such Person, including legal counsel, accountants, and financial advisors.

“Required Antitrust Approvals” means a decision, in whatever form (including a declaration of lack of jurisdiction or a mere filing or notification, if the Closing can take place, pursuant to the applicable Antitrust Law, without a decision or the expiry of any waiting period) by any Governmental Authority under the Antitrust Laws of any of the Designated Countries or the expiry of the applicable waiting period, as applicable, under the Antitrust Laws of any of such jurisdictions, in each case authorizing or not objecting to the transactions contemplated by this Agreement and including, in each case, as applicable, any decision or consent by any such Governmental Authority setting forth conditions or obligations on either of the parties or their respective Affiliates if such conditions or obligations have been or, pursuant to Section 9.3.4 are required to be, accepted by either party.

“Retained Marks” is defined in Section 2.1.5(e).

“Retained Names and Marks” is defined in Section 2.1.5(c).

“Royalty Payments” is defined in Section 4.3.1.

“SEC Financial Statements” is defined in Section 9.16.

“Shared Licensed Copyrights” means all works of authorship (including advertising, marketing and promotional materials, artwork, labeling, and other works of authorship) and all copyrights, moral rights and other rights and interests thereto throughout the Territory, except for the Shared Licensed Trade Dress, whether or not registered, that are owned by Bayer or any of its Affiliates other than Business-Specific Licensed Copyrights that are related to the Licensed Products and that have been used in, or developed with the identified intent that it would be useful in, the Bayer Business. Shared Licensed Copyrights does not include any copyright in works of authorship developed by Bayer or its Affiliates after the Closing Date.

“Shared Licensed IP” means the Shared Licensed Copyrights, Shared Licensed Know-How, Shared Licensed Patents, Shared Licensed Trade Dress and Shared Licensed Trademarks.

“Shared Licensed Know-How” means Know-How owned by Bayer or any of its Affiliates, other than Business-Specific Licensed Know-How, that are related to the Licensed Products and that have been used in, or developed with the identified intent that it would be useful in, the Bayer Business. Shared Licensed Know-How does not include any copyright in works of authorship developed by Bayer or its Affiliates after the Closing Date.

“Shared Licensed Patents” means any Patent Rights owned by Bayer or its Affiliates, other than Business-Specific Licensed Patents that claim inventions that are related to the

Licensed Products and that have been used in, or developed with the identified intent that it would be useful in, the Bayer Business. The Shared Licensed Patents include those Patent Rights set forth on Schedule 1F, and any Patent Rights that directly or indirectly claim priority to such Patent Rights, (including continuations-in-part but only to the extent the claims in the continuations-in-part claim inventions to the subject matter that is related to the Licensed Products and that as of the Closing Date has been used in, or developed with the identified intent that it would be useful in, the Bayer Business and to the extent such inventions either (a) were disclosed and described in the Patent Rights filed prior to the Closing Date or (b) are included in Shared Licensed Know-How as such Know-How existed on the Closing Date). Shared Licensed Patents does not include any Patent Rights based on inventions made by Bayer and its Affiliates after the Closing Date.

“Shared Licensed Trade Dress” means the trade dress design that is owned by Bayer or its Affiliates, and that is used in the Bayer Business on the packaging as is shown in Schedule 1G. The trade dress consists of a convex horizontal wave, said wave (i) begins on the edge of one side of the package and proceeds to the opposite edge of said package, wherein the wave ends at the edges of the package; (ii) the edge of the wave at one edge of the package is higher than at the other edge; (iii) said wave covers mainly the lower part of the package; (iv) the lower part of the wave is in a dark color and the upper part of the wave is in a lighter color; (v) the wave is crisscrossed with a white strip design which follows the form of the wave; and wherein the trade dress does not include the wording or other symbols or marks on the package. Shared Licensed Trade Dress does not include any trade dress adopted by Bayer and its affiliates after the Closing Date.

“Shared Licensed Trademarks” means all trademarks, and all registrations and applications relating thereto, that are owned by Bayer or any of its Affiliates, other than Business-Specific Licensed Trademarks, and that are used in the Bayer Business. The Shared Licensed Trademarks include those trademarks set forth on Schedule 1H. Shared Licensed Trademarks does not include any trademark adopted by Bayer and its affiliates after the Closing Date.

“Solvent” is defined in Section 16.2(f).

“Sublicensee” means any third party to which Purchaser or its Affiliates grants, after the Closing Date, any or all of the rights licensed by Bayer to Purchaser under Section 2.1.1; provided, however, that distributors who purchase Licensed Products from Purchaser, its Affiliates or its Sublicensees in order to resell such Licensed Product shall not be considered Sublicensees.

“Tax” or “Taxes” means (a) any and all federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar, including FICA), unemployment, disability, real property, personal property, sales, use, transfer, registration, escheat obligation, value added, alternative or add-on minimum, estimated, or other tax of any kind or any charge of any kind in the nature of (or similar to) taxes whatsoever, including any interest, penalty, or addition thereto, whether disputed or not and (b) any liability for the payment of any amounts of the type described in clause (a) of this definition

as a result of being a member of an affiliated, consolidated, combined or unitary group for any period, as a result of any tax sharing, tax allocation indemnification agreement, arrangement or understanding, or as a result of being liable for another Person's Taxes as a transferee or successor, by contract or otherwise.

"Tax Return" means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof, filed with any Governmental Authority.

"Term" means the period commencing on the Closing Date and continuing until Purchaser is no longer required to make any payments to Bayer in accordance with Section 4 hereof.

"Termination Date" is defined in Section 13.1.

"Territory" means all jurisdictions worldwide except the United States, its territories and possessions.

"Third Party Agreement" means any In-License Agreement or Out-License Agreement other than In-License Agreements and Out-License Agreements that are Transferred Contracts and other than the Biogen Agreement.

"Third Party Claim" is defined in Section 14.4.1.

"Total Consideration" is defined in Section 4.5(a).

"Transaction Expenses" is defined in Section 9.5.

"Transferred Contracts" is defined in Section 3.1(d).

"Transferred Inventory" means Inventory included within the Acquired Assets.

"Transferred Permits" is defined in Section 3.1(f).

"Transition Assets" is defined in Section 9.11.

"Transition Services Agreement" is defined in Section 6.2(h)(i).

"VAT" is defined in Section 4.3.6.

## 2. LICENSE OF ASSETS

### 2.1 Licenses and Related Provisions.

2.1.1 Licenses. Subject to Section 2.1.2, 13 and 16.2, effective at the time of, and contingent upon the occurrence of, the Closing:

(a) For the Business-Specific Licensed IP: Bayer hereby grants to Purchaser an exclusive (even as to Bayer), perpetual, irrevocable (subject to Section 13.3), transferable (as specified in Section 16.2), license, with the right to sublicense through multiple tiers as provided

in Section 2.1.2(a)), under the Business-Specific Licensed Patents on a worldwide basis and under the Business-Specific Licensed IP other than Business-Specific Licensed Patents in the Territory, as it exists on the Closing Date, to research, develop, make, have made, use, sell, offer for sale, have sold, import and export Licensed Products, and to otherwise practice and exploit the Business-Specific Licensed IP, including researching, developing, making, having made, using, selling, offering for sale, having sold, importing and exporting any product for all fields of use in humans.

(b) For the Shared Licensed IP:

(i) Bayer hereby grants to Purchaser an exclusive (even as to Bayer), perpetual, irrevocable (subject to Section 13.3), transferable (as specified in Section 16.2), license, with the right to sublicense as provided in Section 2.1.2(b)), under the Shared Licensed Patents, Shared Licensed Know-How and Shared Licensed Copyrights, as they all exist on the Closing Date, solely to research, develop, make, have made, use, sell, offer for sale, have sold, import and export Licensed Products in the Territory.

(ii) Subject to the terms and conditions of Section 2.1.5, Bayer hereby grants to Purchaser a limited, non-exclusive, non-transferable license, without the right to sublicense, under the Shared Licensed Trademarks and Shared Licensed Trade Dress solely to market, distribute and sell Licensed Products in the Territory for the time period specified and as further set forth in Section 2.1.5. Notwithstanding any grant of a license to use the terms “Schering” or “Scher” alone or in combination with another term, these terms cannot, by Purchaser be used in or imported into the United States or Canada under any conditions.

(c) Subject to the terms and conditions of the Biogen Agreement, Bayer hereby grants to Purchaser an exclusive (even as to Bayer), perpetual, irrevocable (subject to Section 13.3), transferable (as specified in Section 16.2), sublicense of the license granted to Bayer under Section 5.1 of the Biogen Agreement, with the right to sublicense through multiple tiers to the extent provided in the Biogen Agreement.

2.1.2 Sublicensee Obligation.

(a) For the Business-Specific Licensed IP and, subject to the terms and conditions of the Biogen Agreement, the Biogen IP, Purchaser may grant sublicenses (including multiple tier sublicenses) without Bayer’s consent; provided, however, that (i) Purchaser will be fully responsible for the performance of such Sublicensees hereunder, (ii) each such sublicense shall permit Bayer to audit the Sublicensee on substantially the same terms as those set forth in Section 4.4 and (iii) each Sublicensee of any commercial rights shall agree to diligence requirements no less than those specified in Section 10.6 to the extent applicable to the activities to be undertaken by such Sublicensee.

(b) For the Shared Licensed Patents, Shared Licensed Know-How, and Shared Licensed Copyrights, Purchaser may grant sublicenses (i) with Bayer’s prior written consent,

whose consent shall not be unreasonably withheld, (ii) without Bayer's consent to a Purchaser Affiliate, or (iii) without Bayer's consent only if the Shared Licensed Patents, Shared Licensed Know-How, and Shared Licensed Copyrights is sublicensed with and to no greater scope than a sublicense of the Business-Specific Licensed IP; provided, however, that in either case (A) Purchaser shall be fully responsible for the performance of such Sublicensees hereunder, (B) each such sublicense shall permit Bayer to audit the Sublicensee on substantially the same terms as those set forth in Section 4.4, (C) each Sublicensee of any commercial rights shall agree to diligence requirements no less than those specified in Section 10.6 to the extent applicable to the activities to be undertaken by such Sublicensee and (D) Purchaser provides notice to Bayer of said sublicense, including the names and contact information of each Sublicensee and the scope and purpose of the sublicense.

(c) Any sublicense granted by Purchaser to an Affiliate will automatically terminate upon termination of this Agreement.

#### 2.1.3 Retained Rights.

(a) Bayer retains the non-exclusive, non-transferable right under the Business-Specific Licensed IP only to the extent necessary for Bayer to perform its obligations under this Agreement and the Ancillary Agreements. This retained right may be licensed by Bayer as reasonably necessary in Bayer's sole discretion for Bayer to perform its obligations under the Ancillary Agreements, provided, however, that (i) Bayer will, or will cause its Affiliates to, be fully responsible for the performance of such sublicensees and (ii) Bayer promptly provides notice to Purchaser of each such sublicense, including the names and contact information of each sublicensee and the scope and purpose of the sublicense.

(b) For the purpose of clarity and notwithstanding anything else to the contrary in this Agreement, Bayer may use the inventions claimed in the Business-Specific Licensed Patents to the same extent as a non-licensed third party would be legally permitted to use such inventions.

(c) Bayer retains all rights to use, license and commercially exploit the Shared Licensed IP for all purposes other than the Licensed Products.

#### 2.1.4 Third Party Agreements.

(a) Generally. Bayer covenants that it will not, and will cause its Affiliates not to, in each case, without Purchaser's prior written consent (which consent, with regard to the Shared Licensed IP, shall not be unreasonably withheld) agree or consent to any amendment, supplement or other modification to or any termination of any existing Third Party Agreement (including all In-License Agreements) and the Biogen Agreement, or take any action under a Third Party Agreement with respect to: (i) the Business-Specific Licensed IP in the Territory licensed thereunder and (ii) the Shared Licensed IP licensed thereunder (to the extent such actions affect Purchaser's rights in the Shared Licensed IP). Bayer will, and will cause its Affiliates, to exercise its rights relating to the Business-Specific Licensed IP in the Territory and to the Shared Licensed IP (with regard to the Shared Licensed IP, to the extent such actions affect

Purchaser's rights in the Shared Licensed IP) under any Third Party Agreement in consultation with Purchaser and in a manner that is consistent with the terms of this Agreement, and in consultation with Purchaser, take all commercially reasonable actions necessary to maintain and enforce such rights with respect to the Business-Specific Licensed IP in the Territory and to the Shared Licensed IP (with regard to the Shared Licensed IP, to the extent such actions affect Purchaser's rights in the Shared Licensed IP) under Third Party Agreements. To the extent Bayer is unwilling or unable to maintain and enforce such rights, Bayer shall cooperate in allowing Purchaser to do so, and Purchaser's expenses thereof shall be set-off against amounts otherwise due from Purchaser to Bayer under this Agreement. Purchaser covenants that it will not, and will cause its Affiliates not to, cause a breach in any material respect of any Third Party Agreement.

(b) Biogen Agreement. Bayer agrees to keep Purchaser fully informed of the rights that Bayer or any of its Affiliates has with respect to the Biogen IP that has been licensed to Bayer or its Affiliates under the Biogen Agreement. Bayer will, and will cause its Affiliates to, take all actions reasonably requested by Purchaser in respect of these rights, as well as provide to Purchaser all material information and copies of material correspondence and other material documents received from Biogen Idec with respect to the Biogen Agreement. Bayer will, and will cause its Affiliates to, immediately notify Purchaser of (i) any event of which Bayer is aware that affects in any material respect the rights granted to Bayer under the Biogen Agreement that are, in turn, sublicensed to Purchaser pursuant to this Agreement or (ii) receipt by Bayer of any written notice received under the Biogen Agreement, including any breach or termination of the Biogen Agreement. Bayer will, and will cause its Affiliates to, promptly furnish Purchaser with copies of all reports and other communications that Bayer or any of its Affiliates furnishes to the other parties to the Biogen Agreement that relate in any material respect to the Business or the rights granted to Purchaser under this Agreement, and to the extent any such reports or communication relate to the efforts of Purchaser under this Agreement, Bayer will, and will cause its Affiliates to, give Purchaser a reasonable opportunity to review and comment upon such reports or communications before they are transmitted to the other parties to the Biogen Agreement. Bayer agrees to provide Purchaser with copies of any and all amendments to the Biogen Agreement concurrently with each such amendment. Purchaser covenants that it will not, and will cause its Affiliates not to, cause a breach in any material respect of the Biogen Agreement. For the avoidance of doubt, a breach in a material respect of the Biogen Agreement will be deemed to occur where Purchaser or any of its Affiliates breaches or causes a breach that gives Biogen Idec a right to terminate the Biogen Agreement.

#### 2.1.5 Trademark and Trade Dress Control.

(a) Quality Control. The quality of the Licensed Products sold by Purchaser under or in connection with the Shared Licensed Trademarks and Shared Licensed Trade Dress must be of a sufficiently high quality to be generally comparable to the quality of products sold by Bayer under the Shared Licensed Trademarks and Shared Licensed Trade Dress prior to the Closing Date. At the reasonable request of Bayer, not more frequently than annually, Purchaser will send Bayer samples of the Licensed Products sold by Purchaser under the Shared Licensed Trademarks and Shared Licensed Trade Dress. In the event that Purchaser materially breaches this Section 2.1.5 with respect to a Shared Licensed Trademark or Shared Licensed Trade Dress

and fails to cure such breach within sixty (60) days after Bayer notifies Purchaser in writing of such breach, Bayer may terminate the license to such Shared Licensed Trademark and Shared Licensed Trade Dress under Section 2.1 by delivery to Purchaser of a written notice of termination. In addition to the foregoing termination rights, Bayer shall retain any other rights and remedies it has in law and/or equity with respect to a breach related to a Shared Licensed Trademark and Shared Licensed Trade Dress.

(b) Special Rights. Purchaser's license to use the Shared Licensed Trademarks and Shared Licensed Trade Dress that are the corporate names of Bayer or any of its Affiliates or any other name, logo, trade dress, abbreviation, word or combination thereof of corporate identification is subject to the terms, conditions, and limitations set forth below. It is hereby agreed that, unless otherwise agreed in a separate agreement, Purchaser may utilize, at its sole option, the following items:

(i) Without limitation of time, Purchaser may use manuals, technical specifications, descriptive literature and catalogs and similar materials related to the Bayer Business and bearing the name or marks or trade dress of Bayer or any of its Affiliates; provided, however, that the name, marks and trade dress shall be stamped or overprinted, to the extent practical, with one or more names or marks or trade dress of Purchaser not confusingly similar thereto as soon as practicable, and in any event, no later than ninety (90) days after delivery by Bayer or its Affiliates of such materials to be used by Purchaser.

(ii) Purchaser shall, subject to applicable Legal Requirements, have a period of nine (9) months after the Closing Date within which to use the corporate names, trade dress and identification (including NDC numbers) of Bayer and its Affiliates pertaining to the Bayer Business.

(iii) Notwithstanding the foregoing, Purchaser shall, subject to applicable Legal Requirements, have the right to sell any products of the Business in the eighteen (18) month period after the Closing Date (or any written mutually agreed extension thereof) that are in bags or other containers bearing any of the corporate names or trade dress or identification (including NDC numbers) of Bayer or any of its Affiliates, so long as such products are not outdated and so long as products sold by Purchaser after eighteen (18) months following the Closing Date (or any written mutually agreed extension thereof) are not packaged in bags or other containers that bear such names, marks, trade dress or codes; provided, however, that Purchaser may continue to use the corporate names or trade dress or identification (including NDC numbers) of Bayer or its Affiliates beyond such period to the extent required by applicable Legal Requirements as a result of Bayer (or its Affiliate) manufacturing a Licensed Product or holding a Permit relating to a Licensed Product.

(iv) Notwithstanding the foregoing, Purchaser shall diligently pursue in good faith obtaining its own names, marks, (other than the Business-Specific Licensed Trademarks to which Purchaser has a perpetual license), trade dress and NDC numbers pertaining to the Business.

(c) Use of Certain Names and Marks. Notwithstanding any other provision of this Agreement to the contrary (except for the limited rights granted in Section 2.1.1(b)(ii) and the rights specified in Section 2.1.5(b)), no interest in or right to use the name “Bayer” or “Schering” or “Scher” or any other corporate indication of Bayer or its Affiliates (including any logo, trademark, trade dress, trade name or domain name containing the component “Bayer” or “Bay” or “Schering” or “Scher” or any derivation thereof, including but not limited to the logo “Bayer-Cross” consisting of the word Bayer written in the shape of a cross (with or without a circle)) as well as the Shared Licensed Trade Dress (collectively, the “Retained Names and Marks”), is being transferred pursuant to the Contemplated Transactions and the use of any Retained Names and Marks shall cease as provided in Section 2.1.5, and Purchaser promptly thereafter will remove or obliterate and cease to use all the Retained Names and Marks from its signs and unused inventory of purchase orders, invoices, sales orders, labels, letterheads, shipping documents, and other items and materials of the Business and otherwise, and will not use or put into use after the Closing Date any such items and materials that bear any Retained Names and Marks (or any name, mark, trade dress or logo confusingly similar thereto), except as provided in Section 2.1.5. Furthermore, except as contemplated by the Transition Services Agreement, Purchaser will not use the name “Bayer” as a domain or e-mail address component without undue delay after the Closing Date; provided, however, that incoming emails shall be forwarded by Bayer or its Affiliates to new email addresses for a period of ninety (90) days after the Closing Date. The parties agree that Bayer shall have no responsibility for claims by third parties arising out of, or relating to, the use of any Retained Names and Marks by Purchaser after the Closing Date. This Agreement shall not preclude Purchaser from making non-trademark use of the Retained Names and Marks for purposes of historical reference, or as required by Legal Requirements, or as reasonably necessary in connection with activities before Governmental Authorities.

(d) Use of Retained Names and Marks. Purchaser shall not change or modify the Retained Names and Marks or use the Retained Names and Marks in any modified form. The authorization set forth in Section 2.1.5 in no way provides Purchaser any rights in or authorization to use any other trademarks, service marks, trade names, trade dress which are confusingly similar to the Retained Names and Marks or other similar property or rights of Bayer or its Affiliates.

(e) Purchaser shall not at any time, (i) knowingly use any logo, trademark, trade name or domain name containing the component “Bayer” or “Bay” or “Scher” or any derivation thereof, including but not limited to the logo “Bayer-Cross” consisting of the word Bayer written in the shape of a cross (with or without a circle) as well as the Shared Licensed Trade Dress (collectively the “Retained Marks”) in any way that would impair the validity of such Retained Marks as proprietary trademarks, service marks, trade names and/or trade dress in any jurisdiction, (ii) take any action which would impair Bayer’s ownership of any Retained Marks or their legality or enforceability, (iii) register, or cause to be registered, in Purchaser’s name or the name of another, any of the Retained Marks or any other trademarks, names, logos, symbols, trade dress or designs they know to be confusingly similar to the Retained Marks, (iv) use, display, advertise or promote any trademarks, names, logos, symbols, trade dress or designs they know to be confusingly similar to any of the Retained Marks in any jurisdiction, or (v) use any of the Retained Marks as part of a corporate or trade name of any business organization.



Purchaser shall not challenge the validity of the Retained Marks or Bayer's ownership thereof in any form or manner. All goodwill deriving from the use of the Retained Marks by Purchaser pursuant to the terms of Section 2.1.5 of this Agreement or arising out of the terms of Section 2.1.5 of this Agreement shall accrue solely and exclusively to Bayer and its Affiliates.

2.1.6 No Implied Rights; Future IP. Purchaser acknowledges and agrees that:

(a) No rights or licenses of Intellectual Property rights are conveyed to Purchaser other than those expressly provided in this Agreement and the Ancillary Agreements, and except as expressly provided in this Agreement and the Ancillary Agreements, no such conveyance or license of rights will be implied or deemed to have been made.

(b) Except as provided in Section 2.5, no rights or licenses are conveyed to Purchaser with respect to any Intellectual Property rights owned or Controlled by any third party that is not an Affiliate of Bayer as of the Closing Date (regardless of whether such third party later becomes an Affiliate of Bayer).

(c) For purposes of clarity:

(i) The license granted in Section 2.1.1(a) under the Business-Specific Licensed IP is granted as the Business-Specific Licensed IP exists at the Closing Date, and does not grant any license to Purchaser with respect to a Patent Right claiming an invention made after the Closing Date, Know-How developed after the Closing Date, any copyright to a work created after the Closing Date, or any trademark adopted after the Closing Date. For further clarity, (A) the license granted by Bayer under the Business-Specific Licensed Patents does include Patent Rights filed and issued after the Closing Date (1) if such Patent Rights directly or indirectly claim priority to a Business-Specific Licensed Patent that was filed prior to the Closing Date (including continuations-in-part but only to the extent the claims in the continuations-in-part claim inventions to subject matter that is exclusively related to the Licensed Products and used exclusively in, had been used exclusively in and are as of the Closing Date exclusive to, or was developed exclusively for and is currently exclusive to, the Bayer Business and that was disclosed and described in a Business-Specific Licensed Patents that was filed prior to the Closing Date) or (2) to the extent such Patent Rights claim an invention that was contained within Business-Specific Licensed Know-How as the Business-Specific Licensed Know-How existed prior to the Closing Date; (B) the license granted under the Business-Specific Licensed Copyrights does include any registrations filed and issued after the Closing Date that relate to copyrightable works created prior to the Closing Date, and (C) the license granted under the Business-Specific Licensed Trademarks does include any applications and registrations filed and issued after the Closing Date that relate to Business-Specific Licensed Trademarks adopted prior to the Closing Date.

(ii) The license granted in Section 2.1.1(b) under the Shared Licensed IP is granted as the Shared Licensed IP exists at the Closing Date, and does not grant any license with respect to a Patent Right claiming an invention made after the Closing Date, Know-How developed after the Closing Date, any copyright to a work created after the Closing Date, or any trademark adopted after the Closing Date.

Date. For further clarity, (A) the license granted under the Shared Licensed Patents does include Patent Rights filed and issued after the Closing Date (1) if such Patent Rights directly or indirectly claim priority to a Shared Licensed Patent that was filed prior to the Closing Date (including continuations-in-part but only to the extent the claims in the continuations-in-part claim inventions to subject matter that is related to the Licensed Products and that as of the Closing Date has been used in, or disclosed with the identified intent that it would be useful in, the Bayer Business and that is disclosed and described in a Shared Licensed Patents that was filed prior to the Closing Date or (2) to the extent that such Patent Rights claim any inventions contained within Shared Licensed Know-How as the Shared Licensed Know-How existed prior to the Closing Date); and (B) the license granted under the Shared Licensed Copyrights does include any registrations filed and issued after the Closing Date that relate to copyrightable works created prior to the Closing Date.

2.2 Know-How Transfer. To enable Purchaser to exercise the rights granted under this Agreement, Bayer will promptly deliver or otherwise provide to Purchaser and its Representatives Licensed Know-How within the possession or Control of Bayer or any of its Affiliates. Additionally, on a commercially reasonable schedule and in a commercially reasonable format to be agreed upon by the parties, Bayer will deliver to Purchaser copies of documents, files, diagrams, specifications, designs, schematics, reports, records, laboratory notebooks, data, materials, prototypes, test devices, models and simulations, or other written, graphic, biologic, or other tangible material in Bayer's or its Affiliates' possession in any media, to the extent it discloses or embodies Licensed Know-How.

2.3 Transfer of Licensed IP. During the Term, neither Bayer nor any of its Affiliates will transfer or assign its right, title or interest in the Biogen Agreement or any Business-Specific Licensed IP in the Territory to any third party, other than in connection with an assignment of this Agreement as a whole in accordance with Section 16.2.

2.4 Covenant Not to Sue.

(a) Bayer hereby covenants that it shall not, and shall cause its Affiliates not to, sue or commence or prosecute any Action against Purchaser or any of its Affiliates, or their successors, assigns or Sublicensees, for infringement of any Patent Rights owned by Bayer or any of its Affiliates on or after the Closing Date (other than the Licensed IP), or voluntarily assist any other Person in doing any of the foregoing, but such covenant shall only apply to the extent such Patent Rights owned by Bayer are necessary for Purchaser to make, have made, use, sell, offer to sell or import Licensed Products in the Territory as such Licensed Products were made, used, sold, offered for sale, or imported as of the Closing Date.

(b) As used in this Section 2.4 the word "necessary" shall mean that there is at that time no way to make, have made, use, sell, offer to sell, import and export Licensed Products in compliance with applicable Legal Requirements without infringing the applicable Patent Rights. To the extent it is necessary for Purchaser to obtain new, additional or amended permits, approvals or Governmental Order from a Governmental Authority in order to avoid infringing the applicable Patent Rights, Bayer agrees to extend the covenant not to sue to all

products sold only as long as Purchaser is as promptly as practicable preparing and pursuing actively and diligently obtaining such additional or amended permit, approval or Governmental Order.

(c) For clarity, except as expressly provided in this Section 2.4, Bayer shall be free to sue Purchaser for infringement for use of any Patent Rights of Bayer outside of the grant of rights in Section 2.1.1.

## 2.5 Consents to Transfer Agreements.

2.5.1 Bayer has the right under the Biogen Agreement (a) to fully sublicense to Purchaser (with a right to further sublicense) without Biogen Idec's consent the Intellectual Property rights licensed to Bayer or its Affiliates thereunder, and (b) to require Biogen Idec to enter an exclusive license with Purchaser for the trademarks rights to ZEVALIN® and ZEVAMAB® in the Territory, a license that Biogen Idec shall not unreasonably withhold, delay or condition (the "Biogen Consent"). Bayer has provided to Purchaser a full unredacted copy of the Biogen Agreement (and any amendments thereto) and will provide the Biogen Consent.

2.5.2 Bayer has obtained the consent of Biogen Idec to assign that certain Supply Agreement, between Bayer and Biogen Idec US Corporation dated as of June 9, 1999, as amended as of December 14, 2004 and January 16, 2012 (the "Biogen Supply Agreement"), pursuant to which Biogen Idec or another entity reasonably acceptable to Purchaser will have the responsibility to supply the Licensed Products to Purchaser following the Closing. Bayer has provided to Purchaser a full unredacted copy of the amendment to the Biogen Supply Agreement.

2.5.3 Prior to the Closing Date, Bayer will seek the consent, to the extent necessary, of the entities involved in company-sponsored trials or investigator-sponsored trials or studies related to the Licensed Products to transfer Bayer's rights under the contracts associated therewith to Purchaser, including transferring Bayer's rights, if any, to any and all Intellectual Property arising from those trials or studies to Purchaser.

## 3. TRANSFER OF ASSETS

### 3.1 Acquired Assets.

Except as provided in Section 3.2, upon the terms and subject to the conditions of this Agreement, and in exchange for the Purchase Price and the assumption of the Assumed Liabilities by Purchaser, Bayer shall, and shall cause one or more of its Affiliates to, sell, assign, transfer, convey and deliver to Purchaser, free and clear of all Encumbrances other than Permitted Encumbrances, and Purchaser shall acquire and receive, subject to the terms and conditions of this Agreement, from Bayer and its Affiliates, at the Closing (except as provided in Sections 3.1(a) and 3.6), all of Bayer's and its Affiliates' right, title and interest in and to all assets used exclusively in the Bayer Business wherever located as of the Closing Date as follows (the "Acquired Assets"):

(a) Inventories. All Inventory required to be purchased by Purchaser from Bayer in accordance with the Inventory Agreement;

(b) Warranties. All rights under all covenants and warranties to the extent related to the Acquired Assets or the operation or conduct of the Bayer Business, express or implied (including manufacturers', suppliers' and contractors' warranties), that have heretofore been made by any predecessors in title or any third party manufacturers, suppliers, contractors, engineers and other third parties in connection with products or services purchased by or furnished for use in connection with the Bayer Business;

(c) Books and Records. All Books and Records reasonably necessary to conduct the Bayer Business other than Excluded Books and Records;

(d) Contracts. All rights under Contractual Obligations, including those listed on Schedule 7.18(a) (collectively, but excluding any Contractual Obligation which is an Excluded Asset, the "Transferred Contracts");

(e) Domain Names. The Business Domain Names;

(f) Permits. All Permits that are necessary for the current operation of the Bayer Business and are capable of being transferred from Bayer or its Affiliate to Purchaser or its Affiliate under applicable Legal Requirements, and all rights of Bayer or any of its Affiliates under such Permits and any and all pending applications relating to any such Permits, including those listed on Schedule 7.13.2 (the "Transferred Permits"); and

(g) Claims. All claims, causes of action, choses in action and rights of recovery arising from the operation of the Bayer Business or in respect of the Licensed Products.

3.2 Excluded Assets. Notwithstanding any provisions herein to the contrary, all right, title and interest of Bayer and its Affiliates of whatever kind and nature, real or personal, tangible or intangible, owned, leased, licensed, used or held for use or license in all assets other than Acquired Assets and all of the assets listed below even if they would otherwise be included in the definition of Acquired Assets (the "Excluded Assets") shall be retained by Bayer and its Affiliates:

(a) the assets of the Non-Transferred Businesses;

(b) the assets of Bayer and its Affiliates that are set forth on Schedule 3.2(b);

(c) the Excluded Intellectual Property, Retained Marks and Retained Names and Marks;

(d) Joint Contracts and Joint Permits;

(e) all Contractual Obligations of insurance related to the Bayer Business;

(f) all Excluded Books and Records;

(g) all rights, Claims, credits, or rights of set-off (i) against any Person for payments owed to Bayer or its Affiliates on or before the Closing Date, (iii) against any Person

to reimburse Bayer for any Loss as a result of actions of a third party on or prior to the Closing Date as shall be identified at Closing on Schedule 3.2(g), (iv) against any Person to reimburse Bayer for any Loss by Bayer or its Affiliates as a result of the actions of a third party prior to the Closing where such loss was not within the Knowledge of Bayer on the Closing Date, provided in the case of Claims under this subpart, Bayer shall notify Purchaser of such Claim prior to the formal initiation of such Claim, or (v) against third parties who have asserted or who assert after the Closing Date rights, Claims, credits or rights of set-off against Bayer or its Affiliates or against third parties with respect to which Bayer and its Affiliates may, in such events, have rights of indemnification or contribution or similar rights, relating in each case to the Acquired Assets, the Excluded Assets and the Excluded Bayer Liabilities, whether liquidated or unliquidated, fixed or contingent, including rights of indemnification, hold harmless agreements, covenants not to prosecute and other agreements;

(h) all rights and Claims, whether now existing or arising hereafter, for carryforwards or carrybacks of Losses, or for credits or refunds of any Taxes incurred in or attributable to periods ending on or before the Closing Date and the portion of any such item allocated or apportioned to Bayer or its Affiliates for any taxable period that includes (but does not end on) the Closing Date;

(i) all invoiced trade accounts receivable arising in the Ordinary Course of Business from sales of products or services of the Bayer Business on or prior to the Closing Date, including all intercompany receivables among Bayer and its Affiliates, and all receivables related to Excluded Assets;

(j) all cash, cash equivalents, money market funds and mutual funds in the bank or other depository accounts of Bayer or any of its Affiliates, including all interest and dividends receivable with respect thereto;

(k) all accounts receivable;

(l) any assets required by Bayer to perform its obligations under any Ancillary Agreements that, absent such Ancillary Agreements, would constitute Acquired Assets;

(m) the corporate names of Bayer or any of its Affiliates;

(n) all rights of Bayer under this Agreement or any Ancillary Agreement;

(o) all corporate seals, minute books, charter documents, corporate stock record books, registers of other securities, copies of original tax and financial records (the originals of which will be delivered to Purchaser as part of the Acquired Assets to the extent related to the Acquired Assets) of Bayer or any of its Affiliates, and such other books and records as pertain only to the organization, existence, share capitalization or debt financing of Bayer or any of its Affiliates;

(p) all Contractual Obligations in respect of indebtedness for borrowed money or any guarantee of the Liabilities of another Person;

(q) all prepayments, rights to refunds, rights of set off, defenses, affirmative defenses, rights of defense and rights of recoupment arising from the operation of the Bayer Business prior to the Closing or in respect of Licensed Products sold prior to the Closing; and all claims, causes of action, choses in action and rights of recovery pending or threatened in writing at or prior to the Closing Date;

(r) all land, equipment (movable and fixed), machinery, automobiles and other physical assets related to the manufacture or transportation of any Licensed Product, other than any Inventory;

(s) all Inventory other than the Transferred Inventory; and

(t) all Contractual Obligations solely between or among Bayer and any of its Affiliates or between or among Bayer's Affiliates.

3.3 Assumed Liabilities. Purchaser shall assume the following Liabilities of Bayer or any of its Affiliates (to the extent such Liabilities would have been the Liabilities of Bayer or any of its Affiliates if the Contemplated Transactions were not consummated) ("Assumed Liabilities"):

(a) Liabilities specifically assumed by Purchaser pursuant and subject to Section 9;

(b) Liabilities arising out of Joint Contracts or Joint Permits after the Closing Date, to the extent related solely to the Bayer Business;

(c) all Liabilities for Taxes relating to, arising from or with respect to the Acquired Assets or the Business other than the Excluded Assets which are attributable to Tax periods or portions thereof commencing after the Closing Date;

(d) all Liabilities to pay or extend to customers, suppliers and distributors of, and others doing business with, the Bayer Business volume discounts, volume rebates, chargebacks and similar credits and obligations pursuant to Contractual Obligations in effect as of the Closing Date which shall be set forth on Schedule 3.3(d) to be delivered on or about the Closing Date;

(e) all Permitted Encumbrances subject to Section 3.4(j) below;

(f) all Liabilities imposed by Governmental Authorities on the Bayer Business other than the Excluded Assets, to the extent such Liabilities exist on the Closing Date, including any compliance obligations, responsibilities, conditions, or directions stated or identified by any Governmental Authority on or before the Closing Date, all of which shall be set forth on Schedule 3.3(f) to be delivered on or about the Closing Date, other than any Liabilities arising under any Governmental Order or portion of a Governmental Order entered on or before the Closing Date requiring payment of any fines, penalties or monetary obligations for alleged non-compliance with applicable Legal Requirements to any Governmental Authority;

(g) all Liabilities for governmental rebates that are attributable to sales made by Purchaser after the Closing Date of products of the Business (subject to Section 9.10);

(h) all Liabilities arising after the Closing under the Transferred Contracts, other than Liabilities arising out of any breach, default or action or omission of Bayer or any of its Affiliates occurring prior to the Closing;

(i) all Liabilities under any purchase order that constitutes a Transferred Contract for the purchase of any products or services ordered thereby which have not been delivered or performed on or prior to the Closing Date, other than Liabilities arising out of any breach, default or action or omission of Bayer or any of its Affiliates with respect to such purchase order occurring prior to the Closing;

(j) all Liabilities and obligations arising after the Closing for any reason under the Biogen Agreement other than for payment of royalties and Liabilities arising out of any breach, default or action or omission of Bayer or any of its Affiliates occurring prior to the Closing;

(k) all obligations to provide replacement Licensed Products under any warranties applicable to Licensed Products sold by the Bayer Business prior to the Closing subject to Section 3.4(h) below;

(l) all Liabilities of Purchaser or any of its Affiliates that are attributable to sales of products of the Business made by Purchaser or any of its Affiliates after the Closing including those as calculated pursuant to Section 9.10 (other than those included in the definition of Excluded Bayer Liabilities);

(m) all claims, Actions or Losses arising from products sold by Purchaser or an Affiliate after the Closing; and

(n) all Liabilities arising after Closing with respect to Acquired Assets (except with regard to the sale, distribution, or use of Licensed Product or Inventory by any Person).

3.4 Excluded Bayer Liabilities. Bayer and/or its Affiliates shall retain the following Liabilities of Bayer or any of its Affiliates that are not specifically included in the definition of Assumed Liabilities (“Excluded Bayer Liabilities”):

(a) Liabilities specifically assumed by Bayer pursuant and subject to Section 9;

(b) Liabilities arising out of the Excluded Assets, except as otherwise specified in Sections 9.9 and 9.12 hereof with respect to Joint Contracts or Joint Permits, or the Non-Transferred Businesses;

(c) all Liabilities (other than Permitted Encumbrances) (i) under purchase orders to the extent related to the Bayer Business relating to periods on or prior to the Closing Date or (ii) that relate to any Acquired Asset or the Bayer Business, in each case relating to

periods on or prior to the Closing Date, other than those Liabilities for Claims or Losses specifically addressed in Section 9.

- (d) all Liabilities for Taxes relating to, arising from or with respect to (i) Acquired Assets or the Bayer Business which are attributable to Tax periods or portions thereof ending on or prior to the Closing Date and (ii) Excluded Assets that are attributable to any Tax period;
- (e) all Liabilities for Taxes relating to, arising from or with respect to the Excluded Assets which are attributable to any Tax period;
- (f) all payables of the Bayer Business as of the Closing Date, including intercompany payables among Bayer and its Affiliates;
- (g) all indebtedness of Bayer and its Affiliates;
- (h) all reasonable direct costs and expenses (other than of Purchaser's personnel) incurred by Purchaser in connection with the performance of replacement of products under any products or service warranties applicable to products Released or services provided by the Bayer Business on or before the Closing Date, which Purchaser shall invoice Bayer for;
- (i) all Liabilities for governmental rebates that are attributable to sales made by Bayer or its Affiliates on or prior to the Closing Date of products of the Bayer Business subject to Section 9.10;
- (j) all Liabilities of Bayer or any of its Affiliates that give rise prior to the Closing to Permitted Encumbrances on the Acquired Assets and, to the extent paid by Purchaser, shall be invoiced to Bayer;
- (k) all Liabilities of Bayer or any of its Affiliates that are attributable to sales of products of the Bayer Business made by Bayer or any of its Affiliates prior to the Closing including those as calculated pursuant to Section 9.10 (other than those included in the definition of Assumed Liabilities);
- (l) all claims, Actions or Losses arising from products sold by Bayer or an Affiliate prior to the Closing;
- (m) all Liabilities arising prior to the Closing with respect to Acquired Assets (other than those included in the definition of Assumed Liabilities) and all Liabilities with respect to Excluded Assets except as otherwise specified in Section 9.12 with respect to Joint Contracts; and
- (n) all Liabilities for payment of royalties under the Biogen Agreement;

in each case, except to the extent Bayer is entitled to indemnification therefor (as limited by the monetary and other limitations set forth in Section 14) or such Liability is otherwise expressly allocated under this Agreement or an Ancillary Agreement. Nothing in this Agreement shall be



interpreted as imposing on Bayer any Liability for personal injury arising from the sale, distribution, or use of any Licensed Product or Inventory after the Closing Date except to the extent Purchaser is entitled to indemnification under this Agreement or an Ancillary Agreement or as expressly allocated to Bayer under this Agreement or an Ancillary Agreement.

3.5 Excluded Purchaser Liabilities. Purchaser and/or its Affiliates shall retain the following liabilities (“Excluded Purchaser Liabilities”):

(a) all Liabilities of Purchaser or any of its Affiliates for Taxes arising out of the operation of the Business for (i) any taxable period beginning after the Closing Date and (ii) with respect to any taxable period that begins on or before the Closing Date and ends after the Closing Date, the portion of such taxable period that begins after the Closing Date, subject to Sections 15.1 and 15.3;

(b) all Liabilities of Purchaser or any of its Affiliates that give rise on or after the Closing to Permitted Encumbrances on the Acquired Assets;

(c) all Liabilities of Purchaser or any of its Affiliates in respect of all payables of the Business to the extent arising after Closing, including intercompany payables among Purchaser and its Affiliates;

(d) all indebtedness of Purchaser or any of its Affiliates;

(e) all Liabilities that are attributable to certain sales of Licensed Products made by Purchaser or any of its Affiliates after the Closing, including those that are labeled with an NDC number of Bayer or any of its Affiliates, including those as calculated pursuant to Section 9.10; and

(f) all claims, Actions or Losses arising from products sold by Purchaser or any of its Affiliates after the Closing;

in each case, except to the extent Purchaser is entitled to indemnification therefor (as limited by the monetary and other limitations set forth in Section 14) or such Liability is otherwise expressly allocated under this Agreement or an Ancillary Agreement.

3.6 Consents.

3.6.1 This Agreement does not constitute an agreement to assign or transfer any Transferred Contract, Transferred Permit or other Acquired Asset that is not assignable or transferable without the consent of or action by another Person (other than Bayer or any of its Affiliates) or action by a Governmental Authority, which shall be set forth on Schedule 3.6, to the extent that such consent has not been given or such action has not been taken prior to the Closing; provided, however, that Bayer will, and will cause its Affiliates to, use, both prior to and after the Closing, commercially reasonable efforts to obtain, and Purchaser will assist and cooperate with Bayer in connection therewith, all necessary consents to the assignment and transfer thereof, it being understood that to the extent the foregoing requires any action by Bayer or any of its Affiliates that would affect the Business after the Closing, such action will require the prior written consent of Purchaser. Upon obtaining the requisite third party consents thereto,

such Transferred Contract, Transferred Permit or other Acquired Asset will be deemed transferred and assigned to Purchaser hereunder.

3.6.2 With respect to any Transferred Contract, Transferred Permit or other Acquired Asset that is not transferred or assigned to Purchaser at the Closing by reason of Section 3.6.1 (a “Nonassigned Asset”), after the Closing and until the requisite consent is obtained and the foregoing is transferred and assigned to Purchaser, Bayer will, and will cause its Affiliates to, take commercially reasonable efforts to provide to Purchaser the benefits thereof (or substantially comparable benefits) and will enforce, at the request of and for the account of Purchaser, any rights of Bayer or any of its Affiliates arising thereunder against any Person, including the right to elect to terminate in accordance with the terms thereof upon the advice of Purchaser. If Purchaser is provided with benefits of any Nonassigned Asset, Purchaser will perform, at the direction and cost of Bayer or its Affiliate, as applicable, the obligations of Bayer or its Affiliate thereunder. Notwithstanding anything to the contrary set forth herein, to the extent that any Assumed Liability relates to any Nonassigned Asset, such Assumed Liability will not be deemed to be an Assumed Liability unless and until such Nonassigned Asset is transferred and assigned to Purchaser or Purchaser obtains the benefit of such Nonassigned Asset under this Section 3.6.2, at which point such Liability will become an Assumed Liability hereunder. The provisions of this Section 3.6 will in no way be deemed to be a waiver on the part of Purchaser of the closing condition set forth in Section 11.6.

3.7 Consent Costs. Bayer shall be solely responsible for obtaining the Biogen Consent and the consent required, if any, to assign the Fuji Contract. Subject to the foregoing, to the extent any other third party requires consideration in exchange for (a) a consent to be obtained by Bayer, as set forth on Schedule 7.4 or (b) a consent to be obtained by Purchaser, as set forth on Schedule 8.4, the payment of such consideration will be shared equally between Bayer and Purchaser except:

(i) if such consideration to a third party was explicitly set forth as a requirement for a consent in the underlying Contractual Obligation with such third party or was known by the party to the Contractual Obligation as of the Execution Date, the cost of obtaining the consent will be borne solely by the party to the underlying Contractual Obligation; and

(ii) if a third party requires a resolution of a dispute with respect to the underlying Contractual Obligation prior to providing a consent, the party to the Contractual Obligation is responsible for any and all costs associated with resolution of such dispute.

With regard to consideration paid to a third party in exchange for a consent that is to be shared equally between Bayer and Purchaser, the party to the underlying Contractual Obligation that is required to use commercially reasonable efforts to obtain such consent pursuant to Section 9.3 will control the negotiations with such third party, but may only agree to an amount of consideration to be paid to such third party with the consent of the other party hereto, which consent will not be unreasonably withheld, conditioned or delayed.

#### 4. CONSIDERATION.

4.1 Consideration to Bayer. Upon the terms and subject to the conditions of this Agreement and in consideration of the contribution, conveyance, assignment and transfer of the Acquired Assets to Purchaser, Purchaser shall pay or deliver to Bayer, on behalf of Bayer and/or one or more of Bayer's Affiliates, the following on the Closing Date:

(1) one or more assignment and assumption agreements and the other agreements contemplated hereby to effect the assignment to Purchaser of all Acquired Assets and assumption by Purchaser of all Assumed Liabilities, duly executed by Purchaser; and

(2) a non-refundable amount equal to the purchase price set forth in Schedule 4.1 (such amount, the "Purchase Price") less the exclusivity fees of an amount of Euros as of the Closing Date equivalent to Two Hundred Fifty Thousand United States Dollars (\$250,000) by wire transfer of immediately available funds in euros to an account designated by notice from Bayer.

4.2 Interest. Any payments due under this Agreement shall be due on such date as specified in this Agreement and, in the event such date is not a Business Day, then the next succeeding Business Day. Any failure by the Purchaser or Bayer to make a payment within ten (10) Business Days after the date when due shall obligate the Purchaser or Bayer to pay computed interest, the interest period commencing on the due date and ending on the payment date, to the other party at a rate per annum equal to the EURIBOR for one month quoted two Business Days prior to due date by the European Banking Federation plus a premium of one percent (1%). These rates are currently published by Reuters on screen <EURIBOR>. The interest rate shall be adjusted monthly. Interests shall be paid using the modified following payment convention and calculated based on the actual/360 adjusted day count convention.

#### 4.3 Payment Provisions.

4.3.1 Royalty Payments. In accordance with the terms and conditions of this Agreement, Purchaser or its Affiliate will make royalty payments to Bayer by paying a percentage of Net Sales in the Territory of the Licensed Products, and for a period of time, all as set forth in Schedule 4.3.1 (the "Royalty Payments").

4.3.2 Royalty Payment Reports and Payments. For as long as Purchaser is obligated to make Royalty Payments, within thirty five (35) days after the last day of each calendar quarter, Purchaser will deliver to Bayer a report of Net Sales of each Licensed Product by Purchaser, its Affiliates and Sublicensees during the preceding quarterly period (any such period, a "Payment Period"), with all Royalty Payments, if any, due for the Payment Period covered by such report being due no later than forty-five (45) days after the last day of such Payment Period.

4.3.3 Payment Method. Royalty Payments and payments for Transferred Inventory under this Agreement will be made by Purchaser or its Affiliates in Euros in each case by wire transfer to an account designated by Bayer.

4.3.4 Exchange Rate. For the purpose of computing Net Sales sold in a currency other than Euros, such currency shall be converted into Euros in accordance with Bayer's customary and usual translation procedures set forth in Schedule 4.3.4, consistently applied.

4.3.5 Withholdings. Any income Tax or other Tax which Purchaser is required by applicable Legal Requirements to withhold or pay to a Governmental Authority with respect to monies payable under this Agreement will be deducted from the amount of such payments and paid to the relevant Governmental Authority. Any amounts actually deducted, withheld or paid pursuant to the foregoing sentence will be treated for all purposes of this Agreement as paid to the Person in respect of which such withholding, deduction or payment was made. If Purchaser or any of its Affiliates is required to make any such payment, deduction or withholding, Purchaser will notify Bayer of such requirement thirty (30) days prior to the first time any particular type of payment requires such payment, deduction or withholding, and thereafter with respect to each subsequent payment of that type, indicate the details of the payment, deduction or withholding in its report to Bayer accompanying the payment with respect to which such payment, deduction or withholding has been made. Purchaser will promptly provide (or cause to be provided) to Bayer a certificate or other documentary evidence establishing the payment to the relevant Governmental Authority of any amount withheld or deducted by Purchaser or its Affiliates. No deduction shall be made or a reduced amount shall be deducted if Purchaser or its paying Affiliate is timely furnished with the necessary documents prescribed by applicable Legal Requirement in a form reasonably satisfactory to Purchaser identifying that the payment is exempt from Tax or subject to a reduced Tax rate. Purchaser (and its Affiliates) and Bayer will reasonably cooperate in completing and filing documents required under the provisions of any applicable Tax treaty or under any other applicable Legal Requirement, in order to enable Purchaser to make such payments to Bayer without any deduction or withholding, or any reduced deduction or withholding, if possible.

4.3.6 VAT. Subject to the provisions of this Section 4.3.6, value added tax ("VAT") applies additionally as legally owed, payable after receipt of a correct invoice, which meets all requirements according to the applicable VAT Legal Requirements. If any documents or information are required to invoice the delivery of goods or services exempt from VAT and these documents or information can only be provided by Purchaser, Purchaser shall promptly provide these documents or information referring to provisions of the applicable law. If any of these documents or information are not provided duly or are incomplete Bayer shall invoice plus VAT if required and owed by applicable VAT-law. For the avoidance of doubt, Bayer and Purchaser's current understanding of the Legal Requirements is that VAT does not apply under current Legal Requirements to transfers to Purchaser or a Luxembourg Affiliate of Purchaser (including a Swiss branch of a Luxembourg Affiliate) in connection with the Contemplated Transactions.

4.4 Records; Audit. Purchaser will, and will cause its Affiliates to, keep and maintain for three (3) years after the relevant calendar quarter complete and accurate books and records in sufficient detail so that Net Sales and payments made hereunder can be properly calculated. No more frequently than once during each calendar year during the Term and once during the three (3) year period thereafter, Purchaser will permit independent third party auditors appointed by Bayer and with at least forty-five (45) days advance notice at any time during normal business hours, accompanied at all times, to inspect, audit and copy reasonable amounts of relevant accounts and records of Purchaser and its Affiliates and reports submitted to Purchaser and its Affiliates from Sublicensees pertaining to a Payment Period that

is not earlier than thirty-six (36) months from the date of conclusion of the audit, for the sole purpose of verifying the accuracy of the calculation of payments to Bayer pursuant to this Section 4. The accounts, records and reports related to any particular period of time may only be audited one time under this Section 4.4. Bayer will cause its independent third party auditors not to provide Bayer with any copies of such accounts, records or reports and not to disclose to Bayer any information other than information relating solely to the accuracy of the accounting and payments made by Purchaser pursuant to this Section 4. Bayer will cause its independent third party auditors to promptly provide a copy of their report to Purchaser. If such audit determines that payments are due to Bayer, Purchaser will pay to Bayer any such additional amounts within ten (10) Business Days after the date on which such auditor's written report is delivered to Purchaser and Bayer, unless such audit report is disputed by Purchaser, in which case the dispute will be resolved in accordance with Section 16.10. If such audit determines that Purchaser has overpaid any amounts to Bayer, Bayer will refund any such overpaid amounts to Purchaser within ten (10) Business Days after the date on which such auditor's written report is delivered to Purchaser and Bayer. Any such inspection of records will be at Bayer's expense unless such audit discloses a deficiency in the payments made by Purchaser (whether for itself or on behalf of its Affiliates) of more than five percent (5.0%) of the aggregate amount payable for the relevant period, in which case Purchaser will bear the cost of such audit. Each of the parties agrees that all information subject to review under this Section 4.4 is Purchaser's Confidential Information that is subject to Bayer's confidentiality and non-use obligations under Section 9.6.2, and Bayer agrees that it will cause its independent third party auditors to also retain all such information subject to the non-disclosure and non-use restrictions of Section 9.6.2 or similar (but no less stringent) obligations of confidentiality and non-use customary in the accounting industry.

#### 4.5 Purchase Price Allocation

(a) The Purchase Price, the amount of the Assumed Liabilities, the royalty payments under Section 4.3.1 and the inventory payment under Section 5.1 (the "Total Consideration") shall be allocated among the Acquired Assets pursuant to a written allocation schedule (the "Allocation Schedule"). Purchaser will complete a draft Allocation Schedule allocating the Total Consideration to the Acquired Assets and provide a copy to Bayer within 120 days after Closing.

(b) Bayer shall notify Purchaser within 10 days after the receipt thereof if it agrees with the draft Allocation Schedule prepared by Purchaser. The agreement shall not be unreasonably withheld. Purchaser and Bayer shall attempt to resolve any disagreement in good faith. If Purchaser and Bayer fail to reach agreement as to an alternative allocation in the 10 days following such notice, the dispute with respect to the Allocation Schedule shall be presented on the next Business Day to a nationally recognized independent accounting firm mutually chosen by Purchaser and Bayer, and if Purchaser and Bayer cannot agree, mutually chosen by their respective independent accounting firms, for a decision that shall be rendered within 5 days thereafter. The independent accounting firm's review shall be final and binding on all parties. The fees, costs and expenses incurred in connection therewith shall be shared in equal amounts by Bayer and Purchaser; provided, however, Bayer shall bear the full amount of fees, costs and

expenses if there are no material changes to the Allocation Schedule. Neither Seller nor Purchaser will file any tax return which is inconsistent with the Allocation Schedule.

## 5. INVENTORY

5.1 Inventory Payment. Subject to the terms and conditions of this Agreement, Purchaser will pay to Bayer an amount equal to Bayer's Fully Loaded Standard Cost or such other amount based on Bayer's Fully Loaded Standard Cost to be mutually agreed between the parties of all Transferred Inventory at the time such Transferred Inventory is transferred to Purchaser (such amount determined in accordance with the Inventory Agreement). It is agreed that the timing of payment and the timing of transfer of inventory title may be varied by country by mutual agreement of the parties.

## 6. CLOSING

6.1 The Closing. The licenses granted in Section 2.1.1 will take effect, and the purchase and sale of the Acquired Assets and the assumption of the Assumed Liabilities (the "Closing") will take place at the offices of Fulbright & Jaworski L.L.P. in Washington, D.C., at the end of the month that is within five (5) Business Days following the satisfaction or waiver of the conditions set forth in Sections 11 and 12 that may be satisfied or waived prior to Closing, or at such other place and on such other date as Purchaser and Bayer may agree in writing, in each case, subject to the satisfaction or waiver of the conditions set forth in Sections 11 and 12. Except as otherwise provided in Section 13, the failure to consummate the purchase and sale provided for in this Agreement on the date and time and at the place specified herein will not relieve any party to this Agreement of any obligation under this Agreement. For all purposes, the Closing shall be effective as of 11:59 pm on the Closing Date.

6.2 Closing Deliveries. The parties will take the actions set forth in this Section 6.2 at the Closing, in each case subject to satisfaction or waiver of the conditions set forth in Sections 11 and 12.

(a) Purchaser will deliver to Bayer the consideration described in Section 4.1 by wire transfer of immediately available funds to the account designated in writing to Purchaser, which account Bayer will designate not fewer than five (5) Business Days prior to the scheduled Closing Date.

(b) Bayer will, and will cause its Affiliates who own Acquired Assets to, execute one or more bills of sale, in a form reasonably acceptable to Purchaser, with respect to all tangible personal property included in the Acquired Assets to be delivered at Closing.

(c) Bayer will, and will cause its Affiliates who own Acquired Assets to, execute one or more domain name assignments in a form to be mutually agreed by the parties.

(d) Bayer, will, and will cause its Affiliates to, execute one or more agreements in a form to be mutually agreed to sublicense, in accordance with the terms and conditions of this Agreement, the Biogen Agreement to Purchaser;

(e) Bayer will deliver to Purchaser an exclusive license from Biogen Idec to Purchaser to use the ZEVALIN and ZEVAMAB trademarks in the Territory or, alternatively, if such exclusive license cannot be completed prior to Closing, an exclusive license from Bayer to use such marks pending completion of the exclusive license from Biogen Idec.

(f) Bayer will, and will cause its Affiliates to, execute one or more assignments in a form to be mutually agreed to license, in accordance with the terms and conditions of this Agreement, the Business-Specific Licensed IP.

(g) Bayer will, and will cause its Affiliates who own Acquired Assets to, and Purchaser will, execute an instrument of assignment and assumption in form and substance reasonably acceptable to the parties with respect to the Assumed Liabilities, Transferred Contracts, Transferred Permits, and other Acquired Assets and such other instruments as will be reasonably requested by Purchaser to vest in Purchaser title in and to the other Acquired Assets, in accordance with the provisions hereof.

(h) Purchaser and Bayer will, or will cause their respective Affiliates to, as appropriate, execute and deliver to each other the following:

(i) the Transition Services Agreement in substantially the form attached hereto as Exhibit A (the “Transition Services Agreement”);

(ii) the Inventory Agreement in substantially the form attached hereto as Exhibit B (the “Inventory Agreement”);

(iii) the Guaranty of Spectrum Parent in substantially the form attached hereto as Exhibit C (the “Guaranty”);

(iv) the Regulatory Support Agreement in a form to be mutually agreed by the parties (the “Regulatory Support Agreement”); and

(v) the Pharmacovigilance Agreement in a form to be mutually agreed by the parties (the “Pharmacovigilance Agreement”).

(i) The parties will deliver the various certificates, instruments and documents required of each of them under Sections 11 and 12.

(h) Bayer will, and will cause its Affiliates who own Acquired Assets that are in tangible form to deliver all such Acquired Assets to the Purchaser (except the Transferred Inventory).

## 7. REPRESENTATIONS AND WARRANTIES OF BAYER.

In order to induce Purchaser to enter into and perform this Agreement and to consummate the Contemplated Transactions, Bayer hereby represents and warrants to Purchaser, as of the date

hereof and as of the Closing Date, as set forth below. Notwithstanding the foregoing, Bayer makes no representations and warranties with respect to Biogen Idec, the Biogen Agreement or the Biogen IP unless otherwise expressly stated and expressly referenced.

7.1 Organization. Bayer and any of its Affiliates that will be a party to any Ancillary Agreement is (a) duly organized, validly existing and, to the extent such concept is applicable in a jurisdiction, is in good standing under the laws of the jurisdiction of its organization and (b) is duly qualified to do business and, to the extent such concept is applicable in a jurisdiction, in good standing in each jurisdiction where the nature of the activities conducted by it or the character of the property owned by it make such qualification necessary, except for those jurisdictions where the failure to be so qualified does not constitute a Material Adverse Effect.

7.2 Power and Authorization. The execution, delivery and performance by Bayer and its Affiliates of this Agreement and each Ancillary Agreement to which Bayer or such Affiliate is (or will be) a party and the consummation of the Contemplated Transactions are within the power and authority of Bayer and any such Affiliate and have been duly authorized by all necessary corporate, limited liability company or other applicable entity action on the part of Bayer and any such Affiliate. This Agreement and each Ancillary Agreement to which Bayer or any of its Affiliates is (or will be) a party (a) has been (or, in the case of Ancillary Agreements to be entered into at, prior to or after the Closing, will be) duly executed and delivered by Bayer or any such Affiliate and (b) assuming the due execution and delivery by Purchaser is (or, in the case of Ancillary Agreements to be entered into at or prior to the Closing, will be) a legal, valid and binding obligation of Bayer and any such Affiliate, enforceable against Bayer and such Affiliates, as applicable, in accordance with its terms, except as enforceability may be (i) limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and (ii) subject to general principles of equity (regardless of whether that enforceability is considered in a proceeding in equity or at law). Each of Bayer and any of its Affiliates that will be a party to any Ancillary Agreement has the full power and authority necessary to own and use its assets related to the Bayer Business and carry on its relevant portion of the Bayer Business.

7.3 Authorization of Governmental Authorities. Except as disclosed on Schedule 7.3, and ignoring for this purpose the Permits and Section 3.6, no action by (including any authorization, consent or approval), or in respect of, or filing with, any Governmental Authority in any Designated Country is required for, or in connection with (a) the authorization, execution, delivery and performance by Bayer or any of its Affiliates of this Agreement and each Ancillary Agreement to which Bayer or any of its Affiliates is (or will be) a party or (b) the consummation of the Contemplated Transactions by Bayer or any of its Affiliates.

7.4 Noncontravention. Except as disclosed on Schedule 7.4, and ignoring for this purpose Section 3.6, neither the execution, delivery and performance by Bayer or any of its



Affiliates of this Agreement or any Ancillary Agreement to which it is (or will be) a party nor the consummation of the Contemplated Transactions will:

(a) assuming the taking of any action by (including any authorization, consent or approval), or in respect of, or any filing with, any Governmental Authority, in each case, with respect to Permits or as disclosed on Schedule 7.3, violate any Legal Requirement applicable to Bayer or any of its Affiliates in any Designated Country;

(b) result in a breach or violation of, or default under, or in the acceleration of, or create in any party the right to accelerate, terminate, modify or cancel, any Contractual Obligation of Bayer or any of its Affiliates;

(c) require any action by (including any authorization, consent or approval) or in respect of (including notice to) any Person under any Contractual Obligation of Bayer or any of its Affiliates;

(d) result in the creation or imposition of a material Encumbrance upon, or the forfeiture of, any Acquired Asset, the Biogen Agreement, any Business-Specific Licensed IP in the Territory or Shared Licensed IP (with regard to the Shared Licensed IP, to the extent it would affect Purchaser's rights to such Shared Licensed IP under this Agreement); or

(e) result in a breach or violation of, or default under, the Organizational Documents of Bayer or any of its Affiliates.

Bayer has received the consents set forth in Section 2.5.1 and 2.5.2 from Biogen Idec along with any necessary amendments to the Biogen Agreement and the Biogen Supply Agreement to grant the rights and licenses granted to Purchaser hereunder.

7.5 Financial Information. The financial information disclosed as set forth on Schedule 7.5 (a) was derived from the books and records of the Bayer Business, (b) has been prepared using good faith allocations of overhead and other expense items applicable to both the indicated Licensed Product and products other than the indicated Licensed Product where applicable, and (c) fairly presents, in all material respects, the results of operations of the Bayer Business and the Licensed Products as a whole for the indicated periods.

7.6 Inventory. The Transferred Inventory is usable and saleable as of the date of delivery to Purchaser in the Ordinary Course of Business.

#### 7.7 Absence of Certain Developments.

7.7.1 Since December 31, 2011, the Bayer Business has been conducted in the Ordinary Course of Business and, except for the matters disclosed on Schedule 7.7.1 and matters in the Ordinary Course of Business:

(a) neither Bayer nor any of its Affiliates has entered into, amended, terminated or otherwise modified any Transferred Contract required to be disclosed on Schedule 7.18(a) (or any Contractual Obligation that would have qualified as such had it not been

previously terminated) that, individually or in the aggregate, would have a Material Adverse Effect;

(b) there has not been any event, occurrence or development that has had, or would have, individually or in the aggregate, a Material Adverse Effect;

(c) neither Bayer nor any of its Affiliates has subjected any of the Acquired Assets or Licensed IP in the Territory to any Encumbrances except Permitted Encumbrances; or

(d) neither Bayer nor any of its Affiliates has sold, transferred, leased, subleased, licensed, sublicensed or otherwise transferred or disposed of, to any third party, any Acquired Assets or Licensed IP in the Territory.

7.8 Assets. Bayer and any of its Affiliates which holds Acquired Assets has good and marketable title to, or, in the case of property held under a lease, license or other Contractual Obligation, an Enforceable leasehold interest, license or other contractual right in, or right to use, all of the Acquired Assets. Except as disclosed on Schedule 7.8, none of the Acquired Assets is subject to any Encumbrance which is not a Permitted Encumbrance.

7.9 Real Property. There is no real property or leasehold interest in real property included in the Acquired Assets.

7.10 Litigation. There is no suit, claim, action, investigation, litigation or proceeding pending or, to the Knowledge of Bayer or its Affiliates, threatened against Bayer or its Affiliates, with respect to the Acquired Assets, the Licensed Products or the Bayer Business which (i) if adversely determined would result in a Material Adverse Effect or (ii) challenges or seeks to prevent or enjoin the transactions contemplated by this Agreement.

7.11 Intellectual Property.

7.11.1 Business Names. Schedule 7.11.1 shall identify as of the Closing Date (a) all Business Domain Names (b) any pending application for a Business Domain Name and (c) any Contractual Obligation relating to any Business Domain Name. For each such Business Domain Name or application therefor, Schedule 7.11.1 sets forth Domain Name, expiration date, owner, registrar, admin-contact, tech-contact and search results on whether Domain Names are in use.

7.11.2 Licensed IP.

(a) Part A of Schedule 7.11.2 identifies as of the Execution Date and will be updated to identify as of the Closing Date a complete and accurate list of (i) all registered Business-Specific Licensed Trademarks and issued Business-Specific Licensed Patents in the Territory, (ii) each pending application in the Territory with respect to any Business-Specific Licensed IP specified in (i) above, and (iii) each Out-License Agreement.

(b) Part B of Schedule 7.11.2 identifies as of the Execution Date and will be updated to identify as of the Closing Date a complete and accurate list of (i) all issued Shared

Licensed Patents in the Territory, and (ii) each pending application in the Territory with respect to any Shared Licensed Patents specified in (i) above.

(c) For each issued or filed Licensed Patent, Schedule 7.11.2 sets forth as of the Execution Date and will be updated to set forth as of the Closing Date, the country in the Territory, title, patent number (if issued), application number, filing date, issue date, inventors, and any continuity relationship (such as continuation, continuation-in-part, divisional) with respect to any other Patent Right. For each registered Shared Licensed Trademark, Schedule 7.11.2 sets forth as of the Execution Date and will be updated to set forth as of the Closing Date, a representative sample of the mark, and for each registered Business-Specific Licensed Trademark, Schedule 7.11.2 sets forth the mark, country of registration in the Territory, registration number (if issued), application number, filing date, issue date, and the description of goods or services covered. For each registered Licensed Copyright, Schedule 7.11.2 sets forth as of the Execution Date and will be updated to set forth as of the Closing Date, the title of the work of authorship, the country in the Territory, and the registration number and registration date if registered or the application date if filed but unregistered. For the Shared Licensed Trade Dress, Schedule 7.11.2 sets forth a representative sample of this trade dress.

7.11.3 Third Party Agreements. Other than the Third Party Agreements identified on Schedule 7.11.1 and Schedule 7.11.2, as of the Execution Date and as updated as of the Closing Date, Bayer has not granted any options, licenses, agreements, or covenants of any kind relating to the Biogen Agreement, the Business-Specific Licensed IP in the Territory or Business Domain Names. Except as provided in an Out-License Agreement identified on Schedule 7.11.2, as of the Execution Date and as updated as of the Closing Date, neither Bayer nor its Affiliates are obligated to indemnify any Person against a charge of infringement of Intellectual Property with respect to the Licensed Products. Each Third Party Agreement and its amendments (i) assuming any such Third Party Agreement and any amendments thereto are Enforceable against the third party or parties that are party to such Third Party Agreement, constitutes an Enforceable Contractual Obligation of Bayer or its Affiliates party thereto, and is in full force and effect, and subject to Schedules 7.3 and 7.4, will continue to be in full force and effect on identical terms immediately following the Closing. Bayer or its Affiliate has performed in all material respects all of its obligations under each of the Third Party Agreements and Bayer or its Affiliates are not (with or without the lapse of time or the giving of notice, or both) in breach or default in any material respect under any Third Party Agreement and, to Bayer's Knowledge, no other party to any such Contractual Obligation is (with or without the lapse of time or the giving of notice, or both) in breach or default in any material respect thereunder. Except for required consents to assign the agreements set forth on Schedules 7.3 and 7.4, the entry into and consummation of the Contemplated Transactions will not give the counterparty to any Third Party Agreement the right to terminate such Third Party Agreement and will not give rise to any other right of such counterparty with respect to the Business-Specific Licensed IP in the Territory or Business Domain Names.

7.11.4 Title. Except as specified on Schedule 7.11.1 or Schedule 7.11.2, Bayer or its Affiliate identified on Schedule 7.11.1 or Schedule 7.11.2, as applicable, owns and possesses all rights, title, and interests in and to (a) the Business Domain Names and (b) the

Business-Specific Licensed IP in the Territory necessary for Bayer and its Affiliates to grant Purchaser the licenses granted in Section 2.1.1 under the Business-Specific Licensed IP in the Territory. Except as specified on Schedule 7.11.2, Bayer or its Affiliate identified on Schedule 7.11.2, as applicable, possesses all rights, title and interests in the Shared Licensed IP necessary for Bayer and its Affiliates to grant Purchaser the licenses granted in Section 2.1.1 under the Shared Licensed IP. Assuming due execution and delivery by Biogen Idec, the Biogen Agreement is in full force and effect and there is no outstanding breach by Bayer or its Affiliates of the Biogen Agreement.

7.11.5 Validity and Enforceability. Except as specified on Schedules 7.7.1 and 7.11.5, to Bayer's Knowledge, the registered or issued Business-Specific Licensed IP is, valid and enforceable (or, in the case of applications for Patent Rights, are pending) in the Territory.

7.11.6 Licensed IP. The Licensed IP contains all the Intellectual Property Controlled by Bayer or its Affiliates and used by Bayer or its Affiliates in the manufacture, use, sale, distribution, or importation of the Licensed Products in the Territory. Other than the Licensed IP, there is no other Intellectual Property Controlled by Bayer or its Affiliates used by Bayer or its Affiliates in the Bayer Business. For the avoidance of doubt, Bayer or its Affiliates Control the Biogen IP only to the extent provided in the Biogen Agreement in accordance with the terms and conditions of the Biogen Agreement.

7.11.7 Orders. Except as specified on Schedules 7.11.7 and 7.11.12, no Licensed IP owned by Bayer or its Affiliates is subject to any outstanding Governmental Order in the Territory, and no Action is pending or, to Bayer's Knowledge, threatened, in the Territory that challenges the legality, validity, Enforceable nature of, use or ownership of such Licensed IP. In addition, to Bayer's Knowledge, (a) the Biogen IP licensed to Bayer or its Affiliates is not subject to any outstanding Governmental Order in the Territory, and (b) no Action is pending or threatened in the Territory that challenges the legality, validity, Enforceable nature of, use or ownership of such Business-Specific Licensed IP and Shared Licensed IP. There is no outstanding Governmental Order in the Territory that restricts Bayer from granting to Purchaser the licenses granted in Section 2.1.1.

7.11.8 Infringement and Misappropriation. To Bayer's Knowledge, the conduct of the Bayer Business will not interfere with, infringe upon, misappropriate (or any other terms in jurisdictions other than the United States that have similar meaning) any Intellectual Property rights of third parties.

7.11.9 Third Party Infringement and Misappropriation. Except as set forth on Schedule 7.11.9, to Bayer's Knowledge, no third party is infringing upon or has misappropriated any Biogen IP, Business-Specific Licensed IP or Business Domain Name in the Territory, and no third party is infringing upon or has misappropriated any Shared Licensed IP (to the extent such actions affect Purchaser's rights in the Shared Licensed IP) in the Territory.

7.11.10 Royalties. Except as disclosed on Schedule 7.11.10, there are no contracts which require the payment of royalties by Bayer or its Affiliates with respect to the sales of Licensed Products.

7.11.11 Employees and Consultants. Schedule 7.11.11 identifies each Business-Specific Licensed Patent in the Territory which names at least one inventor covered by the German Employee's Invention Act ("GEIA") who has not waived his or her rights according to Articles 14 and 16 of the GEIA. In each such Business-Specific Licensed Patent where Bayer decided to pursue a patent application and/or patent, Bayer has (x) properly claimed the underlying invention in such patent application or patent in compliance with Article 6(1) of the GEIA or (y) entered into a contract with such inventor wherein the rights to the invention are transferred to Bayer. In each such scheduled Business-Specific Licensed Patent where Bayer has decided not to pursue or to abandon a patent or patent application in any country, Bayer has properly informed any inventor who has not waived his right according to Article 14(2) GEIA in accordance with Article 14(2) of the GEIA. No such informed inventor has notified Bayer that he or she intends to pursue his or her rights in such invention.

7.11.12 Litigation. Except as specified on Schedule 7.11.12, to Bayer's Knowledge, no Actions concerning the Licensed IP or Business Domain Names are currently pending or are, to Bayer's Knowledge, threatened, in the Territory that if determined adversely to Bayer would have a Material Adverse Effect on the Contemplated Transactions or would impair in any material respect Purchaser's rights under the licenses granted in Section 2.1.1.

7.11.13 Consents. There are no In-License Agreements other than the Biogen Agreement, and the Biogen Agreement requires consent to sublicense pursuant to the terms and conditions of the Biogen Agreement.

7.12 Intentionally Omitted.

7.13 Legal Compliance; Permits; Regulatory Matters.

7.13.1 Compliance. Except as set forth on Schedule 7.13.1, neither Bayer nor any of its Affiliates, in each case with respect to the Bayer Business, has since January 1, 2011, been in material breach or violation of, or material default under any material Legal Requirement.

7.13.2 Permits. Except as set forth on Schedule 7.13.2, Bayer and each Affiliate which conducts a portion of the Bayer Business has been duly granted in the Designated Countries all Permits under all Legal Requirements necessary for the conduct of the Bayer Business and exclusively related to the Bayer Business. Schedule 7.13.2 shall list as of the Closing Date each Permit and pending application therefor used (or intended for use in, in the case of pending applications) in the Bayer Business, including all Permits pursuant to which Bayer or any of its Affiliates is authorized or licensed to manufacture, market or sell a Licensed Product. Except as disclosed on Schedule 7.13.2 as of the Closing Date, with respect to Designated Countries, (a) such Permits are valid and in full force and effect, (b) neither Bayer nor any of its Affiliates is in material breach or violation of, or material default under, any such Permit, (c) Bayer and each Affiliate has filed all material reports, notifications and filings with, and has paid all regulatory fees to, the applicable Governmental Authority necessary to maintain all of such Permits in full force and effect, and (d) since January 1, 2011, neither Bayer nor any of its Affiliates has received written notice to the effect that a Governmental Authority was or is

considering the withdrawal, suspension, termination, revocation or cancellation of any such Permit.

7.13.3 Regulatory and Related Matters. Except as disclosed on Schedule 7.13.3, since January 1, 2011, with respect to the Bayer Business and the Licensed Products, in the Designated Countries neither Bayer nor any of its Affiliates (a) has received any written notice from any Person alleging any violation of any material Legal Requirement, or (b) been the subject of a written order or a written assessment of penalty by any Governmental Authority .

7.14 Clinical Investigations. Schedule 7.14 shall list as of the Closing Date any interest or ownership rights of Bayer in, and any regulatory filings or submissions by Bayer since January 1, 2009 and still outstanding related to, the conduct of clinical investigations relating to Licensed Product.

7.15 Regulatory Filings. Except as disclosed on Schedule 7.15, to the knowledge of Bayer and each Affiliate which conducts a portion of the Bayer Business, all regulatory filings were prepared, filed and maintained in accordance with applicable Legal Requirements.

7.16 Recalls. Except as disclosed on Schedule 7.16 and except as would not have a Material Adverse Effect, since January 1, 2009, there has not been any occurrence of any product recall, market withdrawal or replacement, or post-sale warning by on behalf of Bayer concerning Licensed Product.

7.17 Tax Matters.

7.17.1 Bayer has timely filed all Tax Returns that it was required to file. All such Tax Returns were correct and complete in all respects. All Taxes owed by Bayer (whether or not shown on any Tax Return) have been paid. Bayer is currently not the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by a U.S. or foreign Governmental Authority in a jurisdiction where Bayer does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. Bayer has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

7.17.2 Bayer has withheld and paid all Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party and all Tax Returns with respect thereto have been correctly completed and timely filed.

7.17.3 Bayer does not expect any U.S. or foreign Governmental Authority to assess additional Taxes for any period for which Tax Returns have been filed. There is no dispute or claim concerning any Tax liability of Bayer that has been raised in writing by any U.S. or foreign Governmental Authority or which Bayer has knowledge based on personal contact with any agent of any U.S. or foreign Governmental Authority.

7.17.4 The Assumed Liabilities will not include a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code.

7.17.5 Except as set forth on Schedule 7.17, there are no Encumbrances with respect to Taxes upon any Acquired Asset, other than for current Taxes not yet due and payable.

7.18 Contracts.

(a) Schedule 7.18(a) sets forth as of the Execution Date and will be updated to set forth as of the Closing Date each Transferred Contract described below:

(i) any Contractual Obligation (or group of related Contractual Obligations) the performance of which involves annual payments to or by Bayer and its Affiliates in the aggregate in excess of \$100,000, other than any Contractual Obligation which by its terms can be terminated upon no greater than sixty (60) days' notice without material penalty or any further obligation or Liability to Bayer or any of its Affiliates;

(ii) any licenses of Intellectual Property; and

(iii) any Contractual Obligation with any Governmental Authority.

(b) Schedule 7.18(b) sets forth as of the Execution Date and will be updated to set forth as of the Closing Date any Joint Contract in which the aggregate payments attributable to the Bayer Business exceeds \$100,000 in the aggregate.

7.19 Enforceability, etc. Each Contractual Obligation required to be disclosed on Schedule 7.18 (Contracts) and which is a Transferred Contract or Joint Contract (each, a "Disclosed Contract") is Enforceable against Bayer or its Affiliate (assuming for this purpose that such Contractual Obligation is Enforceable against the counterparties to such Contractual Obligation) and is in full force and effect, and, subject to obtaining any necessary consents disclosed in Schedule 7.3 or Schedule 7.4, will continue to be so Enforceable and in full force and effect on substantially identical terms immediately following the Closing.

7.20 Breach, etc. Neither Bayer nor any of its Affiliates nor, to Bayer's Knowledge, any other party to any Disclosed Contract, is in material breach or material violation of, or material default under any Disclosed Contract.

7.21 Litigation; Governmental Orders. Except as disclosed on Schedule 7.21, there is no Action to which Bayer or an Affiliate is a party (either as plaintiff or defendant) or to which the Acquired Assets are subject pending, or to Bayer's Knowledge, threatened, in each case with respect to the Bayer Business or the Licensed Products. Except as disclosed on Schedule 7.21, no Governmental Order has been issued and remains in force which is applicable to the Bayer Business or any Acquired Asset.

7.22 No Brokers. Neither Bayer nor any of its Affiliates has any Liability of any kind to, or is subject to any claim of, any broker, finder or agent in connection with the Contemplated Transactions other than those which will be borne by Bayer or an Affiliate.

## 8. REPRESENTATIONS AND WARRANTIES OF PURCHASER.

In order to induce Bayer to enter into and perform this Agreement and to consummate the Contemplated Transactions, Purchaser hereby represents and warrants to Bayer, as of the date hereof and as of the Closing Date, that:

8.1 Organization. Purchaser and any Affiliate of Purchaser that will be a party to any Ancillary Agreement is (a) duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and (b) is duly qualified to do business and in good standing in each jurisdiction where the nature of the activities conducted by it or the character of the property owned by it make such qualification necessary, except for those jurisdictions where the failure to be so qualified does not have a material adverse effect on Purchaser or any such Affiliate of Purchaser. Purchaser is a wholly-owned subsidiary of Spectrum Pharmaceuticals International Holdings, LLC, a wholly owned subsidiary of Parent.

8.2 Power and Authorization. The execution, delivery and performance by Purchaser and its Affiliates of this Agreement and each Ancillary Agreement to which Purchaser or such Affiliate is (or will be) a party and the consummation of the Contemplated Transactions are within the power and authority of Purchaser and any such Affiliate and have been duly authorized by all necessary corporate action on the part of Purchaser and any such Affiliate. This Agreement and each Ancillary Agreement to which Purchaser or an Affiliate is (or will be) a party (a) has been (or, in the case of Ancillary Agreements to be entered into at, prior to or after the Closing, will be) duly executed and delivered by Purchaser or its Affiliate and (b) assuming the due execution and delivery by Bayer is (or in the case of Ancillary Agreements to be entered into at, prior to or after the Closing, will be) a legal, valid and binding obligation of Purchaser or its Affiliate, enforceable against Purchaser or its Affiliate in accordance with its terms, except as that enforceability may be (i) limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and (ii) subject to general principles of equity (regardless of whether that enforceability is considered in a proceeding in equity or at law). Each of Purchaser and each Affiliate that will be a party to any Ancillary Agreement has the full power and authority necessary to own and use the Acquired Assets related to the Business that is held by it as of the Closing Date and carry on its relevant portion of Business.

8.3 Authorization of Governmental Authorities. Except as disclosed on Schedule 8.3, no action by (including any authorization, consent or approval), or in respect of, or filing with, any Governmental Authority in any Designated Country is required for, or in connection with (a) the authorization, execution, delivery and performance by Purchaser or any of its Affiliates of this Agreement and each Ancillary Agreement to which it is (or will be) a party or (b) the consummation of the Contemplated Transactions by Purchaser or any of its Affiliates.

8.4 Noncontravention. Except as disclosed on Schedule 8.4 or as would not reasonably be expected to have a material adverse effect on the ability of Purchaser and its Affiliates to consummate the Contemplated Transactions on a timely basis, neither the



execution, delivery and performance by Purchaser or any of its Affiliates of this Agreement or any Ancillary Agreement to which Purchaser or any of its Affiliates is (or will be) a party nor the consummation of the Contemplated Transactions will:

(a) assuming the taking of any action by (including any authorization, consent or approval) or in respect of, or any filing with, any Governmental Authority, in each case, as disclosed on Schedule 8.3, violate any provision of any Legal Requirement applicable to Purchaser or any of its Affiliates in any Designated Country;

(b) result in a breach or violation of, or default under, any Contractual Obligation of Purchaser or any of its Affiliates;

(c) require any action by (including any authorization, consent or approval) or in respect of (including notice to), any Person under any Contractual Obligation; or

(d) result in a breach or violation of, or default under, the Organizational Documents of Purchaser or any of its Affiliates.

8.5 No Brokers. Neither Purchaser nor any of its Affiliates has any Liability of any kind to, and is not subject to any claim of, any broker, finder or agent with respect to the Contemplated Transactions other than those which will be borne by Purchaser or any of its Affiliates.

8.6 Litigation. There is no suit, claim, action, investigation, litigation or proceeding pending or, to the knowledge of Purchaser or its Affiliates, threatened against Purchaser or its Affiliates, with respect to the Acquired Assets, the Licensed Products or the Business in the Territory which (i) if adversely determined would result in a material adverse effect on Purchaser or its Affiliates or (ii) challenges or seeks to prevent or enjoin the transactions contemplated by this Agreement.

## 9. COVENANTS.

9.1 Closing. Bayer will, and will cause its Affiliates to, and Purchaser will, each use commercially reasonable efforts to cause all of the conditions to the consummation of the Contemplated Transactions to be satisfied as soon as practicable.

### 9.2 Operation of Bayer Business.

9.2.1 Conduct of Bayer Business. From the Execution Date until the Closing Date, Bayer will, and will cause its Affiliates to:

(a) conduct the Bayer Business and maintain the Books and Records of the Bayer Business in the Ordinary Course of Business; and

(b) use its commercially reasonable efforts to maintain in full force and effect all Permits held by Bayer or its Affiliates used in the Bayer Business;

(c) maintain in all material respects the Acquired Assets including all Inventory in a state of repair and condition that complies with Legal Requirements and is consistent with the conduct of the Bayer Business in the Ordinary Course of Business;

(d) comply in all material respects with all Legal Requirements and Contractual Obligations applicable to the Bayer Business.

9.2.2 Negative Covenant. From the Execution Date until the Closing Date, Bayer will not, and will cause its Affiliates not to, without the advance written consent of the Purchaser that shall not be unreasonably withheld, conditioned or delayed:

(a) take any affirmative action, or fail to take any reasonable action within its control, which would cause any changes or events listed in Section 7.7 above to occur;

(b) make any material modification to the Biogen Agreement;

(c) allow the levels of raw materials, supplies, products or other materials included in the Inventories, or products in the commercial pipeline to increase materially from the levels maintained in the Ordinary Course of Business; or

(d) enter into any compromise or settlement of any Action in the Territory involving the Bayer Business, Licensed Products, Licensed IP or the Assumed Liabilities.

9.2.3 Control of Bayer Business. Nothing contained in this Agreement shall give Purchaser, directly or indirectly, the right to control or direct Bayer's operations prior to the Closing, to the extent such right would violate applicable Legal Requirements. Prior to the Closing, Bayer shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its operations.

### 9.3 Notices and Consents.

9.3.1 Bayer. Bayer will, and will cause its Affiliates to, give all notices to, make all filings with and use its commercially reasonable efforts to obtain all authorizations, consents or approvals from, any Governmental Authority or other Person that are set forth on Schedule 7.3 and Schedule 7.4.

9.3.2 Purchaser. Purchaser will give all notices to, make all filings with and use its commercially reasonable efforts to obtain all authorizations, consents or approvals from, any Governmental Authority or other Person that are set forth on Schedule 8.3 and Schedule 8.4.

9.3.3 Antitrust Laws. In addition to and without limiting the foregoing, Bayer and Purchaser will (a) take promptly all actions necessary to prepare any filings, required of any of them under the Antitrust Laws; (b) make such filings as soon as reasonably practicable; (c) use commercially reasonable efforts to comply at the earliest practicable date with any request for additional information received by any of them from any Governmental Authority with authority regarding antitrust or competition matters; and (d) reasonably cooperate with each other in connection with the preparation and making of any such filings and the clearance of the Contemplated Transactions under Antitrust Laws. Notwithstanding the foregoing, nothing in this Agreement shall require Purchaser or Bayer or any of their respective Affiliates to sell, hold

separate, license or otherwise dispose of any assets or conduct their business in a specified manner, or agree or proffer to sell, hold separate, license or otherwise dispose of any assets or conduct their business in a specified manner, or permit or agree to the sale, holding separate, licensing or other disposition of, any assets of Purchaser or Bayer or any of their respective Affiliates, whether as a condition to obtaining any approval from, or to avoid potential litigation or administrative action by, a Governmental Authority or any other Person or for any other reason. Each party agrees to notify the other party promptly of any material communication from a Governmental Authority regarding the Contemplated Transactions. Without limiting the generality of the foregoing, each party shall provide to the other party (or its Representatives) upon request copies of all correspondence and written productions between such party and any Governmental Authority relating to the Contemplated Transactions. The parties may, as they deem advisable, designate any competitively sensitive materials provided to the other party under this Section 9.3.3 as “outside counsel only.” Such materials and the information contained therein shall be given only to outside counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, or directors of the recipient without the advance consent of the party providing such materials. Subject to Legal Requirements, the parties will consult and cooperate with each other in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, and proposals made or submitted to any Governmental Authority regarding the Contemplated Transactions by or on behalf of any party.

9.3.4 Modifications in Response to Requirements from Governmental Authorities. Notwithstanding anything else in this Agreement, if a Governmental Authority with authority to administer or make determinations under antitrust or competition Legal Requirements requires as a condition to clearance of the Contemplated Transactions under applicable Antitrust Laws that this Agreement and/or an Ancillary Agreement be amended (a “Regulatory Clearance Amendment”) in a manner that does not (A) increase the obligations of Bayer or Purchaser hereunder or under an Ancillary Agreement or (B) result in what either Bayer or Purchaser determines, in its sole discretion exercised in good faith, is an unacceptable risk of non-compliance by Bayer or Purchaser, respectively with applicable Drug Laws, then the parties shall enter into good faith negotiations to amend this Agreement to reflect the Regulatory Clearance Amendment.

9.4 Purchaser’s Access to Premises; Information. Subject to applicable Legal Requirements, from the Execution Date until the Closing Date, Bayer will, and will cause its Affiliates to, permit Purchaser and its Representatives to have access (at reasonable times and upon reasonable notice) to all premises, properties, books, records (excluding income Tax records), purchase order records, information and estimates regarding the amounts of each Licensed Product held by wholesalers, distributors and other resellers, contracts, financial and operating data and information and documents pertaining to the Bayer Business. For the avoidance of doubt, neither Bayer nor its Affiliates will be required to create records nor to compile data that it has not otherwise created or compiled.

9.5 Transaction Expenses. Except as otherwise provided in Section 3.7, with respect to the costs and expenses (including legal, accounting, consulting, advisory and brokerage) incurred in connection with the Contemplated Transactions (such costs and expenses, the “Transaction Expenses”), each party will bear its own Transaction Expenses.

## 9.6 Confidentiality.

9.6.1 Existing CDA. The parties hereby agree that the Confidential Disclosure Agreement shall remain in full force and effect until the earlier of the Closing Date or the date this Agreement is terminated pursuant to Section 13.1.

### 9.6.2 Non-Disclosure and Non-Use.

(a) Confidential Information. Purchaser and Bayer agree that the terms and conditions of this Agreement and the Ancillary Agreements, any activities conducted in connection with or pursuant to this Agreement or the Ancillary Agreements, and information disclosed by either party in accordance with this Agreement or the Ancillary Agreements or in the course of performance under the Ancillary Agreements, including the performance and receipt of services under the Transition Services Agreement (“Confidential Information”), will be used and disclosed by the receiving party only to perform its obligations and exercise its rights under this Agreement and the Ancillary Agreements and/or to conduct the Business. Information relating to the Acquired Assets, Licensed Products (to the extent it is not Shared Licensed IP) and Business-Specific Licensed IP will be considered the Confidential Information of Purchaser. The terms and conditions of this Agreement will be considered the Confidential Information of the parties to the Agreement, as if all parties were receiving parties. Notwithstanding the foregoing, “Confidential Information” will not include:

(i) information (other than information relating to the Acquired Assets, Licensed Products (to the extent it is not Shared Licensed IP) and Business-Specific Licensed IP) that the receiving party can establish was already known by the receiving party (other than under an obligation of confidentiality) at the time of disclosure by the disclosing party;

(ii) information that the receiving party can establish was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving party; or

(iii) information that the receiving party can establish became generally available to the public or otherwise part of the public domain after its disclosure or development, as the case may be, other than through any act or omission of the receiving party or any of its Affiliates.

(b) Authorized Disclosure and Use. Notwithstanding the foregoing provisions of Subsection (a), each party may disclose Confidential Information belonging to the other party to the extent such disclosure is reasonably necessary to:

(i) prosecute or defend an Action;

(ii) comply with applicable Legal Requirements and any stock exchange rules; or

(iii) make filings and submissions to, or correspond or communicate with, any Governmental Authority.

In the event a party deems it reasonably necessary to disclose Confidential Information belonging to the other party pursuant to clauses (i), (ii) or (iii) of this Section 9.6.2(b), the disclosing party will (unless prohibited by applicable Legal Requirements) give reasonable advance notice of such disclosure to the other party, consult with the other party with regard to the disclosure of Confidential Information and take all reasonable measures to ensure confidential treatment of such information. Each party will promptly notify the other party upon becoming aware of any misappropriation or unauthorized disclosure or use of the other party's Confidential Information.

9.7 Publicity. The parties have agreed to the press releases announcing the transactions contemplated by this Agreement. On or after the date hereof, the parties hereto may make public disclosures regarding the transactions contemplated by this Agreement provided such disclosure is consistent with the agreed upon press release, or by the mutual written consent of Purchaser and Bayer, or other information previously publicly disclosed in compliance herewith. The provisions of this Section 9.7 will not prohibit (a) any disclosure required by any applicable Legal Requirements, or the rules of any stock market (in which case the disclosing party will provide the other parties with the opportunity to review in advance the disclosure) or (b) any disclosure made in connection with the enforcement of any right or remedy relating to this Agreement or the Contemplated Transactions.

9.8 Transfer of Certain Funds Received Post-Closing. With respect to any and all amounts received or collected by Bayer or any of its Affiliates from and after the Closing attributable to, or in respect of, the Business (other than with respect to an Excluded Asset), Bayer will provide notice of such receipt or collection to Purchaser (including information included with such payment or otherwise within Bayer's possession with respect to such payment, including invoice and/or remittance information) and pay monthly to Purchaser any and all such amounts so received or collected by wire transfer of immediately available funds to an account specified by Purchaser or by other means acceptable to Purchaser. With respect to any and all amounts received or collected by Purchaser or any of its Affiliates from and after the Closing attributable to, or in respect of, any Excluded Asset, Purchaser will provide notice of such receipt or collection to Bayer (including information included with such payment or otherwise within Bayer's possession with respect to such payment, including invoice and/or remittance information) and pay monthly to Bayer any and all such amounts so received or collected by wire transfer of immediately available funds to an account specified by Bayer or by other means acceptable to Bayer.

#### 9.9 Transfer of Permits.

9.9.1 Promptly after the Execution Date, the parties will collaborate to determine a timetable and procedure for the transfer or re-issuance to Purchaser of all Permits held by Bayer or its Affiliates used in the Bayer Business. The parties shall, and shall cause their Affiliates to, use commercially reasonable efforts to (a) provide the required notices to, and/or obtain the authorizations, approvals, consents or waivers from, Governmental Authorities and third parties in order to transfer all Transferred Permits to Purchaser or its Affiliates and/or to enable Purchaser or its Affiliates to obtain its or their own substitute Permits for the Bayer

Business and (b) to the extent permitted under applicable Legal Requirements and/or the issuing body of a Permit, allow Purchaser or its Affiliates to distribute, market, import and sell Licensed Products from and after the Closing while the applicable Permit remains held by Bayer or an Affiliate or until Purchaser or its Affiliates can obtain its or their own Permit. With respect to all Permits that relate in part to the Bayer Business and in part to businesses of Bayer and its Affiliates other than the Bayer Business (the “Joint Permits”), each of Purchaser and Bayer shall use commercially reasonable efforts in seeking separate Permits for each such business.

9.9.2 If a Transferred Permit is not transferred at Closing or Purchaser or its designee has not obtained a substitute Permit required to distribute, market, import and sell a Licensed Product in a country at the time of the Closing, then, in accordance with the timetable and procedure determined by the parties, at the request of Purchaser, the parties shall use commercially reasonable efforts to (a) enter into such contractual relationships with one another and/or, as appropriate, their respective Affiliates and (b) do, execute, acknowledge and deliver all such further acts and other instruments and papers as may be reasonably required or appropriate, to enable the uninterrupted marketing, distribution, importation and sale of Licensed Products after the Closing in each country in which Licensed Products were marketed, distributed or sold prior to the Closing in a manner that allows Purchaser to record the revenue from such sale immediately after Closing, and in which Purchaser has confirmed it or its Affiliate wishes to continue to market, distribute, import and sell following the expiration of the periods referred to below. Any such contractual arrangement must be consistent with applicable Legal Requirements and the applicable Permit, and not require Bayer to establish new procedures, structures or organizations than those in effect as of Closing and provide for indemnification of Bayer and, as applicable, its Affiliates.

9.9.3 Purchaser will, or will cause its Affiliates to, use commercially reasonable efforts to apply for transfers of Permits or issuances of substitute Permits as promptly as practicable following Closing and in any event, within eighteen (18) months after the Closing.

9.10 Rebates, Chargebacks, Returns and Other Adjustments. Responsibility for returns, rebates, chargebacks, cash discounts and fees for services paid to wholesalers and distributors will be allocated between Bayer and Purchaser in accordance with this Section 9.10, except as may otherwise be required by applicable Legal Requirement. Sections 9.10.1 through 9.10.4 apply to such items generated in each country where such allocation methods may reasonably be applied. In each other country where the allocation methods cannot be reasonably applied, the parties will work in good faith to determine an alternative allocation method in accordance with the principles set forth herein.

9.10.1 Rebates. All rebates calculated against periods entirely preceding the Closing date shall be the sole responsibility of Bayer. All rebates calculated against periods including or following the Closing Date will be the sole responsibility of Purchaser, except that Bayer will make a payment to Purchaser to account for the portion of the quarter in which the Closing occurred during which Bayer owned the Business and the amount of inventory in the wholesale and distribution channels at the Closing. Calculation of this payment will be based on the application of a ratio, being the number of Business Days in the calendar quarter in which the Closing occurs prior to and including the Closing Date, plus the number of days of supply of a

Licensed Product held by wholesalers and distributors on the Closing Date, divided by the total number of Business Days in such calendar quarter, stated as follows:

$$\frac{(A+C)}{B} = \text{“Bayer Rebate Liability” (expressed as \%)}$$

A = The number of Business Days from and including the first day of the applicable quarter to and including the Closing Date

B = The number of Business Days in the applicable calendar quarter

C = The number of Business Days of supply of a Licensed Product held by wholesalers and distributors on the Closing Date (the “Days of Channel Inventory”); whereby the sum of A and C shall not exceed B.

The “Rebate True Up Payment” will be equal to the product of (i) the Bayer Rebate Liability and (ii) the aggregate amount of rebates of a Licensed Product calculated against the quarter in which the Closing occurs. The Days of Channel Inventory on the Closing Date will be determined, to the extent practicable, on the basis of appropriate documentation and substantiation and, in circumstances where substantiation is not practicable, the reasonable, good faith estimate of the parties. If the parties cannot agree on the Days of Channel Inventory after an exchange of supporting documents and a meeting of the parties the matter will be resolved in accord with Section 16.10. The Rebate True Up Payment will be due and payable in Euros on the last day of the second quarter which begins after the Closing Date (for example, for a closing that occurs in the second quarter, the Rebate True Up Payment would be the last Business Day of the fourth quarter). The parties will collaborate in good faith from and after the Execution Date to the date the Rebate True Up Payment is due to determine the Days of Channel Inventory and the amount of the Rebate True Up Payment in accordance with this Section 9.10.1. This calculation must be performed separately on a Licensed Product by Licensed Product basis. Any amounts that must be converted to Euros shall be converted using the Bayer accounting rate as of the applicable date.

9.10.2 Chargebacks. The obligations of the parties for chargebacks will be allocated based on the setting of a Chargeback Liability Shift Date with chargebacks on wholesaler invoices to their customers dated before the Chargeback Liability Shift Date being the obligation of Bayer, and chargebacks on wholesaler invoices to their customer sent on or after that date being the responsibility of Purchaser. The “Chargeback Liability Shift Date” shall be the number of Business Days after the Closing Date equal to the Days of Channel Inventory on the Closing Date. Whether an invoice falls before or after the Chargeback Liability Shift Date shall be determined by reference to the date on the wholesaler invoice to its customer. This analysis will be done on an invoice-by-invoice basis for each Licensed Product. Purchaser will pay all chargebacks which become due after the Closing Date (except to the extent Bayer does so on Purchaser’s behalf under the Transition Services Agreement), and will invoice Bayer monthly for the chargebacks for which Bayer is responsible.

9.10.3 Fees for Service. If a wholesaler, distributor or retailer is entitled to a fee-for-service delivered over time (e.g. inventory management services) such fee will be pro-rated between Bayer and Purchaser based on the relative portion of such period falling before or after the Closing Date.

9.10.4 Returns. Any return from a production lot of Licensed Product, one hundred percent (100%) of which was sold by Bayer, will be the sole responsibility of Bayer. Any return from a production lot of Licensed Product, one hundred percent (100%) of which was sold by Purchaser, will be the sole responsibility of Purchaser. Any return from a production lot sold partially by Bayer and partially by Purchaser shall be shared by Bayer and Purchaser as described below.

(a) The average dating of inventory of a Licensed Product manufactured in a production lot sold partially by Bayer and partially by Purchaser at the time of sale by Bayer or an Affiliate over the year preceding the Closing Date expressed in months to expiry will be determined as of the Closing Date (the "Average Age") and added to the Closing Date to determine an "Adjusted Expiration Date." For example, if the Average Age is nine (9) months and Closing occurs on April 15, the Adjusted Expiration Date will be January 15 of the following year.

(b) The period extending from three (3) months before the Adjusted Expiration Date to six (6) months after the Adjusted Expiration Date will be the "Overlap Period."

Any return of a Licensed Product prior to the Overlap Period will be the sole responsibility of Bayer. Any return of a Licensed Product after the Overlap Period will be the sole responsibility of Purchaser. Responsibility for any return of a Licensed Product during the Overlap Period will be shared equally by Bayer and Purchaser 50/50. The Average Age will be determined, to the extent practicable, on the basis of appropriate documentation and substantiation, and in circumstances where substantiation is not practicable, the reasonable, good faith estimate of the parties.

9.11 Transition Assets. To the extent Bayer or its Affiliates requires the use of any Acquired Asset to perform its obligations under any of the Ancillary Agreements (the "Transition Assets"), Bayer will inform Purchaser of such need and Purchaser will make such Transition Assets available to Bayer for this purpose for the period of time Bayer requires such Transition Assets to perform its obligations under any of the Ancillary Agreements.

9.12 Joint Contracts. With respect to any Contractual Obligations with third parties relating in part to the Bayer Business and in part to the businesses of Bayer and its Affiliates other than the Bayer Business, which shall be set forth on Schedule 9.12 (each, a "Joint Contract"), Purchaser will attempt to enter into a separate Contractual Obligation with the counterparty or counterparties to such Joint Contract with respect to the portion of such Joint Contract exclusively related to the Bayer Business on the same terms and conditions applicable to the Bayer Business. If Purchaser is unable to replace such Joint Contract with a separate Contractual Obligation the portion of a Joint Contract exclusively related to the Bayer Business, Bayer will, and will cause its Affiliates to, if permitted by the Terms of such Joint Contract, take commercially reasonable efforts (including by seeking an amendment of



the Joint Contract, if necessary) to provide to Purchaser the benefits under such Joint Contract with respect to the Business, until the stated expiration of such Joint Contract, without regard to any available renewal options. In such event, the benefits and obligations under such Joint Contract exclusively related to the Business shall be for the account of Purchaser, and the remaining benefits and obligations shall be retained by Bayer and its Affiliates. Bayer and each of its Affiliates that are parties to any Joint Contract shall perform their obligations thereunder so as not to create a material default. Neither Bayer nor its Affiliates will be obligated to extend credit to Purchaser under a Joint Contract.

9.13 Books and Records. Bayer may retain copies of Books and Records that do not relate exclusively to the Acquired Assets or Assumed Liabilities or are necessary to perform its legal obligations hereunder or under the Ancillary Agreements or defend or prosecute any Claim brought by Bayer or its Affiliates against any third party or by any third party against Bayer or its Affiliates. Bayer and its Affiliates shall promptly deliver any Books and Records other than Excluded Books and Records discovered after the Closing Date. Notwithstanding the foregoing, following Closing Bayer shall provide Purchaser, upon the request of Purchaser, with copies of and reasonable access to all Excluded Books and Records other than the Books and Records referred to in clause (i) of the definition of Excluded Books and Records; provided that any such Excluded Books and Records may be redacted as necessary; and Bayer and its Affiliates shall keep confidential and not use except as permitted in this Agreement and in the Ancillary Agreements any information in (i) the Books and Records that are not Excluded Books and Records and (ii) such Excluded Books and Records that constitutes business or trade secrets relating to the Bayer Business; and provided, further, that Bayer shall ensure that all such Books and Records relating to any Taxes that may be subject to indemnification under this Agreement are retained by Bayer and its Affiliates until the applicable statute of limitations (including periods of waiver) has expired for any Tax returns filed or required to be filed covering the periods up to and including the Closing Date.

9.14 Further Assurances. From and after the Closing Date, upon the request of either Bayer or Purchaser, each of the parties hereto will, and will cause their Affiliates to, do, execute, acknowledge and deliver all such further acts, assurances, deeds, assignments, transfers, conveyances and other instruments and papers as may be reasonably required or appropriate to carry out the Contemplated Transactions. Bayer will, and will cause its Affiliates to, provide all cooperation reasonably requested by Purchaser in connection with any effort by Purchaser to establish, perfect, defend, or enforce its rights in or to the Acquired Assets, including executing further consistent assignments, transfers, pledges and releases, and causing its Representatives and agents to provide good faith testimony by affidavit, declaration, deposition or other means. Bayer will, and will cause its Affiliates to, refer all customer inquiries relating to the Bayer Business to Purchaser from and after the Closing. Bayer will, and will cause its Affiliates and its and their respective Representatives to, cooperate and assist Purchaser with an orderly transition of the Bayer Business and Acquired Assets to Purchaser. Bayer will not, and will cause its Affiliates not to, take any action that is designed or intended to have the effect of discouraging any lessor, licensor, supplier, distributor or customer of the Bayer Business or other Person with whom the Bayer Business

has a relationship from maintaining the same relationship with the Business after the Closing as it maintained prior to the Closing.

9.15 Non-Competition. From and after the Closing Date, for a period of [\*\*\*], or if such period is not allowable by law in a country, then for the maximum period allowable by law in such country, Bayer and its Affiliates will not, directly manufacture, offer for sale, sell, distribute, or actively assist or enable a third Person to manufacture, offer for sale, sell, distribute, [\*\*\*]. If Bayer acquires a Person which is in the business of distributing, marketing or selling an [\*\*\*] product for [\*\*\*], it will not be deemed in violation of this Section 9.15 if it [\*\*\*].

9.16 SEC Financial Statements. If Parent determines in good faith after consultation with Parent's professional advisors that Parent would be required under the applicable Legal Requirements to file with the SEC audited annual financial statements of the Bayer Business (the "Audited Financial Statements") for the periods specified by Rule 3-05 of Regulation S-X (any Audited Financial Statements, the "SEC Financial Statements"), then Parent shall provide written notice to Bayer of such determination at least seventy (70) days prior to the required filing date at the SEC, provided that such seventy day period will be reduced as necessary day for day from the required filing date at the SEC until the required data set forth on Schedule 9.16 has been received from Bayer to make such determination, and Bayer will deliver the SEC Financial Statements to Parent as soon as commercially practicable and no later than ten (10) days prior to the required filing date at the SEC. The SEC Financial Statements will be (a) prepared in accordance with the books and records of the Bayer Business, (b) prepared in accordance with Regulation S-X and GAAP, and (c) in the case of the Audited Financial Statements, accompanied by an opinion (the "Audit Opinion") of PricewaterhouseCoopers LLP, Deloitte Touche Tohmatsu LLP, KPMG, LLP or Ernst & Young LLP (the "Independent Auditor"), which opinion complies with Regulation S-X. Bayer will use its commercially reasonable efforts to cause the Independent Auditor to provide to Parent the consents requested by Parent to permit the inclusion of the Audit Opinion with respect to the Audited Financial Statements in Parent's reports and registration statements filed with the SEC for periods required under applicable Legal Requirements. Parent will reimburse Bayer for Bayer's reasonable costs (which will include the cost of any external support Bayer may utilize to assist or prepare the SEC Financial Statements).

## 10. INTELLECTUAL PROPERTY AND OTHER COVENANTS.

10.1 Reservation of Intellectual Property. All Intellectual Property of Bayer and its Affiliates that is not Licensed IP or licensed in this Agreement is reserved and retained by Bayer and its Affiliates. Except as expressly provided in this Agreement or any other Ancillary Agreement, as of the Closing Date, no other assignments or licenses of Intellectual Property are granted whatsoever, whether expressly or by implication or by estoppel, by any party hereto.

[\*\*\*]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

## 10.2 Filing, Prosecution and Maintenance of Licensed Patents and Licensed Trademarks.

### 10.2.1 Responsibility.

(a) Business-Specific Licensed IP. From and after Closing, Purchaser, through counsel of its choosing and at its sole discretion and expense, will be responsible for and have control over filing, obtaining, prosecuting (including any interferences, reissue proceedings, re-examinations and oppositions), and maintaining throughout the Territory the Business Specific Licensed Patents and Business-Specific Licensed Trademarks. Purchaser shall keep Bayer informed regarding the prosecution and maintenance of the Business-Specific Licensed Patents and Business-Specific Licensed Trademarks, and Bayer will cooperate with Purchaser in regard to the filing, prosecution and maintenance thereof. Purchaser may, in its sole discretion, elect not to pursue patent protection for any Business-Specific Licensed Patent or trademark registration for any Business-Specific Licensed Trademark in one or more countries in the Territory. If Purchaser intends to abandon or let go any Patent Right within the Business-Specific Licensed Patents set forth on Schedule 1C, for which Bayer would have a legal obligation under the German Law on Employee's Inventions to provide the inventor(s) the right to pursue patent protection for such Patent Right, Purchaser shall provide Bayer written notice of such intent in sufficient time to provide the inventor(s) the opportunity to take over the prosecution and/or maintaining of such Patent Rights. If the inventor(s) take over such obligations, rights granted to Purchaser with respect to such Patent Right will revert to the inventor(s) to the extent provided under the German Law on Employee's Inventions. Except as provided in this Section 10.2.1(a), Bayer will have no right to file, take any actions to prosecute or maintain throughout the Territory the Business-Specific Licensed Patents and Business-Specific Licensed Trademarks.

(b) Shared Licensed Patents and Shared Licensed Trademarks. From and after Closing, Bayer, through counsel of its choosing and at its sole discretion and expense, will be responsible for and have control over obtaining, prosecuting (including any interferences, reissue proceedings, re-examinations and oppositions) and maintaining throughout the Territory the Shared Licensed Patents and Shared Licensed Trademarks. Bayer shall keep Purchaser informed regarding the prosecution and maintenance of the Shared Licensed Patents to the extent that such actions affect Purchaser's rights in the Shared Licensed Patents. Other than as provided, Bayer shall have no obligation to keep Purchaser informed regarding the prosecution and maintenance of such Shared Licensed Patent and may, in its sole discretion, elect not to pursue patent protection for any Shared Licensed Patent in one or more countries in the Territory. Purchaser will have no right to take any actions to prosecute or maintain throughout the Territory the Shared Licensed Patents or Shared Licensed Trademarks.

(c) Business-Specific Licensed Know-How. Purchaser may file in the Territory patent applications on Business-Specific Licensed Know-How. If Purchaser subsequently obtains issued patents on such applications, Purchaser shall, and hereby, grants, Bayer a non-exclusive, non-transferable, royalty-free, sublicenseable (with the Purchaser's prior

consent) right to make, have made, use, sell and commercially exploit such patents for all uses outside of Non-Hodgkin's lymphoma.

10.2.2 Cooperation. Bayer will: (a) make its Representatives reasonably available to Purchaser (or to Purchaser's authorized Representatives), to the extent reasonably necessary to enable Purchaser to undertake patent filings and prosecution and trademark registration of the Business-Specific Licensed Patents and Business-Specific Licensed Trademarks; (b) at the reasonable request of Purchaser, cooperate with Purchaser in gaining patent term extensions and trademark registration renewals wherever applicable to Business-Specific Licensed Patents and Business-Specific Licensed Trademarks that are subject to this Agreement; and (c) use its commercially reasonable and diligent efforts to minimize or avoid interference with the prosecution and maintenance of the Business-Specific Licensed Patents and Business-Specific Licensed Trademarks. Purchaser will reimburse Bayer for Bayer's reasonable out-of-pocket expenses in complying with this Section 10.2.2; provided, however, that Bayer provides Purchaser with invoices or other reasonable documentation evidencing such expenses on a timely basis after the incurrence of such expense.

### 10.3 IP Enforcement.

10.3.1 Notification. Each party will promptly report in writing to the other party any (a) known or suspected third party infringement of any Licensed Patents, Licensed Trademarks, Shared Licensed Trade Dress or Licensed Copyrights, or (b) unauthorized use or misappropriation of any Licensed Know-How or other Confidential Information by a third party of which it becomes aware, and will provide the other party with all available evidence supporting such infringement or unauthorized use or misappropriation.

#### 10.3.2 Right to Enforce.

(a) Purchaser will have the sole and exclusive right, but not the obligation, to take any reasonable measures it deems appropriate to stop activities in the Territory infringing the Business-Specific Licensed Patents, Business-Specific Licensed Trademarks or Business-Specific Licensed Copyrights or the use without proper authorization of any Business-Specific Licensed Know-How, including (a) initiating or prosecuting an infringement or other appropriate Action against or (b) granting adequate rights and licenses necessary for continuing such activities in the Territory to any third party who at any time has infringed, or is suspected of infringing, any Business-Specific Licensed Patents, Business-Specific Licensed Trademarks or Business-Specific Licensed Copyrights or has used or is suspected of using without proper authorization the Business-Specific Licensed Know-How. Without the written consent of Purchaser, Bayer will have no right to take any reasonable measures in the Territory to stop any infringement of the Business-Specific Licensed Patents, Business-Specific Licensed Trademarks or Business-Specific Licensed Copyrights or the use without proper authorization of the Business-Specific Licensed Know-How.

(b) Bayer will have the first right, but not the obligation, to take any reasonable measures it deems appropriate to stop activities in the Territory infringing the Shared Licensed Patents or Shared Licensed Copyrights or the use without proper authorization of any Shared Licensed Know-How, in each case in connection with a Person's manufacture, use, sale,

offering for sale, or importation of Licensed Products, including (a) initiating or prosecuting an infringement or other appropriate Action against or (b) granting adequate rights and licenses necessary for continuing such activities in the Territory to any such Person. If Bayer does not initiate any such measures within (120) days of receiving written notice from Purchaser of such activities (or within a reasonable shorter time period if a shorter period to take action is required by applicable Legal Requirements to avoid the loss of legal rights), then Purchaser will have the second right, but not the obligation, to take any reasonable measures it deems appropriate to stop such activities; provided, however, Purchaser must coordinate and consult with Bayer regarding such measures and will not take any measures, without the written permission of Bayer, which permission will not be unreasonably withheld. It shall be reasonable for Bayer to withhold such permission if Bayer reasonably believes such measures will affect the protection that any Shared Licensed IP affords Bayer; provided, however, the mere likelihood that a defendant would allege that the asserted Shared Licensed Patents or Shared Licensed Copyrights is invalid or unenforceable shall not be sufficient grounds for Bayer to withhold permission. If either party brings a suit or action under this Section 10.3.2(b), during the 120 day period, the other party will have the right, at its expense, to retain its own counsel to monitor such Action. Neither party will have the right to settle any infringement or misappropriation Action under this Section 10.3.2(b) in a manner that diminishes the rights or interests of the other party without the express written consent of such other party; provided, however that the grant by Purchaser of a sublicense under the Shared Licensed Patents or Shared Licensed Copyrights in accordance with this Agreement will not be considered to diminish the rights of Bayer, and the grant by Bayer of a license under the Shared Licensed IP that is not in conflict with the exclusive rights granted to Purchaser in Section 2.1.1 will not be considered to diminish the rights of Purchaser. In addition, (i) Purchaser will not settle any such Action in a manner that admits the invalidity or unenforceability of any Shared Licensed IP without obtaining the prior written consent of Bayer and (ii) during the 120 day period, Bayer will not settle any such Action in a manner that admits the invalidity or unenforceability of any Shared Licensed Patents or Shared Licensed Copyrights without obtaining the prior written consent of Purchaser.

(c) For clarity, all rights to enforce the Shared Licensed Trademarks or Shared Licensed Trade Dress shall be within the sole discretion of Bayer and nothing in this Section 10.3 shall be construed to grant Purchaser any rights to enforce or license any Shared Licensed Trademarks or Shared Licensed Trade Dress.

**10.3.3 Procedures and Expenses.** The party with the right to take action pursuant to Section 10.3.2 will have the sole right to select counsel for any Action brought by it and will pay all expenses of such Action, including attorneys' fees and court costs. If required under applicable Legal Requirements in order for such party to initiate and/or maintain such Action, or if such party is unable to initiate or prosecute such Action solely in its own name or it is otherwise advisable to obtain an effective legal remedy, in each case, at such party's request, the other party will join as a party to the Action and will execute and cause its Affiliates to execute all documents necessary for a party to initiate an Action to prosecute and maintain such Action. In addition, at a party's request, the other party will provide reasonable assistance in connection with such Action and the reasonable out-of-pocket expenses of the party providing assistance shall be reimbursed by the party requesting such assistance.

10.3.4 Recoveries. If a party obtains from a third party infringer, in connection with an Action brought pursuant to Section 10.3.2, any damages, license fees, royalties or other compensation (including any amount received in settlement of such Action) with respect to Licensed Product, then any amounts recovered will first be applied to the reimbursement of each party's reasonable costs, expenses and legal fees, including amounts one party has reimbursed to the other. The remaining balance shall be retained by Purchaser, but will be considered net sales and subject to Purchaser's payment obligations under Section 4.3.1. The party bringing such Action pursuant to Section 10.3.2 will bear all payments awarded against or agreed to be paid by such party pursuant to such Action, including any costs or expenses incurred that exceed the amounts recovered by such party.

10.3.5 Purchaser's rights to enforce the Biogen IP shall be as set forth for Bayer in the Biogen Agreement. For clarity and without limitation, any rights granted by Bayer in Section 10 are only granted to the extent Bayer and its Affiliates have such rights to grant.

#### 10.4 Claimed Infringement of Third Party Rights.

10.4.1 Notice. In the event that a third party at any time provides written notice of a claim to, or brings an Action against any party, or any of such party's respective Affiliates or sublicensees, claiming infringement of its Patent Rights or unauthorized use or misappropriation of its Know-How, based upon the development, manufacture or commercialization of Licensed Products in the Territory ("Infringement Claim"), such party will promptly notify the other party of the Infringement Claim or the commencement of such action, suit or proceeding, enclosing a copy of the Infringement Claim and all papers served. Each party agrees to make available to the other party its advice and counsel regarding the technical merits of any such claim at no cost to the other party and to offer reasonable assistance to the other party at no cost to the other party.

#### 10.4.2 Defense of Infringement Claim; Declaratory Judgment Actions.

(a) As between Bayer and Purchaser, Purchaser will have the sole and exclusive right, but not the obligation, to control the defense of any Infringement Claim brought against Purchaser or any of its Affiliates or sublicensees arising out of the development, manufacture or commercialization of Licensed Products in the Territory. As between Bayer and Purchaser, Bayer will have the sole and exclusive right, but not the obligation, to control the defense of any Infringement Claim brought against Bayer or any of its Affiliates or licensees (other than Purchaser) arising out of the development, manufacture or commercialization of Licensed Products in the Territory. Neither party will settle any such Action in a manner that (i) admits that any Licensed Product infringes or misappropriates a third party's Intellectual Property or (ii) agrees to any injunction or other equitable remedy binding the other party without obtaining the prior written consent of the other party, which consent will not be unreasonably withheld or delayed. In addition, if applicable prior to the initiation of an Infringement Claim, either party has the right, but not the obligation, to bring a declaratory judgment action relating to any third party Patent Right that such third party has alleged is infringed by the development, manufacture or commercialization of Licensed Products in the Territory; provided, however, neither party shall bring such declaratory judgment action without first consulting with the other party.

(b) The party controlling the defense of an Infringement Claim or bringing a declaratory judgment action will have the sole and exclusive right to select counsel for such Infringement Claim or such declaratory judgment action. The party controlling the defense of an Infringement Claim or bringing a declaratory judgment Action will keep the other party informed, and will from time to time consult with the other party regarding the status of any such Action and will upon request provide the other party with copies of all documents filed in, and all written communications relating to, any suit brought in connection with such Action. The other party will also have the right to participate and be represented in any such Action, at its own expense.

10.5 Other Infringement Resolutions. In the event of a dispute or potential dispute that has not ripened into a demand or Action of the types described in Section 10.3 and Section 10.4 (e.g., Actions seeking declaratory judgments and revocation proceedings), the same principles governing control of the resolution of the dispute, consent to settlements of the dispute, and implementation of the settlement of the dispute will apply. Each party will immediately notify the other party of any certification of which it becomes aware filed pursuant to 21 U.S.C. § 355(b)(2)(A) or § 355(j)(2)(A)(vii) or foreign equivalent statute (or any amendment or successor statute thereto) or declaratory judgment action filed by a third party claiming that a Licensed Patent is invalid or that infringement of such Licensed Patent will not arise from the development, manufacture, use or sale of any product by a third party. The provisions of Section 10.3 will thereafter apply as if such third party were an infringer or suspected infringer.

10.6 Diligence. Purchaser shall, directly and through its Affiliates and sublicensees, use commercially reasonable efforts to commercialize the Licensed Products in the Designated Countries in its approved indications. For the purposes of this Section 10.6, “commercially reasonable efforts” means, with respect to the commercialization of each Licensed Product, at any given time as the case may be, efforts reasonably used by Purchaser or its Affiliates (giving due consideration to relevant industry standards) for Purchaser’s own products (including internally developed, acquired and in-licensed products) with similar commercial potential at a similar stage in their lifecycle (assuming continuing development of such product), taking into consideration their safety, tolerability and efficacy, and the radioimmunotherapy nature of the Licensed Products, the profitability on a GAAP basis consistent with Purchaser’s publicly reported financial statements, the competitive landscape, extent of market exclusivity, patent protection, cost to develop the product, promotable claims, health economic claims, the approved indications and the regulatory and reimbursement structure involved. This Section 10.6 shall have no further force or effect with respect to the Licensed Products once Purchaser no longer has any obligation to make payments to Bayer with respect to net sales of such Licensed Product under Section 4.3.1.

## 11. CONDITIONS TO PURCHASER’S OBLIGATIONS AT THE CLOSING.

The obligations of Purchaser to consummate the Closing are subject to the fulfillment of each of the following conditions:

11.1 Representations and Warranties. The representations and warranties of Bayer contained in this Agreement and in any document, instrument or certificate delivered hereunder

(a) that are not qualified by materiality or Material Adverse Effect will be true and correct at and as of the Execution Date and as of the Closing Date, except where the failure to be true and correct would not be reasonably expected to have a Material Adverse Effect or a material adverse effect on the ability of Bayer to consummate the Contemplated Transactions or perform its obligations under this Agreement or the Ancillary Agreements, and (b) that are qualified by materiality or Material Adverse Effect will be true and correct in all respects at and as of the Execution Date and as of the Closing Date with the same force and effect as if made as of the Execution Date, other than representations and warranties that expressly speak only as of a specific date or time, which will be true and correct to the extent described above as of such specified date or time.

11.2 Performance. Bayer will have performed and complied with, in all material respects, all agreements, obligations and covenants contained in this Agreement that are required to be performed or complied with by it at or prior to the Closing; provided, that, with respect to agreements, obligations and covenants that are qualified by materiality, Bayer will have performed such agreements, obligations and covenants, as so qualified, in all respects.

11.3 Compliance Certificate. Bayer will have delivered to Purchaser a certificate as to the matters set forth in Sections 11.1, 11.2 and 11.4 having been satisfied.

11.4 Qualifications. All Required Antitrust Approvals shall have been obtained and shall remain in force and effect and shall not have been set aside or modified, on appeal or otherwise. There shall be in effect no provision of any material applicable Legal Requirement or Governmental Order (including, without limitation, any Antitrust Law), in each case in the Designated Countries or in the European Union as a whole, prohibiting the consummation of any of the Contemplated Transactions.

11.5 Absence of Litigation. No Action brought by a Governmental Authority or third party will be pending or threatened in writing which could result in an Order nor will there be any Order in effect (except as contemplated by Section 9.3.4) (a) which would prevent consummation of any of the Contemplated Transactions, (b) which would result in any of the Contemplated Transactions being rescinded following consummation, (c) which would limit or otherwise adversely affect Purchaser's right to own the Bayer Business or to operate all or any material portion of either the Bayer Business or the Acquired Assets or of Purchaser's business or assets or that any of its Affiliates or (d) would compel Purchaser or any of its Affiliates to dispose of all or any material portion of either the Bayer Business or the Acquired Assets or the business or assets of Purchaser or any of its Affiliates.

11.6 Consents, etc. All actions by (including any authorization, consent or approval) or in respect of (including notice to), or filings with, any Governmental Authority or other Person that are required to consummate the Contemplated Transactions that are set forth on Schedule 11.6 will have been obtained or made, and no such authorization, consent or approval will have been revoked.

11.7 Ancillary Agreements. Each of the Ancillary Agreements to which Purchaser and/or any of its Affiliates is party will have been duly executed and delivered to Purchaser



by each of the other parties thereto, and each such agreement will be in full force and effect in accordance with its terms.

## 12. CONDITIONS TO BAYER'S OBLIGATIONS AT THE CLOSING.

The obligations of Bayer to consummate the Closing are subject to the fulfillment of each of the following conditions:

12.1 Representations and Warranties. The representations and warranties of Purchaser contained in this Agreement and in any document, instrument or certificate delivered hereunder (a) that are not qualified by materiality will be true and correct at and as of the Execution Date and as of the Closing Date, except where the failure to be true and correct would not be reasonably expected to have a material adverse effect on the ability of Purchaser to consummate the Contemplated Transactions or perform its obligations under this Agreement or the Ancillary Agreements and (b) that are qualified by materiality will be true and correct in all respects at and as of the Execution Date with and as of the Closing Date the same force and effect as if made as of the Execution Date, other than representations and warranties that expressly speak only as of a specific date or time, which will be true and correct to the extent described above as of such specified date or time.

12.2 Performance. Purchaser will have performed and complied with, in all material respects, all agreements, obligations and covenants contained in this Agreement that are required to be performed or complied with by Purchaser at or prior to the Closing; provided, that, with respect to agreements, obligations and covenants that are qualified by materiality, Purchaser will have performed such agreements, obligations and covenants, as so qualified, in all respects.

12.3 Compliance Certificate. Purchaser will have delivered to Bayer a certificate as to the matters set forth in Sections 12.1 and 12.2.

12.4 Qualifications. All Required Antitrust Approvals shall have been obtained and shall remain in force and effect and shall not have been set aside or modified, on appeal or otherwise. There shall be in effect no provision of any material applicable Legal Requirement or Governmental Order (including, without limitation, any Antitrust Law), in each case in the Designated Countries or in the European Union as a whole, prohibiting the consummation of any of the Contemplated Transactions.

12.5 Absence of Litigation. No Action brought by a Governmental Authority or third party will be pending or threatened in writing which could result in an Order, nor will there be any Order in effect (except as contemplated by Section 9.3.4), (a) which would prevent consummation of any of the Contemplated Transactions, or (b) which would result in any of the Contemplated Transactions being rescinded following consummation (and no such Governmental Order will be in effect).

12.6 Ancillary Agreements. Each of the Ancillary Agreements to which Bayer and/or any of its Affiliates is a party will have been duly executed and delivered to Bayer by each of the other parties thereto and each such Agreement will be in full force and effect in accordance with its terms.

### 13. TERMINATION.

13.1 Termination of Agreement. This Agreement may be terminated (the date on which the Agreement is terminated, the "Termination Date") at any time prior to the Closing:

(a) by mutual written consent of Purchaser and Bayer;

(b) by either Purchaser or Bayer by providing written notice to the other at any time after the date that is six months after the Execution Date (the "Outside Date") if the Closing has not occurred by reason of the failure of any condition set forth in Section 11, in the case of Purchaser, or Section 12, in the case of Bayer, to be satisfied (unless such failure is the result of one or more breaches or violations of, or inaccuracy in any covenant, agreement, representation or warranty of this Agreement by the party seeking to terminate the Agreement);

(c) by either Bayer or Purchaser if a final nonappealable Governmental Order permanently enjoining, restraining or otherwise prohibiting the Closing has been issued by a Governmental Authority of competent jurisdiction;

(d) by Purchaser if either (i) there has been a breach of, or inaccuracy in, any representation or warranty of Bayer contained in this Agreement as of the Execution Date (other than representations or warranties that expressly speak only as of a specific date or time, with respect to which Purchaser's right to terminate will arise only in the event of a breach of, or inaccuracy in, such representation or warranty as of such specified date or time), or (ii) Bayer has breached or violated in any material respect any of its covenants and agreements contained in this Agreement, in the case of either (i) or (ii) which breach or violation would give rise, or could reasonably be expected to give rise, to a failure of a condition set forth in Section 11 and cannot be or has not been cured on or before the earlier of (1) five (5) Business Days before the Outside Date or (2) ninety (90) days after Purchaser notifies Bayer of such breach or violation, provided, however, that for clause (2), if the parties mutually agree on a plan for cure within such ninety (90) day period, then such date may be extended as set forth in the mutually agreed cure plan.

(e) by Bayer if either (i) there has been a breach of, or inaccuracy in, any representation or warranty of Purchaser contained in this Agreement as of the Execution Date (other than representations or warranties that expressly speak only as of a specific date or time, with respect to which Bayer's right to terminate will arise only in the event of a breach of, or inaccuracy in, such representation or warranty as of such specified date or time), or (ii) Purchaser has breached or violated in any material respect any of its covenants and agreements contained in this Agreement, in the case of either (i) or (ii) which breach or violation would give rise, or could reasonably be expected to give rise, to a failure of the condition set forth in Section 12 and cannot be or has not been cured on or before the earlier of (1) five (5) Business Days before the Outside Date or (2) ninety (90) days after Bayer notifies Purchaser of such breach or violation, provided, however, that for clause (2), if the parties mutually agree on a plan for cure within such ninety (90) day period, then such date may be extended as set forth in the mutually agreed cure plan.

13.2 Effect of Termination. In the event of the termination of this Agreement pursuant to Section 13.1, this Agreement – other than the provisions of Sections 7.22 (No

Brokers), 8.5 (No Brokers), 9.5 (Transaction Expenses), 9.6 (Confidentiality), 9.7 (Publicity), 13.2 (Effect of Termination), 14 (Indemnification), 16 (Miscellaneous) and Section 1 (to the extent any terms defined therein are used in the above listed Sections) – will then be null and void and have no further force and effect and all other rights and Liabilities of the parties hereunder will terminate without any Liability of any party to any other party, except for Liabilities arising in respect of breaches under this Agreement by any party on or prior to the Termination Date.

### 13.3 Termination by Bayer For Cause.

13.3.1 Material Default. After Closing, this Agreement shall automatically terminate if a Material Default as defined below in subsections (b), (c) or (d)(i) occurs. After Closing, if a Material Default as defined below in subsections (a) or (d)(ii) occurs and, in the case of (a) below, continues for a period of sixty (60) days after Bayer has delivered written notice to Purchaser stating the specific Material Default and citing this Section 13.3.1, then subject to Section 13.3.2 below, Bayer may terminate this Agreement by providing written notice to Purchaser. In the event this Agreement terminates under this Section 13.3.1, all Acquired Assets as defined in this Agreement transferred to Purchaser (to the extent such assets remain in existence and to the extent of the then right, title and interest of Purchaser or its Affiliates in such assets) and all licenses granted to Purchaser under this Agreement or any Ancillary Agreement and all other rights granted to Purchaser hereunder or thereunder shall automatically terminate and revert to Bayer and Purchaser shall, and shall cause its Affiliates to, execute all documents reasonably requested by Bayer to support such reversions. It shall be a “Material Default” by Purchaser under this Section 13.3 if any of the following occurs:

(a) Purchaser fails to timely pay any Royalty Payments under this Agreement or payments required to be made under any of the Ancillary Agreements after resolution of any disputed payments issues in accordance with the terms and conditions of any such Ancillary Agreement;

(b) the Purchaser or any of its Affiliates connected to the Business (the “Related Affiliates”) or Parent shall make an assignment for the benefit of creditors, or admit in writing its inability to pay or generally fail to pay its debts as they mature or become due, or shall petition or apply for the appointment of a trustee or other custodian, liquidator or receiver of the Purchaser or any of its Related Affiliates or Parent or of any substantial part of the assets of the Purchaser or any of its Related Affiliates or Parent or shall commence any case or other proceeding relating to the Purchaser or any of its Related Affiliates or Parent under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction, now or hereafter in effect, or shall take any action to authorize or in furtherance of any of the foregoing, or if any such petition or application shall be filed or any such case or other proceeding shall be commenced against the Purchaser or any of its Related Affiliates or Parent and the Purchaser or any of its Related Affiliates or Parent shall indicate its approval thereof, consent thereto or acquiescence therein;

(c) a decree or order is entered appointing any such trustee, custodian, liquidator or receiver or adjudicating the Purchaser or any of its Related Affiliates bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for

relief is entered in respect of the Purchaser or any of its Related Affiliates or Parent in an involuntary case under any bankruptcy laws as now or hereafter constituted; or

(d) Purchaser breaches or causes a breach of the Biogen Agreement and (i) Biogen Idec terminates the Biogen Agreement in accordance with the terms and conditions of the Biogen Agreement as a result of such breach, or (ii) Purchaser fails to remedy such breach within thirty (30) days of notice from Bayer of its receipt of written notice thereof from Biogen Idec to Bayer.

13.3.2 Disputes Regarding Material Defaults. If Purchaser disputes in good faith the existence of a Material Default with respect to subsection 13.3.1(a) above specified in a notice provided by Bayer pursuant to Section 13.3.1 above, and provides notice to Bayer of such dispute within the sixty (60) day period following the date Bayer notifies Purchaser of the Material Default, Bayer will not have the right to terminate this Agreement unless and until the existence of such Material Default by Purchaser has been determined by a final arbitration award that is no longer subject to appeal or other review in accordance with the dispute resolution provisions of Sections 16.10 and 16.11, and Purchaser fails to cure such Material Default or satisfy the arbitration award or judicial order or judgment within twenty (20) Business Days following such determination. It is understood and acknowledged that during the pendency of such dispute, all the terms and conditions of this Agreement will remain in effect and the parties will continue to perform all of their respective obligations hereunder.

13.3.3 Expiration of Termination Clause. Sections 13.3.1(a) and (b) shall have no further force or effect once Purchaser no longer has any obligation to make Royalty Payments or payments under any Ancillary Agreements.

13.3.4 Effect of Termination. In the event of termination pursuant to Section 13.3, the Ancillary Agreements shall terminate and the covenants contained in Sections 2.5 (Consents to Transfer Agreements), 3.6 (Consents), 9.3.1 (Notices and Consents – Bayer), 9.3.2 (Notices and Consents – Purchaser), 9.4 (Purchaser’s Access to Premises; Information), 9.6 (Confidentiality), 9.9 (Transfer of Permits), 9.10 (Rebates, Chargebacks, Returns and Other Adjustments), 9.12 (Joint Contracts) and 9.14 (Further Assurances) of Bayer and its Affiliates shall become covenants of Purchaser and its Affiliates and vice versa.

## 14. INDEMNIFICATION.

### 14.1 Indemnification by Bayer.

14.1.1 Indemnification. Subject to the limitations set forth in this Section 14, Bayer will indemnify and hold harmless Purchaser and each of its Affiliates, and the Representatives and Affiliates of each of the foregoing Persons (each, a “Purchaser Indemnified Person”), from, against and in respect of any and all Losses, incurred or suffered by the Purchaser Indemnified Persons or any of them as a result of, arising out of or directly or indirectly relating to:

- (a) any breach of, or inaccuracy in, any representation or warranty made by Bayer in this Agreement;

(b) any breach or violation of any covenant or agreement of Bayer (including under this Section 14) in this Agreement;

(c) any Excluded Bayer Liability; or

(d) any fraud or intentional misrepresentation of Bayer or any of its Affiliates.

14.1.2 Monetary Limitations. Bayer will have no obligation to indemnify the Purchaser Indemnified Persons in respect of Losses arising from the breach of, or inaccuracy in, any representation or warranty pursuant to Section 14.1.1(a) or breach of any covenant or agreement to be performed prior to the Closing pursuant to Section 14.1.1(b) with respect to claims brought after the Closing, unless the aggregate amount of all such Losses incurred or suffered by the Purchaser Indemnified Persons exceeds [\*\*\*] (the "Indemnity Basket") (at which point Bayer will indemnify the Purchaser Indemnified Persons for all such Losses exceeding [\*\*\*]). Further, Bayer's aggregate liability in respect of claims for indemnification arising from the breach of, or inaccuracy in, any representation or warranty pursuant to Section 14.1.1(a) and claims brought after the Closing arising from the breach of any covenant or agreement to be performed prior to the Closing pursuant to Section 14.1.1(b), will not exceed [\*\*\*] (such amount, the "Maximum Indemnity Cap"). The monetary limitations contained in this Section 14.1.2 will not apply to [\*\*\*].

#### 14.2 Indemnification by Purchaser.

14.2.1 Indemnification. Subject to the limitations set forth in this Section 14, Purchaser will indemnify and hold harmless Bayer and its Affiliates, and the Representatives and Affiliates of each of the foregoing Persons (each, a "Bayer Indemnified Person"), from, against and in respect of any and all Losses incurred or suffered by the Bayer Indemnified Persons or any of them as a result of, arising out of or relating to, directly or indirectly:

(a) any breach of, or inaccuracy in, any representation or warranty made by Purchaser in this Agreement;

(b) any breach or violation of any covenant or agreement of Purchaser (including under this Section 14) in or pursuant to this Agreement;

(c) any Assumed Liability;

(d) any Excluded Purchaser Liability; or

(e) any fraud or intentional misrepresentation of Purchaser or any of its Affiliates.

14.2.2 Monetary Limitations. Purchaser will have no obligation to indemnify the Bayer Indemnified Persons in respect to Losses arising from the breach of, or inaccuracy in, any representation or warranty pursuant to Section 14.2.1(a) and the breach of any covenant or agreement to be performed prior to the Closing pursuant to Section 14.2.1(b) with respect to

[\*\*\*]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

claims brought after the Closing, unless and until the aggregate amount of all such Losses incurred or suffered by the Bayer Indemnified Persons exceeds the Indemnity Basket (at which point Purchaser will indemnify the Bayer Indemnified Persons for all such Losses exceeding the Indemnity Basket). Further, Purchaser's aggregate liability in respect of claims for indemnification arising from the breach of, or inaccuracy in, any representation or warranty pursuant to Section 14.2.1(a) and claims brought after the Closing arising from the breach of any covenant or agreement to be performed prior to the Closing pursuant to Section 14.2.1(b) will not exceed the Maximum Indemnity Cap; provided, however, that the foregoing limitations will not apply to [\*\*\*].

14.3 Time for Claims. All representations and warranties and all covenants, to the extent required to be performed prior to the Closing, set forth herein will survive the Closing for the time period set forth below, provided, however, that no claim may be made or suit instituted seeking indemnification pursuant to Section 14.1.1(a) or 14.2.1(a) of this Agreement or with respect to breach of covenants or agreements to be performed prior to the Closing pursuant to Sections 14.1.1(b) or 14.2.1(b) of this Agreement, unless the claiming party provides notice as specified in Section 16.1 within the following time periods:

(a) at any time, in the case of any breach of, or inaccuracy in, the representations and warranties set forth in Sections 7.1 (Organization), 7.2 (Power and Authorization), 7.4(e) (Breach of Organizational Documents), 7.8 (Assets), 7.11 (Intellectual Property), 7.22 (No Brokers), 8.1 (Organization), 8.2 (Power and Authorization), 8.4(d) (Breach of Organizational Documents) or 8.5 (No Brokers);

(b) at any time, in the case of any claim or suit based upon fraud or intentional misrepresentation;

(c) at any time prior to the sixtieth (60th) calendar day after the expiration of the applicable statute of limitations (taking into account any tolling periods and other extensions) in the case of any breach of, or inaccuracy in, the representations and warranties set forth in Section 7.17 (Tax Matters);

(d) at any time prior to the conclusion of the day that is three (3) months after delivery of Transferred Inventory in the case of breach of, or inaccuracy in, the representation and warranty in Section 7.6; and

(e) at any time prior to the conclusion of the day that is six (6) months after the Closing Date, in the case of any breach of, or inaccuracy in, any other representation and warranty in this Agreement or breach of any covenant, to the extent required to be performed prior to the Closing Date (other than covenants relating to Taxes, which are not subject to the limitations of this Section 14.3).

Claims for indemnification not specified with a time limitation in Section 14.3 are not subject to the limitations set forth in Section 14.3 and shall be governed by the applicable statute of limitations. No claim for Loss by Purchaser shall be deemed to have survived, and shall be

[\*\*\*]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

deemed waived, if written notice has not been provided to Bayer within six (6) months of actual knowledge of such Loss by the Purchaser individuals set forth on Schedule 14.3A. No claim for Loss by Bayer shall be deemed to have survived, and shall be deemed waived, if written notice has not been provided to Purchaser within six (6) months of actual knowledge of such Loss by the Bayer individuals set forth on Schedule 14.3B.

For avoidance of doubt, claims will be deemed to have been made within the survival period if a reasonably complete description of the claim based upon the facts available at the time is presented by the party seeking indemnification to the Indemnifying Party within the specified time period herein.

#### 14.4 Third Party Claims.

14.4.1 Notice of Claim. If any third party notifies an Indemnified Party with respect to any matter (a “Third Party Claim”) that may give rise to an Indemnity Claim against an Indemnifying Party under this Section 14, then the Indemnified Party will promptly give written notice to the Indemnifying Party; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party will relieve the Indemnifying Party from any obligation under this Section 14, except to the extent such delay actually and materially prejudices the Indemnifying Party.

14.4.2 Assumption of Defense, etc. The Indemnifying Party will be entitled to participate in the defense of any Third Party Claim (including a claim for Taxes) that is the subject of a notice given by the Indemnified Party pursuant to Section 14.4.1. In addition, the Indemnifying Party will have the right to defend the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as (a) the Indemnifying Party gives written notice to the Indemnified Party within fifteen (15) calendar days after the Indemnified Party has given notice of the Third Party Claim that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety of any and all Losses the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim; (b) the Third Party Claim involves only money damages and does not seek an injunction or other equitable relief against the Indemnified Party; (c) the Indemnified Party has not been advised by counsel that an actual or potential conflict exists between the Indemnified Party and the Indemnifying Party in connection with the defense of the Third Party Claim; (d) the Third Party Claim does not relate to or otherwise arise in connection with Taxes or any criminal or regulatory enforcement Action; (e) settlement of an adverse judgment with respect to or the Indemnifying Party’s conduct of the defense of the Third Party Claim is not, in the good faith judgment of the Indemnified Party, reasonably likely to be materially adverse to the Indemnified Party’s reputation or continuing business interests (including its relationships with current or potential customers, suppliers or other parties material to the conduct of its business); and (f) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently. The Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim; provided, however, that the Indemnifying Party will pay the fees and expenses of separate co-counsel retained by the Indemnified Party that are incurred prior to Indemnifying Party’s assumption of control of the defense of the Third Party Claim.

14.4.3 Limitations on Indemnifying Party. The Indemnifying Party will not consent to the entry of any judgment or enter into any compromise or settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party unless such judgment, compromise or settlement (a) provides for the payment by the Indemnifying Party of money as sole relief for the claimant; (b) results in the full and general release of the Purchaser Indemnified Persons or Bayer Indemnified Persons, as applicable, from all liabilities arising or relating to, or in connection with, the Third Party Claim; and (c) involves no finding or admission of any violation of Legal Requirements or the rights of any Person and no effect on any other claims that may be made against the Indemnified Party. Notwithstanding any provision to the contrary in Section 14.4.2 and 14.4.3, Bayer shall have the full and unrestricted right to defend, with counsel of its own choosing, any Action and negotiate and settle any Action initiated against it by any Governmental Authority which may in Bayer's judgment, exercised in good faith, materially affect operations and activities of Bayer beyond the Business, even though such defense or settlement may or will also affect the Business, provided, however, that, if permitted by applicable Legal Requirements, Bayer notifies Purchaser of any such Action, keeps Purchaser apprised of material developments with respect to such Action and consults with Purchaser regarding such Action from time to time and nothing in this sentence excuses Bayer from performing its obligations under this Agreement or under the Ancillary Agreements.

14.4.4 Indemnified Party's Control. If the Indemnifying Party does not deliver the notice contemplated by clause (a) of Section 14.4.2 within fifteen (15) calendar days after the Indemnified Party has given notice of the Third Party Claim, or otherwise at any time fails to conduct the defense of the Third Party Claim actively and diligently, the Indemnified Party may defend and may consent to the entry of any judgment or enter into any compromise or settlement with respect to, the Third Party Claim in any manner it may deem appropriate (and the Indemnified Party need not consult with, or obtain any consent from, the Indemnifying Party in connection therewith). If such notice is given on a timely basis and the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently but any of the other conditions in Section 14.4.2 is or becomes unsatisfied, the Indemnified Party may defend, and may consent to the entry of any judgment or enter into any compromise or settlement with respect to, the Third Party Claim; provided, however, that the Indemnifying Party will not be bound by the entry of any such judgment consented to, or any such compromise or settlement effected, without its prior written consent (which consent will not be unreasonably withheld or delayed). In the event that the Indemnified Party conducts the defense of the Third Party Claim pursuant to this Section 14.4.4, the Indemnifying Party will (a) advance the Indemnified Party promptly and periodically for the costs of defending against the Third Party Claim (including reasonable attorneys' fees and expenses) and (b) remain responsible for any and all other Losses that the Indemnified Party may incur or suffer resulting from, arising out of, relating to, in the nature of or caused by the Third Party Claim to the fullest extent provided in this Section 14.

14.4.5 Consent to Jurisdiction Regarding Third Party Claim. Purchaser and Bayer, each in its capacity as an Indemnifying Party, hereby consents to the non-exclusive jurisdiction of any court in which any Third Party Claim may be brought against any Indemnified Party for purposes of any claim which such Indemnified Party may have against such Indemnifying Party pursuant to this Agreement in connection with such Third Party Claim,



and in furtherance thereof, the provisions of Section 16.12 are incorporated herein by reference, mutatis mutandis.

14.5 Remedies Cumulative. The rights of each Purchaser Indemnified Person and Bayer Indemnified Person under this Section 14 are cumulative, and each Purchaser Indemnified Person and Bayer Indemnified Person, as the case may be, will have the right in any particular circumstance, in its sole discretion, to enforce any provision of this Section 14 without regard to the availability of a remedy under any other provision of this Section 14. However, in no event shall either party be entitled to recover the same Loss more than once.

14.6 Exclusive Remedy. FROM AND AFTER THE CLOSING, AND EXCEPT AS SET FORTH IN SECTION 16.13, THE INDEMNIFICATION PROVISIONS PROVIDED IN THIS SECTION 14 SHALL BE THE SOLE AND EXCLUSIVE REMEDIES OF THE PARTIES FOR RESOLUTION OF THE MATTERS SPECIFIED IN SECTIONS 14.1.1 AND 14.2.1, EXCEPT FOR INDEMNIFICATION RELATED TO A PARTY'S (A) FRAUD OR (B) CRIMINAL ACTS.

14.7 Limitation of Liability. NO PARTY SHALL BE LIABLE TO ANY OTHER PARTY FOR ANY CLAIMS FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, BUSINESS INTERRUPTION, EXEMPLARY OR INDIRECT DAMAGES, OR LOST PROFITS ARISING UNDER STATUTE, IN TORT, CONTRACT OR OTHERWISE. THE FOREGOING LIMITATION WILL NOT APPLY TO LIMIT ANY PARTY'S LIABILITY WITH RESPECT TO (A) A THIRD PARTY CLAIM, (B) FRAUD OR (C) CRIMINAL ACTS.

14.8 Insurance. Each of Bayer and Purchaser shall maintain, at its sole cost and expense, general liability insurance, including product liability coverage, with bodily injury, death and property damage limits, in such amounts and with such scope of coverage as is consistent with drug industry standards. Each of Bayer and Purchaser shall have its insurance carrier furnish to the other party certificates stating that all insurance required under this Agreement is in force. Such certificates shall indicate any deductible and self-insured retention and the effective expiration dates of the policies. All certificates are to stipulate that the other party shall be given thirty (30) days written notice of all cancellation, non-renewal or material changes in policy. Each of Bayer and Purchaser shall be named as an additional insured on all insurance policies obtained by the other party in accordance with this Section 14.8. Each of Bayer and Purchaser also agrees to waive and will use its commercially reasonable efforts to require its insurers to waive all rights of subrogation against each other's Affiliates and Representatives on all of the foregoing coverages.

14.9 Insurance Recoveries. If an Indemnified Party has acquired insurance in compliance with Section 14.8 or otherwise, and such coverage is available to offset Losses incurred or suffered by such Indemnified Party, such Indemnified Party shall not be entitled to indemnification from the Indemnifying Party for such Losses under Section 14 to the extent such Indemnified Party has actually received cash payments from such insurers, net of any reasonably expected increase in premiums resulting therefrom. In each such instance, the Indemnified Party shall use its commercially reasonable efforts to recover for some or all of such Losses under applicable insurance policies.

14.10 Disclaimer. EACH PARTY MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, OTHER THAN THOSE EXPRESSLY MADE IN THIS AGREEMENT. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE HEREBY DISCLAIMED.

## 15. TAX MATTERS

15.1 Certain Taxes and Fees. All transfer, documentary, sales, use, stamp, registration, excise and other similar Taxes (but excluding income Taxes), and any conveyance fees or recording charges incurred in connection with the Contemplated Transactions, will be borne by Purchaser.

15.2 Tax Record Retention; Cooperation on Tax Matters. Each of Purchaser, Bayer and their respective Affiliates will retain all Tax records relating to the Bayer Business or the Acquired Assets until the expiration of the applicable statute of limitations (including any extensions thereof). Purchaser, Bayer and their respective Affiliates will cooperate fully, as and to the extent reasonably requested by the other party, in connection with any Tax matters relating to the Bayer Business or the Acquired Assets (including by the provision of reasonably relevant records or information). The party requesting such cooperation will pay the reasonable out-of-pocket expenses of the other party.

### 15.3 Apportionment of Ad Valorem Taxes.

15.3.1 All personal property taxes, and similar ad valorem obligations levied with respect to the Acquired Assets for a taxable period that includes (but does not end on) the Closing Date (collectively, the "Apportioned Taxes") will be apportioned between Bayer and Purchaser (or, as appropriate, their respective Affiliates) based on the number of days of the taxable period prior to the Closing Date and the number of days in the full taxable period. Bayer, or, as appropriate, its Affiliates, will be liable for the proportionate amount of Apportioned Taxes attributable to days before or on the Closing Date and Purchaser, or, as appropriate, its Affiliates, will be liable for the proportionate amount attributable to days after the Closing Date.

15.3.2 Apportioned Taxes will be timely paid, and all applicable filings, reports and returns will be filed as provided by applicable Legal Requirements. The paying party will be entitled to reimbursement from the non-paying party in accordance with Section 15.3.1. Upon payment of Apportioned Taxes, the paying party will present a statement to the non-paying party setting forth the amount of the reimbursement to which the paying party is entitled hereunder together with such supporting evidence as is reasonably necessary to calculate the amount to be reimbursed. The non-paying party will reimburse the paying party no later than sixty (60) Business Days after the presentation of the statement. Any payment not made within that time will bear interest from the payment due date until, but excluding, the date of the payment at an annual rate equal to the Prime Rate as published in The Wall Street Journal, East Coast Edition, in effect from time to time during the applicable period. Such interest will be payable at the same time as the payment to which it relates and will be calculated daily on the basis of a year of 365 days without compounding.

15.4 Assignment of Agreement. The parties agree that if a party's assignment of this Agreement or any of its rights, interests or obligations hereunder (or any other designation of another person to perform any payment obligation of the party) creates any additional Tax obligations or Tax Liabilities for the non-assigning party or its Affiliates (including any new or increased Tax withholding obligation by the assigning party or any of its Affiliates on payments made under this Agreement), the assigning party will reimburse the non-assigning party or its Affiliates for any such additional Tax obligations or Liabilities created by the assignment, and shall gross-up the non-assigning party or its Affiliate for additional Taxes resulting from reimbursements, until the non-assigning party or its Affiliates is made whole. In the case of a new or increased Tax withholding obligation, the assigning party shall pay to the non-assigning party or its Affiliate the full amount of the payment that would have been due prior to the new or increased withholding obligation, and the assigning party shall nevertheless be responsible to withhold and pay the amount to required by applicable Legal Requirements to the appropriate Governmental Authority. The reimbursement, gross-up and payment obligations pursuant to this Section 15.4 will be reduced by any Tax benefit actually received by the non-assigning party or its Affiliates (whether in the year of payment or a future period).

## 16. MISCELLANEOUS

16.1 Notices. All notices, requests, demands, claims and other communications required or permitted to be delivered, given or otherwise provided under this Agreement must be in writing and must be delivered, given or otherwise provided:

- (a) by hand (in which case, it will be effective upon delivery);
- (b) by facsimile (in which case, it will be effective upon receipt of confirmation of good transmission); or
- (c) by overnight delivery by a nationally recognized courier service (in which case, it will be effective on the Business Day after being deposited with such courier service);

in each case, to the address (or facsimile number) listed below:

•If to Bayer, to it at:

Bayer Pharma AG  
Berlin 13342 Germany

Telephone number: +49 30 468 192922

Facsimile number: +49 30 468 192172

Attention: President and Chairman of the Board of  
Management

•with a copy to:

Bayer Pharma AG  
Berlin 13342 Germany

Telephone number: +49 30-468-16924  
Facsimile number: +49 30 468 96924  
Attention: General Counsel

•with a copy to:

Fulbright & Jaworski L.L.P.  
801 Pennsylvania Avenue, NW  
Washington, DC 20004

Telephone number: 202-662-0200  
Facsimile number: 202-662-4643  
Attention: Marilyn Mooney, Esq.

•If to Purchaser, to it at:

Spectrum Pharmaceuticals, Inc.  
11500 South Eastern Ave. Suite 240  
Henderson, NV 89052

Telephone number: (702) 835-6300  
Facsimile number: (702) 260-7405  
Attention: Legal Department

•with a copy to:

Stradling Yocca Carlson & Rauth  
660, Newport Center Dr, Suite 1600  
Newport Beach, CA 92660

Telephone number: (949) 725-4000  
Facsimile number: (949) 725-4100  
Attention: Shivbir S. Grewal, Esq.

Each of the parties to this Agreement may specify different address or facsimile number by giving notice in accordance with this Section 16.1 to each of the other parties hereto.

16.2 Succession and Assignment. Subject to the subsections below, this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, each of which such successors and permitted assigns will be deemed to be a party hereto for all purposes hereof.

(a) No party may assign, delegate or otherwise transfer either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other parties.

(b) Notwithstanding subsection (a), each party, upon providing the other parties written notice, may, without the consent of the other parties, (i) assign, license, or sublicense any or all of its rights and interests hereunder to one or more of its Affiliates and/or

designate one or more of its Affiliates to be a purchaser of some or all of the Acquired Assets, an assumer of some or all of the Assumed Liabilities, or licensee or sublicensee of some or all of the Licensed IP; (ii) designate one or more of its Affiliates to perform its obligations hereunder, in each case, so long as the assigning, licensing, or sublicensing party is not relieved of any Liability hereunder and so long as any such Affiliate remains such party's Affiliate; provided, however, that such Affiliate assignee(s), licensee(s), or sublicensee(s) provide the other parties with written acknowledgement of and agreement to the assigning, licensing, or sublicensing party's obligations under the Agreement that were assigned, licensed, or sublicensed to it.

(c) Notwithstanding subsection (a), each party (or its permitted successive assignees or transferees hereunder), upon providing the other parties prior written notice, may, without the consent of the other parties, assign or transfer this Agreement as a whole to an entity that succeeds to all or substantially all of the business or assets of such party or, in the case of Purchaser, substantially all of the Licensed Products, in each case, so long as the assigning party is not relieved of any Liability hereunder and such assignment is a Qualified Assignment.

(d) For the purposes of this Agreement, a "Qualified Assignment" means any transaction that:

(i) is made in compliance with applicable Legal Requirements, including securities, tax and corporation laws;

(ii) includes the assignee's written acknowledgement of and agreement to all of the assigning party's obligations under this Agreement;

(iii) is made to an assignee that is, and will be after giving effect to the relevant assignment, Solvent;

(iv) is made to an assignee that is not subject at the time of such assignment to any order, decree or petition providing for (A) the winding-up or liquidation of such Person, (B) the appointment of a receiver over the whole or part of the assets of such Person or (C) the bankruptcy or administration of such Person;

(v) is not a voidable fraudulent conveyance; and

(vi) has been made in compliance with Section 15.4.

(e) Notwithstanding subsections (d)(i) through (v) above, each party may at any time assign its rights, interests and obligations provided for hereunder to any Person (i) by merger or (ii) with the prior written consent of the other parties.

(f) For purposes of this Section 16.2, "Solvent" means, with respect to any Person as on any date of determination, that as of such date (i) the value of the assets of such Person is greater than the total amount of liabilities (including contingent and unliquidated liabilities) of such Person, (ii) such Person is able to pay all liabilities of such Person as such liabilities mature and (iii) such Person does not have unreasonably small capital. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities shall be computed

at the amount that, in light of all the facts and circumstances existing at such time, represent the amount that can reasonably be expected to become an actual or matured liability. In computing the value of the assets of a Person, the value shall be determined in the context of current facts and circumstances affecting such Person.

16.3 Amendments and Waivers. No amendment or waiver of any provision of this Agreement will be valid and binding unless it is in writing and signed, in the case of an amendment, by each party hereto, or in the case of a waiver, by the party against whom the waiver is to be effective. No waiver by any party of any breach or violation or default under or inaccuracy in any representation, warranty, agreement or covenant hereunder, whether intentional or not, will be deemed to extend to any prior or subsequent breach, violation, default of, or inaccuracy in, any such representation, warranty, agreement or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence. No delay or omission on the part of any party in exercising any right, power or remedy under this Agreement will operate as a waiver thereof.

16.4 Entire Agreement. This Agreement, together with the other Ancillary Agreements and any documents, instruments and certificates explicitly referred to herein, constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes any and all prior discussions, negotiations, proposals, undertakings, understandings and agreements, whether written or oral, with respect thereto.

16.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute but one and the same instrument. This Agreement will become effective when duly executed by each party hereto.

16.6 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. In the event that any provision hereof would, under applicable Legal Requirements, be invalid or unenforceable in any respect, each party hereto intends that such provision will be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable Legal Requirements.

16.7 Headings. The headings contained in this Agreement are for convenience purposes only and will not in any way affect the meaning or interpretation hereof.

16.8 Construction. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. The parties intend that each representation, warranty and covenant contained herein will have independent significance. If any party has breached or violated, or if there is an inaccuracy in, any representation, warranty, agreement or covenant contained herein in any respect, the fact that there exists

another representation, warranty, agreement or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the party has not breached or violated, or in respect of which there is not an inaccuracy, will not detract from or mitigate the fact that the party has breached or violated, or there is an inaccuracy in, the first representation, warranty, agreement or covenant. Provisions in this Agreement relating to jurisdiction, venue, governing law or other aspects of dispute resolution that expressly refer to the negotiation or performance of this Agreement are not intended to alter the application of principles under New York law relating to the construction or interpretation of contracts.

16.9 Governing Law. Except as otherwise expressly provided for in this Agreement, this Agreement, the rights of the parties and all Actions arising in whole or in part under or in connection with this Agreement or the negotiation or performance hereof will be governed by and construed in accordance with the domestic substantive laws of the State of New York, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

#### 16.10 Dispute Resolution.

16.10.1 Prior to initiating arbitration, Purchaser and Bayer will negotiate in good faith to resolve, pursuant to the procedures described in Section 16.10.2, any dispute, controversy, difference or Action asserted by a Bayer Indemnified Person against Purchaser or by a Purchaser Indemnified Person against Bayer arising out of or related to this Agreement or the negotiation or performance hereof (a "Claim"), including any Claim for indemnification pursuant to Section 14 hereof, but excluding any Claim for indemnification between the parties governed by Section 14.4.5. Notwithstanding the foregoing, either party may apply to any court having jurisdiction pursuant to Section 16.12 without negotiating to resolve the Claim pursuant to Section 16.10.2 with respect to any Action seeking preliminary or emergency injunctive relief in accordance with Section 16.11.11 or any Action seeking equitable relief to enforce Section 9.6 or as contemplated by Section 16.13.

16.10.2 Bayer or Purchaser may give the other party written notice of a Claim not resolved in the normal course of business ("Notice of Dispute"). Within ten (10) Business Days after delivery of such Notice of Dispute, executives of Bayer and Purchaser who have authority to settle the Claim shall agree to meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to such parties. If the Claim has not been resolved within thirty (30) days of the first meeting of such executives (or, if the parties are unable to mutually agree upon an acceptable time and place to meet, within thirty (30) days of the disputing party's Notice of Dispute), Purchaser or Bayer may, by notice to the other party ("Dispute Escalation Notice"), refer the Claim to the respective officers of the parties designated below.

For Bayer: President and Chairman of the Board of Management

For Purchaser: Chief Executive Officer

Such officers shall negotiate in good faith to resolve the Claim in a manner satisfactory to Purchaser and Bayer within thirty (30) days of the Dispute Escalation Notice. In the event the Claim is not resolved within such thirty (30) day period, either party may initiate arbitration pursuant to Section 16.11.

#### 16.11 Arbitration.

16.11.1 Subject to Sections 16.10.1 and 16.10.2, any Claim required pursuant to Section 16.10.1 to be negotiated pursuant to Section 16.10.2, or any other claim or dispute that the parties agree in writing to arbitrate, shall be settled by arbitration administered by the American Arbitration Association in accordance with the then current Commercial Rules of the American Arbitration Association including the Procedures for Large, Complex Commercial Disputes (including the Optional Rules for Emergency Measures of Protection) (“AAA Rules”), except that any such arbitration must be conducted in accordance with the remainder of this Section 16.11. Except as expressly limited by Section 16.11.7, the arbitrators shall have the authority to grant any equitable and legal remedies that would be available in any judicial proceeding instituted to resolve a disputed matter.

16.11.2 Number and Selection of Arbitrators. The number of arbitrators shall be three (3), who shall be selected as follows: each of Bayer, on the one hand, and Purchaser on the other hand, shall choose one (1) arbitrator within ten (10) Business Days of either initiating or receiving notice of an arbitration (as the case may be), and those party-appointed arbitrators shall unanimously select one (1) chairman arbitrator within ten (10) Business Days of the appointment of the last party-appointed arbitrator, who shall be a lawyer admitted to practice for at least fifteen (15) years, and who is experienced with disputes in asset purchase agreements and Intellectual Property licenses in the pharmaceutical field transactions (“Qualifications”). If the party-appointed arbitrators are unable to agree upon the selection of the third arbitrator within ten (10) Business Days of the appointment of the last party appointed arbitrator, such chairman arbitrator shall be selected by the AAA within ten (10) Business Days and shall have Qualifications.

16.11.3 Place and Language of Arbitration. The place of arbitration shall be New York, New York, at a suitable venue to be agreed by the parties and arbitrators within twenty (20) Business Days of the appointment of the chairman arbitrator. The proceedings shall be conducted in the English language.

16.11.4 Binding Decision. The decision and award of the arbitral tribunal shall be made by majority decision and shall be final, nonappealable and binding on the parties hereto and their successors and assigns. The arbitral award shall be accompanied by a reasoned opinion.

16.11.5 Allocation of Costs. The decision and award of the arbitral tribunal shall include a decision regarding the allocation of costs relating to any such arbitration. For purposes of this subsection, “costs” shall include reasonable attorneys’ fees and reasonable experts’ fees actually incurred with respect to the arbitration proceeding.



16.11.6 Interest. The arbitral award may include both pre-and post-award interest, at a rate to be determined by the arbitral tribunal.

16.11.7 Limitation of Damages. The arbitral tribunal shall be empowered to award damages only to the extent of actual damages suffered, and only to the extent consistent with Section 14.7.

16.11.8 Period for Arbitration.

(a) The arbitration shall be completed no later than one (1) year after the selection of the chairman arbitrator, unless the chairman arbitrator determines, at the request of any party or on his or her own initiative, that such time period should be extended, in which case such time period may not be extended beyond an additional six (6) months.

(b) Notwithstanding any provision of the AAA Rules: (i) each of Purchaser and Bayer shall be permitted to serve up to twenty (20) interrogatories, and to take at least five (5) depositions of the other party, in addition to exchange of documents, exhibits and information as provided for in the AAA Rules, on dates and locations to be mutually agreed upon (or, failing such agreement, as the chairman arbitrator shall select after hearing from the parties); (ii) any documents not in English that are produced by a party shall be accompanied by a translation into English, which translation shall not be binding upon the other party or the arbitrators; (iii) each of Purchaser and Bayer covenant and agree that it shall produce documents, information, and deposition and hearing witnesses, as required by this Section 16.11.8 and as otherwise required by the AAA Rules; and (iv) subpoenas to non-parties, for production of documents and/or for testimony, shall be issued at the request of a party, up to ten (10) subpoenas per party. The parties will make their respective employees, and will use commercially reasonable efforts to make their former employees, available for depositions and hearing testimony as requested by the other parties.

16.11.9 Enforcement of Judgment. Judgment on the arbitral award may be entered in any court having jurisdiction thereof.

16.11.10 Confidentiality. Except as required by Legal Requirements or as required for recognition and enforcement of the arbitral decision and award, neither a party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of the parties. Any documents submitted to the arbitrators shall be kept confidential and shall not be disclosed, except that any such documents may be disclosed in connection with any Action to collect the award, or if any such documents are discoverable or admissible in any Action in court contemplated by this Agreement.

16.11.11 Enforcement; Interim Measures; Equitable Relief. Notwithstanding the provisions of Section 16.11, each party may apply to any court having jurisdiction pursuant to Section 16.12.1 (a) to enforce the arbitration provisions of this Agreement, (b) to seek provisional injunctive relief so as to maintain the status quo (including, but not limited to, maintaining the confidentiality of any arbitration proceedings and non-public information) until the final arbitration award is rendered and is finally judicially confirmed if challenged judicially,

or the dispute is otherwise resolved, or (c) to seek equitable relief to enforce Section 9.6 or as contemplated by Section 16.13.

16.12 Jurisdiction; Venue; Service of Process.

16.12.1 Jurisdiction. Subject to the provisions of Sections 14.4.5, 16.10.1, 16.11 and 16.13, each party to this Agreement, by its execution hereof, unless otherwise prohibited by applicable Legal Requirements (a) hereby irrevocably submits to the exclusive jurisdiction of the state courts of the State of New York in the Borough of Manhattan and to the United States District Court for the Southern District of New York for the purpose of any Action between the parties arising in whole or in part under or in connection with this Agreement or the negotiation or performance hereof, (b) hereby waives and agrees not to assert, by way of motion, as a defense or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that any such Action brought in one of the above-named courts should be dismissed on grounds of *forum non conveniens*, should be transferred or removed to any court other than one of the above-named courts, or should be stayed by reason of the pendency of some other proceeding in any court other than one of the above-named courts, or that this Agreement or the subject matter hereof may not be enforced in or by such court and (c) to the extent that an Action can be commenced in a court and not an arbitration, agrees not to commence any such Action in any court other than before one of the above-named courts. Notwithstanding the previous sentence, a party may commence any Action in a court other than the above-named courts (i) for the purpose of enforcing an order or judgment issued by one of the above-named courts and (ii) for the purposes of asserting a cross-claim, counterclaim, third party action or similar forms of action for indemnification under this Agreement in any Action commenced by the other parties (subject to this Section 16.12.1), by any third party, or by any Governmental Authority.

16.12.2 Venue. Each party waives any claim and will not assert that venue should properly lie in any other location within the selected jurisdiction.

16.12.3 Service of Process. Each party hereby (a) consents to service of process in and commencement of any arbitration as permitted under the AAA Rules; (b) consents to service of process in any Action between the parties arising in whole or in part under or in connection with this Agreement in any manner permitted by New York law, (c) agrees that service of process made in accordance with clause (a) or (b) or made pursuant to Section 16.1, will constitute good and valid service of process in any Action and (d) waives and agrees not to assert (by way of motion, as a defense, or otherwise) in any Action any claim that service of process made in accordance with clause (a), (b) or (c) does not constitute good and valid service of process.

16.13 Specific Performance. Each of the parties acknowledges and agrees that the other parties would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached or violated. Accordingly, each of the parties agrees that, without posting a bond or other undertaking, the other parties may seek an injunction or injunctions to prevent breaches or violations of the provisions of this Agreement and to enforce specifically this Agreement

and the terms and provisions hereof in any Action instituted in any court specified in Section 16.12.1 or in an arbitration proceeding pursuant to Section 16.11. An Action for specific performance as provided herein shall not preclude a party from pursuing any other remedy to which such party may be entitled, at law or in equity, in accordance with the terms of this Agreement. Each party further agrees that, in the event of any Action for specific performance in respect of such breach or violation, it will not assert that the defense that a remedy at law would be adequate provided, however, each party also agrees that any party can assert any other defense it may have other than the defense of adequate remedy at law. The provisions of this Section 16.13 shall not apply to any Action based upon any Section of this Agreement where the remedy sought is the payment of money.

**16.14 Waiver of Jury Trial. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, THE PARTIES HEREBY WAIVE, AND COVENANT THAT THEY WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING IN WHOLE OR IN PART UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE NEGOTIATION OR PERFORMANCE HEREOF OR ANY OF THE CONTEMPLATED TRANSACTIONS, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE ITS RIGHT TO TRIAL BY JURY IN ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR ANY OF THE CONTEMPLATED TRANSACTIONS AND THAT ANY SUCH TRIAL WILL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.**

16.15 Certain Rules of Construction. Except as otherwise explicitly specified to the contrary, (a) references to a Section, Exhibit or Schedule means a Section of, or Schedule or Exhibit to, this Agreement, unless another agreement is specified, (b) the word “including” will be construed as “including without limitation,” (c) references to a particular statute or regulation include all rules and regulations thereunder and any predecessor or successor statute, rules or regulation, in each case as amended or otherwise modified from time to time, (d) words in the singular or plural form include the plural and singular form, respectively, (e) references to a particular Person include such Person’s successors and assigns to the extent not prohibited by this Agreement and (f) the words “shall” and “will” will have the same meaning.

16.16 Third Party Beneficiaries. Except as specifically provided herein, all rights, benefits and remedies under this Agreement are solely intended for the benefit of Purchaser and Bayer, and no third party shall have any rights whatsoever to (i) enforce any obligation contained in this Agreement; (ii) seek a benefit or remedy for any breach of this Agreement; or (iii) take any other action relating to this Agreement under any legal theory, including but

not limited to, actions in contract, tort (including but not limited to negligence, gross negligence and strict liability), or as a defense, setoff or counterclaim to any action or claim brought or made by the parties.

*[Remainder of Page is Intentionally Blank.]*

IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement as of the date first above written.

**BAYER PHARMA AG**

By: /s/ E. Gardyan-Eisenlohr  
Name: E. Gardyan-Eisenlohr  
Title: General Counsel

By: /s/ Andreas Fibig

Name: Andreas Fibig  
Title: President & Chairman of the  
Board of Management

**SPECTRUM**

**PHARMACEUTICALS CAYMAN, L.P.**

By: /s/ Rajesh C. Shrotiya  
Name: Rajesh C. Shrotiya, M.D.  
Title: Chief Executive Officer and  
President

Exhibits and schedules to this agreement which do not contain information material to an investment decision or to understanding the terms of this agreement, and which are not otherwise required to be disclosed at this time, have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant undertakes to furnish supplemental copies of any of the omitted exhibits or schedules upon request of the Securities and Exchange Commission.

## **Schedule 4.1**

### **Purchase Price**

Nineteen Million Euros (€ 19,000,000)

## Schedule 4.3.1

### Royalty Payments

#### Royalty Rate

[\*\*\*] of Net Sales provided that the royalty rate on Net Sales in countries where Bayer had no prior sales, including but not limited to [\*\*\*], shall be the royalty rate payable to [\*\*\*] under the [\*\*\*] as then in effect, but in no event in excess of [\*\*\*].

#### Royalty Term

Purchaser shall pay royalties hereunder with respect to Net Sales in each country in the Licensed Territory through the expiration of the last-to-expire Valid and Enforceable Patent covering the marketing and sale of the License Product in the relevant country or fifteen (15) years from the date of first commercial sale of the Licensed Product in such country, whichever is longer. For avoidance of doubt, no royalty shall be payable for sales in the United States of America and the date of first commercial sale of the Licensed Product in a country shall be the date on which the Licensed Product was first deemed sold for purposes of the [\*\*\*].

Terms not otherwise defined in this Schedule 4.3.1 shall be as defined in the [\*\*\*].

[\*\*\*]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

## EXHIBIT A

### TRANSITION SERVICES AGREEMENT

This Transition Services Agreement is made and entered into as of April 1, 2012 (this "Agreement"), by and among Bayer Pharma AG ("Bayer") and such Affiliates of Bayer as listed on Exhibit A as may hereafter execute Exhibit B which is attached hereto, and Spectrum Pharmaceuticals Cayman, L.P., a Cayman Islands Exempted Limited Partnership ("Spectrum") and such Affiliates of Spectrum as listed on Exhibit A as may hereafter execute Exhibit B which is attached hereto. This Agreement shall be effective as of the Closing Date under the License and Asset Purchase Agreement entered into by Bayer and Spectrum as of January 23, 2012 (the "License Agreement"). Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the License Agreement. Bayer and Spectrum and their Affiliates that execute Exhibit B are sometimes referred to herein collectively as the "Parties," and individually each of Bayer and Spectrum or their Affiliates that execute Exhibit B may be referred to herein as a "Party."

#### WITNESSETH:

**WHEREAS**, Bayer is engaged in the manufacture and distribution of certain drug products ("Products") within and as part of its overall healthcare business;

**WHEREAS**, Bayer and Spectrum have entered into the License Agreement, which concerns the license of certain technologies and the sale of certain related assets in its Bayer Business to Spectrum;

**WHEREAS**, it is intended that each Bayer Affiliate and Spectrum Affiliate listed on Exhibit A shall become a party to this Agreement and that until that occurs Bayer and Spectrum shall provide certain guarantees as set out in Section 3.34; and

**WHEREAS**, in order to assist Spectrum in its efforts to fully utilize the licenses and the acquired assets as they were utilized on the date of execution of the License Agreement and in order to assist Spectrum in its efforts to effect an orderly transition of these licenses and assets into Spectrum's other business lines, Bayer has agreed to provide or cause to be provided to Spectrum, for the consideration specified herein, the services described herein, beginning on the date hereof and continuing for the periods of time set forth herein.

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties agree, intending to be legally bound, as follows:

#### ARTICLE I. SERVICES TO BE PROVIDED

1.1 Services to be Provided. From the Closing Date until [\*\*\*] after the Closing

[\*\*\*]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.



Date, Bayer shall make available to Spectrum all services that have historically been provided by Bayer or an Affiliate (including, subject to Section 3.32(b), through the use of suppliers, contractors and subcontractors) to its Bayer Business to the extent such services can be provided in accordance with all applicable Legal Requirements and without violation of any contracts Bayer may have with third parties (collectively “Services”); *provided, however*, that Services shall not include any service required to be provided to Spectrum under another Ancillary Agreement or any promotional services. Such Services are set forth at Schedule 1.1. Whether or not Spectrum uses the entire package of Services offered by Bayer as described above shall have no effect on the price to be paid for such Services until [\*\*\*] after the Closing Date.

1.2 Compensation for Services. Spectrum shall pay to Bayer [\*\*\*], payable in [\*\*\*] on or before the [\*\*\*] after the Closing Date as compensation for the Services. In addition, [\*\*\*] as indicated in [\*\*\*], a [\*\*\*] will be invoiced to Spectrum [\*\*\*] upon receipt of invoice. Such invoice will also contain the cost of any radioactive component and its associated delivery cost where delivered by a Bayer affiliate to customers of Product. Costs of [\*\*\*] will be additionally charged to Spectrum without markup if, despite [\*\*\*] to Spectrum, Bayer incurs charges for services rendered, or has a contractual installment obligation, after the Closing Date. In the event a Spectrum Affiliate pays a local Bayer Affiliate in local currency for any Services, then Bayer shall promptly repay to Spectrum in dollars such amount based on exchange rates set forth in Section 4.3.4 of the License Agreement and in effect, as applicable, as of the [\*\*\*] after the Closing Date.

## **ARTICLE II. ADDITIONAL SERVICES**

### 2.1 Additional Services.

(a) Subject to the terms and conditions of this Agreement, between the Execution Date and sixty (60) days after the Closing Date, Spectrum and Bayer will negotiate in good faith to determine what Services Spectrum desires to be extended beyond [\*\*\*] after the Closing Date to a date no more than [\*\*\*] after the Closing Date to ensure a smooth continuity of the Bayer Business (“Additional Services”). Each Additional Service and the term of each Additional Service will be identified on a Schedule attached hereto as Schedule 2.1 on or before a date sixty (60) days after the Closing Date. Any Additional Services that Spectrum desires to extend beyond [\*\*\*] after the Closing Date are, notwithstanding anything in this Agreement to the contrary, subject to mutual written agreement of Spectrum and Bayer as to the scope and terms of such Additional Services. The term of the Additional Services may vary, but in no case will the term of any Additional Service continue more than [\*\*\*] after the Closing Date except as expressly set forth in the Inventory Agreement with respect to Inventory and unless the Parties hereto agree to such extension.

[\*\*\*]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

(b) Bayer shall provide such Additional Service upon the terms of the Agreement in exchange for a fee determined pursuant to Section 2.2.

Notwithstanding anything to the contrary herein, Bayer shall not be obligated hereunder to perform or fund the creation of all or part of an information technology system for Spectrum or a physical information technology separation of operations related to the licenses and assets.

2.2 Direct Costs. The fees payable for the Additional Services will reflect Bayer's Direct Costs for providing the Additional Services plus [\*\*\*]. To the extent practicable, each invoice for the Additional Services will be broken down by country and nature of the service provided. "Direct Costs" in connection with an Additional Service is defined herein to mean [\*\*\*]. All documented out-of-pocket costs (not taken into account in the prior sentence) incurred in the provision of such Additional Service [\*\*\*]. For avoidance of doubt, Spectrum acknowledges that the Direct Costs for the Additional Services are subject to [\*\*\*], over the term the Additional Services are provided.

### **ARTICLE III. MISCELLANEOUS PROVISIONS APPLICABLE TO SERVICES AND ADDITIONAL SERVICES**

3.1 Audit. Spectrum shall have the right through its Representatives, during business hours, (a) to audit Bayer's and its Affiliates' books and records related to and reasonably necessary to evaluate or verify (i) their provision of the Additional Services, solely as to the invoiced volume of such Additional Services, the payment of which is based on volume, and (ii) any costs incurred in providing those Additional Services for which fees payable to Bayer are based on Bayer's Direct Costs (b) to inspect and copy, at Spectrum's cost, the records that Bayer is required to maintain in accordance with Section 3.3 and underlying source documentation; provided that (x) Spectrum may only exercise the rights in subsections (a) and (b) above once and no more than three years after termination of this Agreement, (y) Spectrum shall provide Bayer at least forty-five (45) days advance written notice of its intent to conduct such audit and inspection, and (z) Spectrum and Bayer shall (and Bayer shall cause any Affiliates to) cooperate as reasonably needed in order to complete any such audit and inspection as promptly as reasonably possible under the circumstances. Any such audit and inspection will be at Spectrum's expense unless it discloses an excess in the payments made by Spectrum of more than [\*\*\*] of the aggregate amount payable during the term of this Agreement, in which case Bayer will bear the cost of such audit.

3.2 Standard of Performance. Unless otherwise agreed by the Parties in writing with respect to an Additional Service, each Service and Additional Service must be provided in a manner substantially equivalent in volume, scope and manner as it was provided to the Bayer Business in the twelve (12) month period immediately preceding the Execution Date, with a level of quality, degree of care and skill, diligence and timeliness that is not materially less than that with which such service had been performed for the normal ongoing operations of the Bayer Business during the twelve-month period immediately preceding the Closing. In connection with its provision of Services or Additional Services, in no event shall Bayer or any of its

[\*\*\*]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

Affiliates be required to (x) make modifications to its existing assets, equipment, rights or properties systems other than in the ordinary course of business, (y) unless funded by Spectrum, acquire additional assets, equipment, rights or properties other than in its ordinary course of business, or (z) hire additional personnel or provide additional training to existing personnel other than in the ordinary course of business other than to replace the personnel that are no longer able to provide services under this Agreement for any reason.

### 3.3 Operational Reporting; Maintenance of Information.

(a) With respect to each Service and Additional Service, Bayer shall provide to Spectrum, on a quarterly basis, copies of the reports, statements, activity summaries, or other forms, in each such case as otherwise used by Bayer or its Affiliates in their normal course of business to document and report on the activity, use of resources, problems encountered, procedural changes and the like related to providing such Service and Additional Service in the preceding quarter (the “Service Reports”). The Service Reports include the reports described on Schedule 3.3 delivered within the applicable timeframe set forth on Schedule 3.3.

(b) Bayer shall provide to Spectrum periodic operating reports with metrics for Additional Services in forms to be mutually agreed upon by the Parties as promptly as reasonably possible after the date hereof or, for each Additional Service implemented after the date hereof, as promptly as reasonably possible after such Additional Services is identified. During the term of this Agreement, Bayer shall maintain complete and accurate records of the Additional Services provided, amounts billed and payments made hereunder. Bayer shall keep copies of all information necessary to verify the accuracy of the invoiced volume of Additional Services, the payment of which is based on volume, and Direct Costs for which Bayer has sought reimbursement hereunder. All such records shall be available for inspection at the location where such records are routinely kept by Bayer in connection with any audit by Spectrum pursuant to Section 3.1.

(c) Notwithstanding anything to the contrary in Section 3.3(a) above, so long as Bayer or its Affiliates are providing sales services under this Agreement, Bayer agrees to provide reports of Net Sales of Licensed Products for accounting purposes on a monthly basis.

3.4 Cooperation. Spectrum shall make available on a timely basis to Bayer and to its employees, representatives, Affiliates and third party providers (collectively, “Representatives”), the information reasonably requested by Bayer to enable Bayer and its Representatives to provide the Services and the Additional Services. Spectrum shall give Bayer and its Representatives reasonable access, during normal business hours and at such other times as are reasonably required and subject to such reasonable restrictions as Spectrum may from time to time prescribe, to Spectrum’s premises to the extent reasonably necessary to enable Bayer and its Representatives to provide the Services and the Additional Services. Bayer shall provide, and shall cause its Affiliates to provide, as appropriate, Spectrum and its Representatives reasonable access, during normal business hours and at such other times as are reasonably required and subject to such reasonable restrictions as Bayer may from time to time prescribe, to Bayer’s Representatives, books, records, offices, and properties directly related to Bayer’s support of the licensed technology and the assets sold to Spectrum and reasonably required to permit Spectrum to develop and provide its own stand-alone services to replace the Services and the Additional Services.

3.5 Payment Terms. Bayer shall submit to Spectrum an invoice setting forth the monthly fees for the Additional Services provided during the preceding calendar month, and any other amounts to which Bayer is entitled to compensation or reimbursement hereunder, together with reasonable supporting detail for any charges included in such invoice. To the extent practicable, each invoice for the Additional Services will be broken down by country and nature of the service provided. The foregoing shall not limit Bayer's right to submit corrective invoices in the event there are unbilled amounts owing for Additional Services, or amounts to which Bayer is entitled to compensation or reimbursement hereunder which were not previously invoiced. Payment of all amounts owed by Spectrum shall be remitted on or before [\*\*\*] days from the date the invoice therefor is received by Spectrum; provided, however, that if Spectrum in good faith disputes the validity or amount of any charge on such invoice, then Spectrum shall (A) promptly provide Bayer with written notice of such disputed item, which notice shall specifically identify the disputed item and explain the reason for such dispute, and (B) remit when due any undisputed amount. In the event of any such dispute, Bayer's and Spectrum's Contract Managers shall promptly discuss and attempt to resolve any differences in good faith. To the extent that agreement is reached within thirty (30) days of such dispute arising, Spectrum shall promptly pay (or Bayer shall promptly refund) such amount, if any, as shall be so agreed, together with interest accruing thereon since the date such payment was due or made, as applicable, [\*\*\*], except to the extent any disputed charges are solely due to the manifest error of Bayer. To the extent no such agreement is reached within such thirty (30) day period, the dispute shall be resolved in accordance with Section 3.25 hereof. No such dispute shall affect the obligation of Bayer to continue to provide or cause to be provided the Additional Services in accordance with this Agreement, provided that Spectrum exercises good faith efforts to resolve such dispute on a timely basis. All invoices shall be issued and paid in U.S. dollars.

3.6 Compliance with Licenses and Permits. Bayer shall perform, and shall cause its Affiliates to perform, all Services and Additional Services in compliance with all permits and licenses of any Governmental Authority having jurisdiction over the matter or matters in question and any applicable Legal Requirements (as defined in the License Agreement) and will, at its expense, maintain all permits and licenses it currently holds (that are not transferred to Spectrum under the License Agreement) which are necessary to perform such Services and Additional Services. If additional permits or licenses (or new permits or licenses in the case of replacing permits and licenses transferred to Spectrum under the License Agreement) become necessary for Bayer solely to provide any Services or Additional Services Bayer shall promptly inform Spectrum of the need for such permit or license and Bayer's total cost for obtaining same. Spectrum shall promptly elect whether to bear such cost. Bayer may suspend the Service or Additional Service during the time such permit or license is not held by Bayer. If Spectrum elects not to bear such costs Bayer, in its sole discretion, may discontinue the Service or Additional Services as the case may be.

[\*\*\*]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

### 3.7 Confidentiality.

(a) Confidentiality Obligations. All information provided by one Party to the other Party in connection with this Agreement shall be maintained in strict confidence by the receiving Party pursuant to Section 9.6 of the License Agreement with all information relating to Spectrum, Business-Specific Licensed IP or the Business, other than Shared Licensed IP, treated as Confidential Information of Spectrum for this purpose and all information relating to Bayer or Shared Licensed IP treated as Confidential Information of Bayer for this purpose.

(b) Applicability to Third Party Providers. In the event either Party uses a third party provider as provided in this Agreement, such Party will be bound by this Section 3.7 to the same extent as the Party retaining such third party provider, and each Party is responsible to the other Party for the compliance with this Section 3.7 of all third party providers retained by it.

### 3.8 Primary Points of Contact.

(a) Appointment and Responsibilities. Each Party shall appoint an individual to act as the primary point of operational contact for the administration and operation of this Agreement, as follows:

(i)The individual appointed by Spectrum as the primary point of operational contact pursuant to this Section 3.8(a)(i) shall initially be [\*\*\*] (the "Spectrum Contract Manager"). The Spectrum Contract Manager will have overall responsibility for: (a) coordinating, on behalf of Spectrum, all activities undertaken by Spectrum hereunder and the performance of Spectrum obligations hereunder, (b) coordinating the performance of the Services and the Additional Services with Bayer, (c) acting as a day-to-day contact with the Bayer Contract Manager (as defined below), and (d) making available to Bayer the data, facilities, resources, and other support services from Spectrum required for Bayer to be able to perform the Services and the Additional Services in accordance with the terms of this Agreement. Spectrum may subsequently replace the Spectrum Contract Manager from time to time upon written notice to Bayer. Spectrum shall use commercially reasonable efforts to provide at least fourteen (14) days prior written notice of any such change.

(ii)The individual appointed by Bayer as the primary point of operational contact pursuant to this Section 3.8(a)(ii) shall initially be [\*\*\*] (the "Bayer Contract Manager"). The Bayer Contract Manager will have overall responsibility for: (a) coordinating, on behalf of Bayer, all activities undertaken by Bayer hereunder and the performance of the Bayer obligations hereunder, (b) coordinating the performance of the Services and the Additional Services with Spectrum, (c) acting as a day-

[\*\*\*]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

to-day contact with the Spectrum Contract Manager, and (d) providing Spectrum with service performance information and communicating with the Spectrum Contract Manager regarding Service and Additional Service requirements and management. Bayer may subsequently replace the Bayer Contract Manager from time to time upon written notice to Spectrum. Bayer shall use commercially reasonable efforts to provide at least fourteen (14) days prior written notice of any such change.

(b) Review Meetings; Service Managers. The Bayer Contract Manager and the Spectrum Contract Manager (together, the “Contract Managers”) will establish after Closing a schedule of meetings or teleconferences to occur weekly, unless otherwise agreed, to review the Services and the Additional Services being provided under this Agreement, and to discuss any problems that are unresolved and any details concerning their expected resolution. If one Party appoints a service manager with a particular area of responsibility for a portion of the transaction activities, at the request of such Party, the other Party shall use its commercially reasonable efforts to appoint a suitable counterpart.

3.9 Term. Unless sooner terminated pursuant to Section 3.10 below or expressly set forth in the Inventory Agreement with respect to Inventory, this Agreement will terminate on the first anniversary of the Closing except to the extent the Parties otherwise agree.

3.10 Termination. If either Party commits a material breach or violation of any material provision of this Agreement, and such breach or violation is not cured within sixty (60) days after receiving written notice thereof from the other Party, the non-breaching Party may, at its option, terminate this Agreement by written notice to the breaching Party. A breach of this Agreement by either Party that remains uncured for more than sixty (60) days after receiving written notice thereof from the other Party shall amount to a breach of the License Agreement or any other Ancillary Agreement. If the allegedly breaching Party disputes the existence of such breach (other than a dispute regarding whether or not a service is a Service required to be made available by Bayer to Spectrum during the ninety (90) days after the Closing Date), this Agreement may not be terminated by the non-breaching Party (except with respect to the Service or Additional Service to which the dispute relates) until the existence of such breach is resolved in accordance with Sections 3.25, 3.26 and or 3.27, as applicable; provided, however, if Spectrum’s breach is the failure to pay when due any amount hereunder after a ten business day notice and cure period, Bayer may immediately stop providing the Services or Additional Services while the breach continues, and if Bayer’s breach is the failure to provide a Service or an Additional Service after a ten business day notice and cure period, Spectrum may immediately stop paying for that Service or Additional Service, as applicable, while the breach continues. Notwithstanding the foregoing, this Agreement shall automatically terminate upon a termination of the License Agreement. In the event of the expiration or termination of this Agreement pursuant to this Section 3.10, this Agreement will have no further force and effect and all other rights and Liabilities of the parties hereunder will terminate without any Liability of any party to any other party, except for Liabilities arising in respect of breaches under this Agreement by any party on or prior to the termination date.

3.11 Indemnification. Spectrum hereby agrees to save, defend and hold Bayer and its Affiliates and its or their directors, officers, managers and employees, and each of the heirs,

executors, successors and assigns of any of the foregoing (together, the “Bayer Group”) harmless from and against any and all Losses arising from or relating to (a) any material breach by Spectrum of its obligations under this Agreement, (b) any claim, suit or action asserted by any person or entity unaffiliated with the Bayer Group (i) in connection with the Services and Additional Services provided hereunder unless and then only to the extent that the claim, suit or action is related to a material breach of this Agreement by Bayer, or any Affiliate of Bayer or third party providing Services or Additional Services hereunder or (ii) related to the use, sale or delivery of a Licensed Product to any third party except to the extent Spectrum is entitled to indemnification therefor or Liability is otherwise expressly allocated under this Agreement, the License Agreement or another Ancillary Agreement. Bayer hereby agrees to save, defend and hold Spectrum and its Affiliates and its or their directors, officers, managers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (together, the “Spectrum Group”) harmless from and against any and all Losses arising from or relating to (a) any material breach by Bayer of its obligations under this Agreement or (b) any claim, suit or action asserted by any person or entity unaffiliated with the Spectrum Group to the extent based upon the gross negligence, willful misconduct or criminal act by Bayer or any Affiliate or third party providing Services or Additional Services hereunder on its behalf in connection with the Services and Additional Services provided hereunder. Neither Party must indemnify the other Party for any Losses to the extent such Losses arises out of the other Party’s breach, gross negligence or willful misconduct. Any Losses hereunder shall be counted toward the amounts set forth in Sections 14.1.2 and 14.2.2 of the License Agreement.

### 3.12 Third Party Claims.

(a) Notice of Claim. If any third party notifies an Indemnified Party with respect to any matter (a “Third Party Claim”) that may give rise to an Indemnified Claim against an Indemnifying Party under this Section 3.12, then the Indemnified Party will promptly give written notice to the Indemnifying Party; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party will relieve the Indemnifying Party from any obligation under this Section 3.12, except to the extent such delay actually and materially prejudices the Indemnifying Party.

(b) Assumption of Defense, etc. The Indemnifying Party will be entitled to participate in the defense of any Third Party Claim (including a claim for Taxes) that is the subject of a notice given by the Indemnified Party pursuant to Section 3.12(a). In addition, the Indemnifying Party will have the right to defend the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as (i) the Indemnifying Party gives written notice to the Indemnified Party within fifteen (15) calendar days after the Indemnified Party has given notice of the Third Party Claim that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety of any and all Losses the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim; (ii) the Third Party Claim involves only money damages and does not seek an injunction or other equitable relief against the Indemnified Party; (iii) the Indemnified Party has not been advised by counsel that an actual or potential conflict exists between the Indemnified Party and the Indemnifying Party in connection with the defense of the Third Party Claim; (iv) the Third Party Claim does not relate to or otherwise arise in connection with Taxes or any criminal or regulatory enforcement Action; (v) settlement of an adverse judgment with respect to or the Indemnifying Party’s conduct

of the defense of the Third Party Claim is not, in the good faith judgment of the Indemnified Party, reasonably likely to be materially adverse to the Indemnified Party's reputation or continuing business interests (including its relationships with current or potential customers, suppliers or other parties material to the conduct of its business); and (vi) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently. The Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim; provided, however, that the Indemnifying Party will pay the fees and expenses of separate co-counsel retained by the Indemnified Party that are incurred prior to Indemnifying Party's assumption of control of the defense of the Third Party Claim.

(c) Limitations on Indemnifying Party. The Indemnifying Party will not consent to the entry of any judgment or enter into any compromise or settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party unless such judgment, compromise or settlement (i) provides for the payment by the Indemnifying Party of money as sole relief for the claimant; (ii) results in the full and general release of the Spectrum Group or Bayer Group, as applicable, from all liabilities arising or relating to, or in connection with, the Third Party Claim; and (iii) involves no finding or admission of any violation of Legal Requirements or the rights of any Person and no effect on any other claims that may be made against the Indemnified Party. Notwithstanding any provision to the contrary in Section 3.12(a) and 3.12(b), Bayer shall have the full and unrestricted right to defend, with counsel of its own choosing, any Action and negotiate and settle any Action initiated against it by any Governmental Authority which may in Bayer's judgment, exercised in good faith, materially affect operations and activities of Bayer beyond the Business, even though such defense or settlement may or will also affect the Business, provided, however, that, if permitted by applicable Legal Requirements, Bayer notifies Spectrum of any such Action, keeps Spectrum apprised of material developments with respect to such Action and consults with Spectrum regarding such Action from time to time and nothing in this sentence excuses Bayer from performing its obligations under this Agreement, the License Agreement or the other the Ancillary Agreements.

(d) Indemnified Party's Control. If the Indemnifying Party does not deliver the notice contemplated by clause (i) of Section 3.12(b) within fifteen (15) calendar days after the Indemnified Party has given notice of the Third Party Claim, or otherwise at any time fails to conduct the defense of the Third Party Claim actively and diligently, the Indemnified Party may defend and may consent to the entry of any judgment or enter into any compromise or settlement with respect to, the Third Party Claim in any manner it may deem appropriate (and the Indemnified Party need not consult with, or obtain any consent from, the Indemnifying Party in connection therewith). If such notice is given on a timely basis and the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently but any of the other conditions in Section 3.12(b) is or becomes unsatisfied, the Indemnified Party may defend, and may consent to the entry of any judgment or enter into any compromise or settlement with respect to, the Third Party Claim; provided, however, that the Indemnifying Party will not be bound by the entry of any such judgment consented to, or any such compromise or settlement effected, without its prior written consent (which consent will not be unreasonably withheld or delayed). In the event that the Indemnified Party conducts the defense of the Third Party Claim pursuant to this Section 3.12(d), the Indemnifying Party will (a) advance the Indemnified Party promptly and periodically for the costs of defending against the



Third Party Claim (including reasonable attorneys' fees and expenses) and (b) remain responsible for any and all other Losses that the Indemnified Party may incur or suffer resulting from, arising out of, relating to, in the nature of or caused by the Third Party Claim to the fullest extent provided in this Section 3.12.

(e) Consent to Jurisdiction Regarding Third Party Claim. Spectrum and Bayer, each in its capacity as an Indemnifying Party, hereby consents to the non-exclusive jurisdiction of any court in which any Third Party Claim may be brought against any Indemnified Party for purposes of any claim which such Indemnified Party may have against such Indemnifying Party pursuant to this Agreement in connection with such Third Party Claim, and in furtherance thereof, the provisions of Section 3.26 are incorporated herein by reference, mutatis mutandis.

3.13 Exclusive Remedies. FROM AND AFTER THE CLOSING, AND EXCEPT AS SET FORTH IN SECTION 3.27, THE INDEMNIFICATION PROVISIONS PROVIDED IN SECTION 3.11 SHALL BE THE SOLE AND EXCLUSIVE REMEDIES OF THE PARTIES FOR RESOLUTION OF THE MATTERS SPECIFIED IN SECTION 3.11, EXCEPT FOR INDEMNIFICATION RELATED TO A PARTY'S (A) FRAUD OR (B) CRIMINAL ACTS.

3.14 Limitation of Liability. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY CLAIMS FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, BUSINESS INTERRUPTION, EXEMPLARY OR INDIRECT DAMAGES, ARISING UNDER STATUTE, IN TORT OR CONTRACT. THE FOREGOING LIMITATION WILL NOT APPLY TO LIMIT EITHER PARTY'S LIABILITY WITH RESPECT TO (A) A THIRD PARTY CLAIM, (B) FRAUD OR (C) GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR CRIMINAL ACTS. NEITHER PARTY SHALL HAVE ANY LIABILITY FOR LOST PROFITS EXCEPT TO THE EXTENT EXPRESSLY PROVIDED UNDER THE LICENSE AGREEMENT.

3.15 Disclaimer. EACH PARTY MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, OTHER THAN THOSE EXPRESSLY MADE IN THIS AGREEMENT. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE HEREBY DISCLAIMED.

3.16 Time for Claims. Claims for indemnification shall be governed by the applicable statute of limitations. No claim for Loss by Purchaser shall be deemed to have survived, and shall be deemed waived, if written notice has not been provided to Bayer within six (6) months of actual knowledge of such Loss by the Purchaser individuals set forth on Schedule 3.16A. No claim for Loss by Bayer shall be deemed to have survived, and shall be deemed waived, if written notice has not been provided to Purchaser within six (6) months of actual knowledge of such Loss by the Bayer individuals set forth on Schedule 3.16B. For avoidance of doubt, claims will be deemed to have been made within the survival period if a reasonably complete description of the claim based upon the facts available at the time is presented by the party seeking indemnification to the Indemnifying Party within the specified time period herein.

3.17 Inconsistency. To the extent the terms of the License Agreement are inconsistent with the terms of this Agreement, the terms of this Agreement shall control with respect to the

Services and Additional Services provided hereunder. If the License Agreement contains terms applicable to the Parties' under this Agreement, and this Agreement does not address such terms, the terms set forth in the License Agreement shall control.

3.18 Relationship of Parties. In providing the Services and the Additional Services, each Person doing so is acting as and shall be considered an independent contractor to Spectrum and its Affiliates. Nothing herein contained shall be deemed or construed by Bayer, Spectrum or any other Person as creating the relationship of principal and agent, partnership, joint employers or joint venture between the Parties. All employees and Representatives of Bayer or its Affiliates or third party providers, as applicable, shall remain for all purposes (including compensation and employee benefits) employees or Representatives solely of Bayer or its Affiliates or third party providers, as applicable, and shall not be construed as employees or Representatives of Spectrum or its Affiliates. In performing their respective duties hereunder, all such employees and Representatives of Bayer or its Affiliates or third party providers, as applicable, shall be under the sole direction, control and supervision of Bayer or its Affiliates or third party providers, as applicable (and not of Spectrum or its Affiliates), and Bayer or its Affiliates or third party providers, as applicable, shall have the sole right to exercise all authority with respect to the employment (including termination of employment), assignment, terms and conditions and compensation of such employees and Representatives. Bayer is not authorized to, and none of Bayer's or its Affiliates' or third party providers' employees or Representatives shall at any time attempt to, (i) act on behalf of Spectrum or its Affiliates other than as specifically authorized by Spectrum in writing, or (ii) bind Spectrum or its Affiliates in any manner whatsoever to any obligations. None of Bayer, its Affiliates or third party providers or their respective employees or Representatives shall represent that they are or hold themselves out to be an officer, employee or Representative of Spectrum.

3.19 Entire Agreement; Amendment; Waiver. This Agreement, the License Agreement and the other agreements referenced therein constitute the entire understanding between the Parties with respect to the subject matter hereof and supersede all prior discussions, negotiations, proposals, undertakings, understandings and agreements, whether written or oral, relating to such subject matter. No provision of this Agreement shall be deemed waived, amended, supplemented or modified by any Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification. No delay of or omission in the exercise of any right, power or remedy accruing to either Party as a result of any breach or default by the other Party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

3.20 Headings. The article, section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

3.21 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute the whole agreement. Executed signatures to this Agreement may be delivered by any standard electronic means and any

such electronically delivered signatures shall be construed as manually executed signatures. This Agreement will become effective when duly executed by each Party hereto.

3.22 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. In the event that any provision hereof would, under applicable Legal Requirements, be invalid or unenforceable in any respect, each Party hereto intends that such provision will be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable Legal Requirements.

3.23 Setoff. No party shall have any right of setoff with respect to amounts it has an obligation to pay hereunder.

3.24 Notices. All notices, requests, demands, claims and other communications required or permitted to be delivered, given or otherwise provided under this Agreement must be in writing and must be delivered, given or otherwise provided:

(a) by hand (in which case, it will be effective upon delivery);

(b) by facsimile (in which case, it will be effective upon receipt of confirmation of good transmission); or

(c) by overnight delivery by a nationally recognized courier service (in which case, it will be effective on the Business Day after being deposited with such courier service);

in each case, to the address (or facsimile number) listed below:

(a) if to Spectrum, to:

Spectrum Pharmaceuticals Cayman, L.P.  
c/o Spectrum Pharmaceuticals, Inc.  
11500 South Eastern Ave. Suite 240  
Henderson, NV 89052

Telephone number: (702) 835-6300  
Facsimile number: (702) 260-7405  
Attention: Legal Department

with a copy to:

Stradling Yocca Carlson & Rauth  
660, Newport Center Dr, Suite 1600  
Newport Beach, CA 92660

Telephone number: (949) 725-4000  
Facsimile number: (949) 725-4100  
Attention: Shivbir S. Grewal, Esq.

(b) if to Bayer, to:

Bayer Pharma AG  
Berlin 13342 Germany

Telephone number: +49 30 468 192922  
Facsimile number: +49 30 468 192172  
Attention: President and Chairman  
of the Board of Management

with a copy to:

Bayer Pharma AG  
Berlin 13342 Germany

Telephone number: +49 30-468-16924  
Facsimile number: +49 30 468 96924  
Attention: General Counsel

with a copy to:

Fulbright & Jaworski L.L.P.  
801 Pennsylvania Avenue, NW  
Washington, DC 20004

Telephone number: 202-662-0200  
Facsimile number: 202-662-4643  
Attention: Marilyn Mooney, Esq.

Each of the Parties to this Agreement may specify different address or facsimile number by giving notice in accordance with this Section 3.24 to each of the other Parties hereto.

3.25 Dispute Resolution. Except for any Action seeking preliminary or emergency injunctive relief in accordance with this Agreement or any Action seeking equitable relief as contemplated by Section 3.27, any Action asserted by a member of the Bayer Group against a member of the Spectrum Group or by a member of the Spectrum Group against a member of the Bayer Group (a "Claim") arising out of or related to the Agreement, including without limitation any Claim for indemnification pursuant to Section 3.11 hereof, will be negotiated and resolved pursuant to the procedures described in Sections 16.10 and Section 16.11 of the License Agreement, which Sections are incorporated in this Agreement by this reference *mutatis mutandis*.

3.26 Jurisdiction; Venue; Service of Process.

(a) Jurisdiction. Subject to the provisions of Section 3.25, each Party to this Agreement, by its execution hereof, unless otherwise prohibited by applicable Legal Requirements (a) hereby irrevocably submits to the exclusive jurisdiction of the state courts of the State of New York in the Borough of Manhattan and to the United States District Court for the Southern District of New York for the purpose of any Action between the parties arising in whole or in part under or in connection with this Agreement or the negotiation or performance hereof, (b) hereby waives and agrees not to assert, by way of motion, as a defense or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that any such Action brought in one of the above-

named courts should be dismissed on grounds of *forum non conveniens*, should be transferred or removed to any court other than one of the above-named courts, or should be stayed by reason of the pendency of some other proceeding in any court other than one of the above-named courts, or that this Agreement or the subject matter hereof may not be enforced in or by such court and (c) to the extent that an Action can be commenced in a court and not an arbitration, agrees not to commence any such Action in any court other than before one of the above-named courts. Notwithstanding the previous sentence, a party may commence any Action in a court other than the above-named courts (i) for the purpose of enforcing an order or judgment issued by one of the above-named courts and (ii) for the purposes of asserting a cross-claim, counterclaim, third party action or similar forms of action for indemnification under this Agreement in any Action commenced by the other Party, by any third party, or by any Governmental Authority.

(b) Venue. Each Party waives any claim and will not assert that venue should properly lie in any other location within the selected jurisdiction.

(c) Service of Process. Each Party hereby (a) consents to service of process in and commencement of any arbitration as permitted under the AAA Rules; (b) consents to service of process in any Action between the Parties arising in whole or in part under or in connection with this Agreement in any manner permitted by New York law, (c) agrees that service of process made in accordance with clause (a) or (b) or made pursuant to Section 3.24, will constitute good and valid service of process in any Action and (d) waives and agrees not to assert (by way of motion, as a defense, or otherwise) in any Action any claim that service of process made in accordance with clause (a), (b) or (c) does not constitute good and valid service of process.

3.27 Specific Performance. Each of the Parties acknowledges and agrees that the other parties would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached or violated. Accordingly, each of the Parties agrees that, without posting a bond or other undertaking, the other Parties may seek an injunction or injunctions to prevent breaches or violations of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any Action instituted in any court specified in Section 3.26 or in an arbitration proceeding pursuant to Section 3.25. An Action for specific performance as provided herein shall not preclude a Party from pursuing any other remedy to which such Party may be entitled, at law or in equity, in accordance with the terms of this Agreement. Each Party further agrees that, in the event of any Action for specific performance in respect of such breach or violation, it will not assert that the defense that a remedy at law would be adequate provided, however, each Party also agrees that any Party can assert any other defense it may have other than the defense of adequate remedy at law. The provisions of this Section 3.27 shall not apply to any Action based upon any Section of this Agreement where the remedy sought is the payment of money.

3.28 Waiver of Jury Trial. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, THE PARTIES HEREBY WAIVE, AND COVENANT THAT THEY WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING IN WHOLE OR

IN PART UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE CONTEMPLATED TRANSACTIONS, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE ITS RIGHT TO TRIAL BY JURY IN ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR ANY OF THE CONTEMPLATED TRANSACTIONS AND THAT ANY SUCH TRIAL WILL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

3.29 Certain Rules of Construction. Except as otherwise explicitly specified to the contrary, (a) references to a Section, Article, Exhibit or Schedule means a Section or Article of, or Schedule or Exhibit to this Agreement, unless another agreement is specified, (b) the word “including” will be construed as “including without limitation,” (c) references to a particular statute or regulation include all rules and regulations thereunder and any predecessor or successor statute, rules or regulation, in each case as amended or otherwise modified from time to time, (d) words in the singular or plural form include the plural and singular form, respectively, (e) references to a particular Person include such Person’s successors and assigns to the extent not prohibited by this Agreement and (f) the words “shall” and “will” will have the same meaning.

3.30 Governing Law. Except as otherwise expressly provided for in this Agreement, this Agreement, the rights of the parties and all Actions arising in whole or in part under or in connection with this Agreement or the negotiation or performance hereof, will be governed by and construed in accordance with the domestic substantive laws of the State of New York, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

3.31 Third Party Beneficiaries. Except as specifically provided herein, all rights, benefits and remedies under this Agreement are solely intended for the benefit of Spectrum and Bayer and no third party shall have any rights whatsoever to (i) enforce any obligation contained in this Agreement; (ii) seek a benefit or remedy for any breach of this Agreement; or (iii) take any other action relating to this Agreement under any legal theory, including but not limited to, actions in contract, tort (including but not limited to negligence, gross negligence and strict liability), or as a defense, setoff or counterclaim to any action or claim brought or made by the parties.

3.32 Assignment. Subject to subsections (a) through (f) below, this Agreement will be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns, each of which such successors and permitted assigns will be deemed to be a Party hereto for all purposes hereof.

(a) No Party may assign, delegate or otherwise transfer this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other parties.

(b) Notwithstanding subsection (a), each Party, upon providing the other Party written notice, may without the consent of the other Party, (i) assign any or all of its rights and interests hereunder to one or more of its Affiliates, or (ii) designate one or more of its Affiliates to perform its obligations hereunder, in each case, so long as the assigning Party is not relieved of any Liability hereunder and so long as any such Affiliate remains such Party's Affiliate; provided, however, that such Affiliate assignee(s) provide the other Party with written acknowledgement of and agreement to the assigning party's obligations under the Agreement that were assigned to it.

(c) Notwithstanding subsection (a), each Party (or its permitted successive assignees or transferees hereunder), upon providing the other Party prior written notice, may without the consent of the other Party, assign or transfer this Agreement as a whole to an entity that succeeds to all or substantially all of the business or assets of such party or in the case of Spectrum, substantially all of the Licensed Products, in each case, so long as the assigning Party is not relieved of any Liability hereunder and such assignment is a Qualified Assignment.

(d) For the purposes of this Agreement, a "Qualified Assignment" means any transaction that (i) is made in compliance with applicable Legal Requirements, including securities, tax and corporation laws; (ii) includes the assignee's written acknowledgement of and agreement to all of the assigning Party's obligations under the Agreement; (iii) is made to an assignee that is, and will be after giving effect to the relevant assignment will be, Solvent; (iv) is made to an assignee that is not subject at the time of such assignment to any order, decree or petition providing for (A) the winding-up or liquidation of such Person, (B) the appointment of a receiver over the whole or part of the assets of such Person or (C) the bankruptcy or administration of such Person; and (v) is not a voidable fraudulent conveyance.

(e) Notwithstanding subsections (d)(i) through (v) above, (i) each party may at any time assign its rights, interests and obligations provided for hereunder to any Person by merger or (ii) with the prior written consent of the other Party.

(f) For purposes of this Section 3.32, "Solvent" means, with respect to any Person as on any date of determination, that as of such date, (i) the value of the assets of such Person is greater than the total amount of liabilities (including contingent and unliquidated liabilities) of such Person, (ii) such Person is able to pay all liabilities of such Person as such liabilities mature and (iii) such Person does not have unreasonably small capital. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities shall be computed at the amount that, in light of all the facts and circumstances existing at such time, represent the amount that can reasonably be expected to become an actual or matured liability. In computing the value of the assets of a Person, the value shall be determined in the context of current facts and circumstances affecting such Person.

### 3.33 Force Majeure.

(a) For the purpose of this Agreement, "Force Majeure" shall mean only (i) acts of God, acts of the public enemy, insurrections, riots, war, sabotage or natural disasters, (ii) strike, work-stoppage or other labor dispute and failure of suppliers, contractors or subcontractors; (iii) explosions, fires, flood damage, or loss of electric power not resulting from the negligence of the

Party invoking Force Majeure; (iv) regulatory actions not attributable to any violation of law on the part of Spectrum or Bayer, as the case may be, including regulatory actions applicable to suppliers, contractors and subcontractors, any of (i), (ii), (iii) or (iv) of which, in the case of Spectrum, prevents Spectrum from performing its obligations (including the obligation to pay solely in the event of a banking moratorium) under this Agreement, or, any of (i), (ii) (iii) or (iv) of which, in the case of Bayer, prevents Bayer from performing its obligations under this Agreement; provided that nothing in clause (iv) shall excuse Spectrum or Bayer from complying with Legal Requirements or excuse Spectrum or Bayer from remedying those matters which were capable of remedy by Spectrum or Bayer as appropriate through the application of commercially reasonable efforts prior to the occurrence of the events identified in (iv). The Party experiencing the Force Majeure shall be excused from the performance of each of its obligations under this Agreement upon a Force Majeure, but only to the extent performance of any such obligation is necessarily prevented, hindered or delayed thereby and only during the continuance of any such Force Majeure, and shall have no liability for damages arising from non-performance of any obligation excused by a Force Majeure. The Party suffering such Force Majeure shall invoke this provision by promptly notifying the other Party in writing of the nature and estimated duration of the suspension period, as well as the extent to which it will be unable to fulfill its obligations under this Agreement. Each Party shall be relieved of performance of its obligations under this Agreement during the time when it is prevented from performing by the failure of the other Party to perform its obligations because of any event of Force Majeure.

(b) In the event that Bayer or any of its Affiliates providing any Service or Additional Service suffers a Force Majeure with respect to such Service or Additional Service, Bayer or such Affiliate shall use commercially reasonable efforts to find and utilize alternative facilities, personnel, and resources in continuing to provide such Service or Additional Service. For the avoidance of doubt, (i) this provision shall not require Bayer and its Affiliates to provide such Service or Additional Service where it has previously been performed by an independent third party provider but shall require Bayer and its Affiliates to use commercially reasonable efforts to cause such independent third party providers to commence performance of such Services or Additional Services, and (ii) in no event shall Bayer or any of its Affiliates be required to acquire additional assets, equipment, rights or properties other than in its ordinary course of business.

3.34 Guarantees. Bayer hereby agrees to (i) cause each Bayer Affiliate listed on Exhibit A promptly on or after the date first written above to duly execute and deliver an original copy of Exhibit B to Spectrum and (ii) prior to the time any such Affiliate becomes a party to this Agreement by executing and delivering Exhibit B to Spectrum, cause each such Affiliate to take any and all actions required by such Affiliate under this Agreement, as if such Affiliate was a party hereto. Spectrum hereby agrees to (i) cause each Spectrum Affiliate listed on Exhibit A promptly on or after the date first written above to duly execute and deliver an original copy of Exhibit B to Bayer and (ii) prior to the time any such Affiliate becomes a party to this Agreement by executing and delivering Exhibit B to Bayer, cause each such Affiliate to take any and all actions required by such Affiliate under this Agreement, as if such Affiliate was a party hereto.

\* \* \*



*[Signature page follows]*

IN WITNESS WHEREOF, the Parties have caused this Transition Services Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

BAYER PHARMA AG

By: /s/ Steffen Schröder

Name: Steffen Schröder

Title: Legal Counsel

By: /s/ Sven Hauser

Name: Sven Hauser

Title: Vice President

BHC BH BPA FO

SPECTRUM PHARMACEUTICALS CAYMAN, L.P.

By: /s/ Abraham N. Oler

Name: Abraham N. Oler

Title: Vice President of Operations

Exhibits and schedules to this agreement which do not contain information material to an investment decision or to understanding the terms of this agreement, and which are not otherwise required to be disclosed at this time, have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant undertakes to furnish supplemental copies of any of the omitted exhibits or schedules upon request of the Securities and Exchange Commission.

## EXHIBIT B

### INVENTORY AGREEMENT

This Inventory Agreement is dated as of April 1, 2012 by and between Spectrum Pharmaceuticals Cayman, L.P. (the "Purchaser") and Bayer Pharma AG ("Bayer"). Terms capitalized but not defined in this Inventory Agreement are used as defined in the License and Asset Purchase Agreement (the "License Agreement"), dated as of January 23, 2012, between the Purchaser and Bayer.

1. Transfer and Sale of Inventory. Bayer's and its Affiliates' rights, title and interest (referred to as "legal title") in all Inventory intended for sale in the Territory will [\*\*\*]. In case of physical cross border transfer this is subject to Bayer's approval which shall not be unreasonably withheld or delayed.

From and after the Closing, Bayer shall sell on behalf of the Purchaser as ordered or directed by the Purchaser any finished goods Inventory in existence at the Closing Date or manufactured thereafter from unfinished goods Inventory existing at the Closing Date, in each case with a minimum shelf life extending to at least [\*\*\*] (the "Qualified Inventory") and will use commercially reasonable efforts to sell on behalf of the Purchaser finished goods Inventory that is useable and saleable in the Ordinary Course of Business. Bayer will remit to Purchaser any amounts actually collected by Bayer and its Affiliates (a) from customers (excluding VAT) of the Business with respect to net sales made by Bayer and its Affiliates after the Closing or (b) from Purchaser or its Affiliates at the Turnover Date (defined below). Such remittance shall be made monthly by wire transfer of immediately available funds to an account specified by Purchaser. Bayer may deduct from such payments (with such deductions being taken in the month of the sale, not the month of the collection) the following amounts:

- a) with respect to any Inventory that is so sold, [\*\*\*];
- b) all Direct Costs (as defined in the Transition Services Agreement) incurred in making the sale of such Inventory (plus [\*\*\*]) that would otherwise be due and payable to Bayer by Purchaser under the Transition Services Agreement;
- c) any applicable withholding taxes (Section 4.3.5 of the License Agreement applies *mutatis mutandis*); and

Any costs deducted by Bayer under this paragraph shall not be included in costs Bayer seeks to recover under the Transition Services Agreement.

2. Supplied Inventory. Prior to the Turnover Date, Purchaser will, from time to time, supply additional Inventory to Bayer after the Closing (such Inventory, whether or not labeled or packaged, the "Supplied Inventory"), at no charge such that Bayer or Bayer Affiliate may satisfy its obligations under the Transition Services Agreement and hereunder. In the case of Supplied Inventory supplied by Purchaser prior to the Turnover Date for a country, legal title

[\*\*\*]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

to Supplied Inventory that would otherwise be obtained by Purchaser and which is designated by Purchaser as being intended for sale in the Territory will [\*\*\*]. However, Purchaser shall pay actual direct costs of transportation of the product to the designated country. Thereafter, Bayer will remit to Purchaser any cash payments received from any customer when received from such customer for the sale of such product after deducting any amounts provided in b), c) and d) above. For the avoidance of doubt, Bayer shall not be required to sell Supplied Inventory before usable and saleable Qualified Inventory. On the Closing Date and prior to the applicable Turnover Date, Bayer will, and will cause its Affiliates to, keep Purchaser reasonably informed in accordance with the reporting requirements under the Transition Services Agreement of the amount of Inventory they hold that is intended for sale, no less frequently than monthly, and within ten business days after receipt of a written request from Purchaser.

3. Turnover Date. Within [\*\*\*] of the date Purchaser has obtained any authorizations from Governmental Authorities reasonably necessary to sell Licensed Product in a given country but no later than [\*\*\*] after the Closing Date (the "Turnover Date") Bayer will, and will cause its Affiliates to, sell to Purchaser or its designated Affiliate (a) all Qualified Inventory, (b) all finished Supplied Inventory, (c) Inventory not constituting finished goods in existence at the Closing Date with a minimum shelf life of [\*\*\*] after the Turnover Date, (the "Other Inventory"), and (d) all Inventory that Purchaser otherwise agrees to purchase, in each case, then held by Bayer or an Affiliate in any such country free and clear of any Encumbrances, other than Permitted Encumbrances, and Purchaser shall purchase such Inventory at the amounts provided in Exhibit B subject to (c) above. Bayer shall, and shall cause its Affiliates, promptly to destroy all Inventory not transferred to Purchaser, unless otherwise agreed in writing. For the avoidance of doubt, all unfinished Supplied Inventory shall be returned to Purchaser at Purchaser's expense.

4. License Agreement. To ensure that the intent of the parties as set forth in the License Agreement is properly implemented:

- Paragraphs (e) and (f) in the definition of "Excluded Purchaser Liabilities" will include all Liabilities that are attributable to sales of all Licensed Products and Inventory, including those sales made by Bayer or an Affiliate of Bayer after the Closing for the benefit of Purchaser pursuant to the Transition Services Agreement, the License Agreement, or this Agreement excluding Liabilities Bayer must indemnify a Purchaser Indemnified Person for under the License Agreement or this Agreement;
- In the event that Bayer is determined by a taxing authority to be liable for income tax, or tax in lieu of income tax such as gross receipts tax, and Bayer and/or its Affiliates did not actually receive the income or gross receipts on which such tax was based, and such tax would not have arisen but for this Inventory Agreement, then Purchaser shall promptly reimburse Bayer for such tax. Notwithstanding the foregoing, Purchaser shall not reimburse Bayer in connection for any transfer pricing adjustments imposed by taxing authorities that arise from Bayer's internal transfer pricing.

[\*\*\*]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

- All sales of Inventory and Supplied Inventory billed by either Purchaser or Bayer or any of their Affiliates shall be counted for purposes of calculating Net Sales (adjusted as set forth in the definition of “Net Sales”) in the License Agreement.
- Any Licensed Product sold by Bayer or its Affiliates on behalf of Purchaser or its Affiliates shall be deemed sold by Purchaser. Any returns of such Licensed Product shall be handled in accordance with Section 9.10.4 of the License Agreement.
- Bayer will maintain adequate insurance coverage of the Inventory in Bayer’s possession for any casualty losses until the Turnover Date. In the case of any casualty or other insured loss of Inventory for which Purchaser has paid Bayer, Bayer will remit to Purchaser any insurance proceeds it receives in respect thereof.

5. Compliance. Bayer and Purchaser acknowledge that, any sales activities conducted after the Closing must comply with Legal Requirements applicable to Purchaser and Bayer.

6. Allocation of Risks Regarding Inventory Sales. This Inventory Agreement is being executed by Bayer as an accommodation for Purchaser and its Affiliates. As a result Purchaser has agreed that, except as set forth below, [\*\*\*] under the License Agreement, the Ancillary Agreements or otherwise, associated with or arising from Bayer’s and Purchaser’s or their Affiliates’ conduct hereunder with respect to Inventory sales as if Purchaser or its Affiliates had taken legal and physical possession of all Inventory on the Closing Date (or Supplied Inventory prior to the Turnover Date upon delivery of such Inventory to the specified location) and had thereafter sold or otherwise transferred that Licensed Product in its own name excluding Liabilities Bayer must indemnify a Purchaser Indemnified Person for under the License Agreement or this Agreement. The risks and liabilities assumed by Purchaser under this Agreement include but are not limited to risks of [\*\*\*]. For avoidance of doubt, except as expressly set forth below, the Parties agree that any Liabilities or Loss arising from sales of Licensed Product to third parties by Bayer or any Affiliate of Bayer under the terms of this Inventory Agreement shall be treated as sales by Purchaser for purposes of the License Agreement and all Ancillary Agreements Liabilities Bayer must indemnify a Purchaser Indemnified Person for under the License Agreement or this Agreement. Except as set forth below, Purchaser shall fully indemnify and hold harmless each Bayer Indemnified Person from Bayer’s performance of the activities specified in this Inventory Agreement with respect to Inventory sales. Nothing set forth herein will be deemed to waive Purchaser’s rights to indemnification from Bayer under the License Agreement or an Ancillary Agreement; provided, however, that any Purchaser claim for indemnification from Bayer shall not arise merely because Bayer now acts in the capacity of seller of Licensed Product in accordance with the terms of this Agreement. Further, nothing set forth herein shall require Purchaser to indemnify Bayer for its or its Affiliate’s breach of this Agreement for Bayer’s or its Affiliate’s gross negligence, willful misconduct or criminal act in performance of its obligations under this Agreement.

[\*\*\*]: CONFIDENTIAL PORTIONS OMITTED AND FILED SEPARATELY WITH THE COMMISSION.

7. Regulatory Matters. Nothing in this Inventory Agreement shall be deemed to restrict or prevent Bayer from taking any action it regards as reasonably necessary to comply with all applicable Legal Requirements, provided that Bayer promptly notifies Purchaser in writing, of such actions. Bayer will not be required to make any filing, present any request, nor to undertake any action or to omit to take any action under this Inventory Agreement with respect to any Governmental Authority in any country, that in Bayer's judgment, exercised in good faith, would likely have the effect of damaging Bayer's or Bayer's Affiliates' existing or future business reputation or commercial interests in any country.

8. Services to be Provided. Subject to the terms and conditions set forth in this Agreement, during the term of this Agreement, Bayer shall provide to Purchaser the labeling, packaging and shipping services (the "Services") described in the Transition Services Agreement.

9. Packaging and Labeling.

(a) The Licensed Products shall incorporate the same form and content of all packaging and labeling materials, including all consumer warnings and instructions necessary for each of the Licensed Products in each of the relevant countries, as Bayer was using for each of the Licensed Products prior to the Closing Date.

(b) Purchaser shall bear full legal responsibility for ensuring that the form and content of the specifications for packaging, labeling, consumer warnings and instructions comply with all applicable Legal Requirements and for ensuring the adequacy, appropriateness and safety of the content of the packaging and labeling materials, packaging design, and packaging construction for the users intended, except to the extent otherwise expressly provided in the License Agreement or Ancillary Agreements.

10. Shipments.

(a) All shipments of unpackaged Supplied Inventory to Bayer shall contain the applicable certificates for the necessary batch release by Bayer, issued by the manufacturer.

(b) All packaged Licensed Products shall be delivered to Purchaser FCA (Incoterms) Bayer's packaging and labeling facility in Velten, Germany at the time that such Licensed Products leave Bayer's packaging and labeling facility in the hands of the carrier. Notwithstanding such delivery, Bayer will, as a service to Purchaser (to be charged in accordance with this Agreement), arrange for shipment of the Licensed Products at the time and destination specified.

11. Specifications. Purchaser represents and warrants to Bayer that the unpackaged Supplied Inventory delivered to Bayer shall have been manufactured, processed, stored, tested, processed, and otherwise handled at all times in compliance with current Good Manufacturing Practices ("cGMPs") and other applicable regulations, the Supplied Inventory specifications and the Supplied Inventory standard operating procedures. Purchaser shall maintain, until the later of that period of time required under Legal Requirements or three years all records as are necessary and appropriate to demonstrate compliance with the foregoing sentence. Bayer shall store, package, and otherwise handle the Supplied Inventory at all times in compliance with current

cGMPs and other applicable regulations, and the applicable Supplied Inventory specifications and the applicable Supplied Inventory standard operating procedures. Bayer shall maintain, until the later of that period of time required under Legal Requirements or three years all records as necessary and appropriate to demonstrate compliance with the foregoing sentence.

12. Risk of Loss. Risk of loss for unpackaged Supplied Inventory in transit to Bayer shall lie with the Purchaser. Risk of loss for the Supplied Inventory due to casualty, spoilage, loss, theft, fire, damage or destruction after shipment is delivered to Bayer at the Bayer packaging and labeling facility in Velten, Germany shall be borne by Bayer. For clarity, Bayer shall be responsible for the replacement cost of any such lost Supplied Inventory for which Bayer bears the risk of loss less up to five percent of replacement costs attributable to product losses arising in the ordinary course of labeling and packaging activities. Risk of loss for the packaged Supplied Inventory shall lie with Purchaser after the Supplied Inventory leaves Bayer's packaging and labeling facilities. In accordance with current practice, Bayer will acquire title to the quantity of unpackaged Supplied Inventory as necessary to perform the Services hereunder, and title shall pass back to Purchaser on delivery of the packaged Supplied Inventory as described above.

13. Compliance with Regulations. Bayer shall perform, and shall cause its Affiliates to perform all Services in compliance with all permits and licenses of any Governmental Authority having jurisdiction over the matter or matters in question and any applicable Legal Requirements and will, at its expense, maintain all permits and licenses it currently holds (that are not transferred to Purchaser under the License Agreement) which are necessary to perform such Services. If additional permits or licenses (or new permits or licenses in the case of replacing permits and licenses transferred to Purchaser under the License Agreement) become necessary for Bayer solely to provide any Services, Bayer shall promptly inform Purchaser of the need for such permit or license and Bayer's total cost for obtaining same. Purchaser shall promptly elect whether to bear such cost. Bayer may suspend the Service during the time such permit or license is not held by Bayer. If Purchaser elects not to bear such costs Bayer, in its sole discretion, may discontinue the Services. Purchaser shall comply with all applicable Legal Requirements and Regulatory Approvals. Subject to the terms and conditions of the License Agreement, Purchaser is solely responsible for obtaining all necessary Regulatory Approvals with respect to the packaged Licensed Products. Bayer is assuming no additional responsibility or obligation relating to compliance with regulatory requirements as a consequence of performing the Services under this Agreement. "Regulatory Approvals" shall mean all licenses, approvals, permissions, or consents of any Governmental Authority required for the manufacture, processing, inspection, testing, packaging, storage, transport, distribution or sale of the Licensed Products.

14. Termination. If either Party commits a material breach or violation of any material provision of this Agreement, and such breach or violation is not cured within sixty (60) days after receiving written notice thereof from the other Party, the non-breaching Party may, at its option, terminate this Agreement by written notice to the breaching Party. If the allegedly breaching Party disputes the existence of such breach, this Agreement may not be terminated by the non-breaching Party (except with respect to the Service to which the dispute relates) until the existence of such breach is resolved in accordance with the terms and conditions of the License Agreement; provided, however, if Purchaser's breach is the failure to pay when due any amount

hereunder after a ten business day notice and cure period, Bayer may immediately stop providing the Services while the breach continues, and if Bayer's breach is the failure to provide the Services after a ten (10) business day notice and cure period, Purchaser may immediately stop paying for that Service while the breach continues.

15. Indemnification with Respect to Services. Purchaser hereby agrees to save, defend and hold each Bayer Indemnified Person harmless from and against any and all Losses arising from or relating to (a) any material breach by Purchaser of its obligations with respect to Services under this Agreement, (b) any claim, suit or action asserted by any person or entity unaffiliated with Bayer or its Affiliates (i) in connection with the Services provided hereunder unless and then only to the extent that the claim, suit or action is related to a material breach of this Agreement by Bayer, or any Affiliate of Bayer or third party providing Services hereunder or (ii) related to the use, sale or delivery of any Product to any third party except to the extent Purchaser is entitled to indemnification therefor or Liability is otherwise expressly allocated under this Agreement, the License Agreement or another Ancillary Agreement.

Bayer hereby agrees to save, defend and hold each Purchaser Indemnified Person harmless from and against any and all Losses arising from or relating to (a) any material breach by Bayer of its obligations with respect to Services under this Agreement or (b) any claim, suit or action asserted by any person or entity unaffiliated with the Purchaser to the extent based upon the gross negligence, willful misconduct, intentional tort or criminal act by Bayer or any Affiliate in connection with the Services provided hereunder. For the avoidance of doubt, neither Party must indemnify the other Party for any Losses to the extent such Losses arises out of the other Party's breach, gross negligence or willful misconduct.

Any Losses hereunder shall be counted toward the amounts set forth in Sections 14.1.2 and 14.2.2 of the License Agreement.

16. Third Party Claims.

(a) Notice of Claim. If any third party notifies an Indemnified Party with respect to any matter (a "Third Party Claim") that may give rise to an Indemnified Claim against an Indemnifying Party under Section 15, then the Indemnified Party will promptly give written notice to the Indemnifying Party; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party will relieve the Indemnifying Party from any obligation under Section 15, except to the extent such delay actually and materially prejudices the Indemnifying Party.

(b) Assumption of Defense, etc. The Indemnifying Party will be entitled to participate in the defense of any Third Party Claim (including a claim for Taxes) that is the subject of a notice given by the Indemnified Party pursuant to Section 16(a). In addition, the Indemnifying Party will have the right to defend the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as (i) the Indemnifying Party gives written notice to the Indemnified Party within fifteen (15) calendar days after the Indemnified Party has given notice of the Third Party Claim that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety of any and all Losses the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim; (ii) the Third Party Claim involves only money damages and



does not seek an injunction or other equitable relief against the Indemnified Party; (iii) the Indemnified Party has not been advised by counsel that an actual or potential conflict exists between the Indemnified Party and the Indemnifying Party in connection with the defense of the Third Party Claim; (iv) the Third Party Claim does not relate to or otherwise arise in connection with Taxes or any criminal or regulatory enforcement Action; (v) settlement of an adverse judgment with respect to or the Indemnifying Party's conduct of the defense of the Third Party Claim is not, in the good faith judgment of the Indemnified Party, reasonably likely to be materially adverse to the Indemnified Party's reputation or continuing business interests (including its relationships with current or potential customers, suppliers or other parties material to the conduct of its business); and (vi) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently. The Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim; provided, however, that the Indemnifying Party will pay the fees and expenses of separate co-counsel retained by the Indemnified Party that are incurred prior to Indemnifying Party's assumption of control of the defense of the Third Party Claim.

(c) Limitations on Indemnifying Party. The Indemnifying Party will not consent to the entry of any judgment or enter into any compromise or settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party unless such judgment, compromise or settlement (i) provides for the payment by the Indemnifying Party of money as sole relief for the claimant; (ii) results in the full and general release of each Indemnified Party from all liabilities arising or relating to, or in connection with, the Third Party Claim; and (iii) involves no finding or admission of any violation of Legal Requirements or the rights of any Person and no effect on any other claims that may be made against the Indemnified Party. Notwithstanding any provision to the contrary in Section 16(a) and 16(b), Bayer shall have the full and unrestricted right to defend, with counsel of its own choosing, any Action and negotiate and settle any Action initiated against it by any Governmental Authority which may in Bayer's judgment, exercised in good faith, materially affect operations and activities of Bayer beyond the Business, even though such defense or settlement may or will also affect the Business, provided, however, that, if permitted by applicable Legal Requirements, Bayer notifies Spectrum of any such Action, keeps Spectrum apprised of material developments with respect to such Action and consults with Spectrum regarding such Action from time to time and nothing in this sentence excuses Bayer from performing its obligations under this Agreement, the License Agreement or the other the Ancillary Agreements.

(d) Indemnified Party's Control. If the Indemnifying Party does not deliver the notice contemplated by clause (i) of Section 16(b) within fifteen (15) calendar days after the Indemnified Party has given notice of the Third Party Claim, or otherwise at any time fails to conduct the defense of the Third Party Claim actively and diligently, the Indemnified Party may defend and may consent to the entry of any judgment or enter into any compromise or settlement with respect to, the Third Party Claim in any manner it may deem appropriate (and the Indemnified Party need not consult with, or obtain any consent from, the Indemnifying Party in connection therewith). If such notice is given on a timely basis and the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently but any of the other conditions in Section 16(b) is or becomes unsatisfied, the Indemnified Party may defend, and may consent to the entry of any judgment or enter into any compromise or settlement with

respect to, the Third Party Claim; provided, however, that the Indemnifying Party will not be bound by the entry of any such judgment consented to, or any such compromise or settlement effected, without its prior written consent (which consent will not be unreasonably withheld or delayed). In the event that the Indemnified Party conducts the defense of the Third Party Claim pursuant to this Section 16(d), the Indemnifying Party will (a) advance the Indemnified Party promptly and periodically for the costs of defending against the Third Party Claim (including reasonable attorneys' fees and expenses) and (b) remain responsible for any and all other Losses that the Indemnified Party may incur or suffer resulting from, arising out of, relating to, in the nature of or caused by the Third Party Claim to the fullest extent provided hereunder.

(e) Consent to Jurisdiction Regarding Third Party Claim. Spectrum and Bayer, each in its capacity as an Indemnifying Party, hereby consents to the non-exclusive jurisdiction of any court in which any Third Party Claim may be brought against any Indemnified Party for purposes of any claim which such Indemnified Party may have against such Indemnifying Party pursuant to this Agreement in connection with such Third Party Claim, and in furtherance thereof, the provisions of Section 16.12 of the License Agreement are incorporated herein by reference, mutatis mutandis.

17. Exclusive Remedies. FROM AND AFTER THE CLOSING, AND EXCEPT AS SET FORTH IN SECTION 16.13 OF THE LICENSE AGREEMENT, THE INDEMNIFICATION PROVISIONS PROVIDED HEREIN SHALL BE THE SOLE AND EXCLUSIVE REMEDIES OF THE PARTIES FOR RESOLUTION OF THE MATTERS SPECIFIED IN SECTION 15, EXCEPT FOR INDEMNIFICATION RELATED TO A PARTY'S (A) FRAUD OR (B) CRIMINAL ACTS.

18. Limitation of Liability. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY CLAIMS FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, BUSINESS INTERRUPTION, EXEMPLARY OR INDIRECT DAMAGES, ARISING UNDER STATUTE, IN TORT OR CONTRACT. THE FOREGOING LIMITATION WILL NOT APPLY TO LIMIT EITHER PARTY'S LIABILITY WITH RESPECT TO (A) A THIRD PARTY CLAIM, (B) FRAUD OR (C) GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR CRIMINAL ACTS. NEITHER PARTY SHALL HAVE ANY LIABILITY FOR LOST PROFITS EXCEPT TO THE EXTENT EXPRESSLY PROVIDED UNDER THE LICENSE AGREEMENT.

19. Disclaimer. EACH PARTY MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, OTHER THAN THOSE EXPRESSLY MADE IN THIS AGREEMENT. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE HEREBY DISCLAIMED.

20. Time for Claims. Claims for indemnification shall be governed by the applicable statute of limitations. No claim for Loss by Purchaser shall be deemed to have survived, and shall be deemed waived, if written notice has not been provided to Bayer within six (6) months of actual knowledge of such Loss by the Purchaser individuals set forth on Schedule 20A. No claim for Loss by Bayer shall be deemed to have survived, and shall be deemed waived, if written notice has not been provided to Purchaser within six (6) months of actual knowledge of such Loss by the Bayer individuals set forth on Schedule 20B. For avoidance of doubt, claims

will be deemed to have been made within the survival period if a reasonably complete description of the claim based upon the facts available at the time is presented by the party seeking indemnification to the Indemnifying Party within the specified time period herein.

21. Term. The obligations of Bayer and its Affiliates to sell Licensed Products as described above shall terminate as of the Turnover Date.

22. Miscellaneous.

A breach of this Inventory Agreement that remains uncured for more than sixty (60) days after receiving written notice thereof from the other Party shall be treated as a breach of the License Agreement.

This Inventory Agreement will automatically terminate upon termination of the License Agreement or the Transition Services Agreement.

In the event of the expiration or termination of this Agreement, this Agreement will have no further force and effect and all other rights and Liabilities of the parties hereunder will terminate without any Liability of any party to any other party, except for Liabilities arising in respect of breaches under this Agreement by any party arising on or prior to the termination date.

Section 16 of the License Agreement shall apply to this Inventory Agreement.

Except as otherwise provided herein, the terms and conditions of the Transition Services Agreement shall apply to this Inventory Agreement.

***[Remainder of Page Intentionally Left Blank]***

IN WITNESS WHEREOF, the Parties have caused this Inventory Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

BAYER PHARMA AG

By: /s/ Steffen Schröder

Name: Steffen Schröder

Title: Legal Counsel

By: /s/ Sven Hauser

Name: Sven Hauser

Title: Vice President

BHC BH BPA FO

SPECTRUM PHARMACEUTICALS CAYMAN, L.P.

By: /s/ Abraham N. Oler

Name: Abraham N. Oler

Title: Vice President of Operations

Exhibits and schedules to this agreement which do not contain information material to an investment decision or to understanding the terms of this agreement, and which are not otherwise required to be disclosed at this time, have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant undertakes to furnish supplemental copies of any of the omitted exhibits or schedules upon request of the Securities and Exchange Commission.

**SPECTRUM PHARMACEUTICALS, INC.  
2009 INCENTIVE AWARD PLAN**

**PERFORMANCE UNIT AWARD  
GRANT NOTICE**

Spectrum Pharmaceuticals, Inc., a Delaware corporation, (the “**Company**”), pursuant to the Spectrum Pharmaceuticals, Inc. 2009 Incentive Award Plan, as amended from time to time (the “**Plan**”), hereby grants to the individual listed below (the “**Participant**”), in consideration of the mutual agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, a performance-based restricted stock unit award (the “**Performance Units**”). Each Performance Unit represents the right to receive one share of Common Stock (as defined in the Plan) upon the achievement of total stockholder return goals (the “**Shares**”). This award is subject to all of the terms and conditions set forth herein and in the Performance Unit Award Agreement attached hereto as Exhibit A (the “**Performance Unit Award Agreement**”) and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Performance Unit Award Grant Notice (the “**Grant Notice**”) and the Performance Unit Award Agreement.

**Participant:**

[\_\_\_\_\_]

**Grant Date:**

[\_\_\_\_\_]

**Target Number of Performance Units:**

[\_\_\_\_\_]

**Performance Period:**

January 1, 2017 – December 31, 2018

**Performance Goals:**

Except as otherwise set forth in the Performance Unit Award Agreement, the Participant is eligible to receive Shares based upon the Company’s attainment, during the Performance Period, of the Performance Goals set forth in Section 2.2 of the Performance Unit Award Agreement.

**Termination:**

Except as otherwise set forth in the Performance Unit Award Agreement, the Participant shall forfeit all Performance Unit upon the Participant’s termination of service prior to the Valuation Date.

By his or her signature and the Company’s signature below, the Participant agrees to be bound by the terms and conditions of the Plan, the Performance Unit Award Agreement and this Grant Notice. The Participant has reviewed the Performance Unit Award Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Performance Unit Award Agreement and the Plan. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator of the Plan upon any questions arising under the Plan, this Grant Notice and/or the Performance Unit Award Agreement. In addition, by signing below, the Participant also agrees that the Company or any Affiliated Company, in its sole discretion, may satisfy any withholding obligations in accordance with Section 3.5 of the Performance Unit Award Agreement by (i) withholding shares of Common Stock otherwise issuable

to the Participant in connection with the vesting or payment of the Performance Unit, (ii) instructing a broker on the Participant's behalf to sell shares of Common Stock otherwise issuable to the Participant in connection with the vesting or payment of the Performance Unit and remit the proceeds of such sale to the Company, or (iii) using any other method permitted by Section 3.5 of the Performance Unit Award Agreement or the Plan. If the Participant is married, his or her spouse has signed the Consent of Spouse attached to this Grant Notice as Exhibit B.

**SPECTRUM PHARMACEUTICALS, INC.:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_

**PARTICIPANT:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Address: \_\_\_\_\_

**EXHIBIT A**  
**TO PERFORMANCE UNIT AWARD GRANT NOTICE**  
**PERFORMANCE UNIT AWARD AGREEMENT**

Pursuant to the Performance Unit Award Grant Notice (the “*Grant Notice*”) to which this Performance Unit Award Agreement (this “*Agreement*”) is attached, Spectrum Pharmaceuticals, Inc., a Delaware corporation (the “*Company*”), has granted to the Participant a performance-based restricted stock unit award (the “*Performance Unit*”) under the Spectrum Pharmaceuticals, Inc. 2009 Incentive Award Plan, as amended from time to time (the “*Plan*”).

**ARTICLE 1.**

**GENERAL**

1.1 **Defined Terms.** Wherever the following terms are used in this Agreement they shall have the meanings specified below, unless the context clearly indicates otherwise. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

(a) “**Applicable Number of Performance Units**” means the greater of (i) 100% of the Target Number of Performance Units set forth on the Grant Notice and (ii) the number of Performance Units that would vest if the date of the Participant’s Qualifying Termination was the Valuation Date.

(b) “**Commencement Date**” shall mean January 1, 2017.

(c) “**Common Stock Price**” shall mean, as of a particular date, the Fair Market Value of a share of Common Stock on that date.

(d) [“**Employment Agreement**” shall mean that certain Executive Employment Agreement by and between the Company and the Participant, dated as of June 20, 2008 and the first amendment thereto, dated as of April 17, 2014.]

(e) “**End Date**” shall mean December 31, 2018.

(f) “**Maximum TSR**” shall mean, with respect to the Performance Period, Total Shareholder Return of the Company equal to or in excess of the 80<sup>th</sup> percentile (as determined in accordance with standard statistical methodology) of the range of total shareholder returns during the Performance Period of the constituent companies included in the Peer Group, calculated in a manner consistent with TSR calculation methodology under this Agreement.

(g) “**Minimum TSR**” shall mean, with respect to the Performance Period, Total Shareholder Return of the Company equal to the 30<sup>th</sup> percentile (as determined in accordance with standard statistical methodology) of the range of total shareholder returns during the Performance Period of the constituent companies included in the Peer Group, calculated in a manner consistent with TSR calculation methodology under this Agreement.

(h) “**Peer Group**” shall mean the Company’s peer group set forth on Exhibit C; *provided, however*, that if a constituent company in the Peer Group ceases to be actively traded, due, for

<sup>1</sup>Insert for CEO form of agreement.

example, to merger or bankruptcy or the Administrator otherwise reasonably determines that it is no longer suitable for the purposes of this Agreement, then the Administrator in its reasonable discretion may select a comparable company to be added to the Peer Group for purposes of making the total shareholder return comparison required by Section 2.2 hereof meaningful and consistent across the relevant measurement period.

(i) “**Performance Goals**” shall mean the total shareholder return goals described in Section 2.2(b) hereof (including the Minimum TSR, Target TSR and Maximum TSR), which shall be measured with respect to the Performance Period.

(j) “**Performance Period**” shall mean the period beginning on the Commencement Date and ending on the Valuation Date.

(k) [“**Qualifying Termination**” shall mean a termination of the Participant’s service with the Company (i) by the Company “Without Cause” (as defined in the Employment Agreement), (ii) by the Participant for “Good Reason” (as defined in the Employment Agreement), (iii) due to the Participant’s death, or (iv) due to the Participant’s Disability (as defined in the Employment Agreement) .]

(l) “**Share Value**” shall mean, as of a particular date, the average of the closing trading prices of a share of Common Stock on the principal exchange on which such shares are then traded for each trading day during the twenty (20) consecutive trading days preceding the applicable date; *provided, however*, that in the event that a Change in Control occurs prior to the End Date, Share Value shall mean the price per share of Common Stock paid by the acquiror in the Change in Control transaction.

(m) “**Target TSR**” shall mean, with respect to the Performance Period, Total Shareholder Return of the Company equal to the 50<sup>th</sup> percentile (as determined in accordance with standard statistical methodology) of the range of total shareholder returns during the Performance Period of the constituent companies included in the Peer Group, calculated in a manner consistent with TSR calculation methodology under this Agreement.

(n) “**Total Shareholder Return**” or “**TSR**” shall mean the Company’s compound annual total shareholder return for the Performance Period, calculated based on the Share Value as of the Commencement Date as the beginning stock price and the Share Value as of the Valuation Date as the ending stock price, plus dividends during the applicable period (for the avoidance of doubt, included dividends will be based on the record date of all dividends paid on Common Stock). Additionally, as set forth in, and pursuant to, Section 3.4 hereof, appropriate adjustments to the Total Shareholder Return shall be made to take into account all stock dividends, stock splits, reverse stock splits and the other events set forth in Section 3.4 hereof that occur prior to the Valuation Date.

(o) “**Valuation Date**” shall mean the earlier to occur of (i) the End Date or (ii) the date on which a Change in Control occurs.

1.2 Incorporation of Terms of Plan. The Performance Units are subject to the terms and conditions of the Plan, which are incorporated herein by reference.

<sup>2</sup>Insert for CEO form of agreement.



## ARTICLE 2.

### PERFORMANCE UNITS

2.1 Grant of Performance Units. In consideration of the Participant's past and/or continued employment with or service to the Company or an Affiliated Company and for other good and valuable consideration, effective as of the Grant Date set forth in the Grant Notice (the "**Grant Date**"), the Company grants to the Participant an award of Performance Units (this "**Award**") as set forth in the Grant Notice, upon the terms and conditions set forth in the Plan and this Agreement.

2.2 Performance-Based Right to Payment.

(a) [Except in the event of a Qualifying Termination during the Performance Period] , the vesting of the Participant's Performance Units and the issuance of Shares with respect thereto is contingent on the attainment of the Performance Goals. Accordingly, [subject to Section 2.4 hereof] , the Participant shall not become entitled to payment with respect to the Performance Units subject to this Agreement unless and until the Administrator determines whether and to what extent the Performance Goals have been attained and the Performance Units have vested. Upon such determination by the Administrator and subject to the provisions of the Plan and this Agreement, the Participant shall be entitled to vesting and payment of that portion of the Performance Units as corresponds to the Performance Goals attained (as determined by the Administrator in its sole discretion) as set forth in Sections 2.2(b) and 2.3 hereof.

(b) Subject to the Participant's continued service with the Company from the Grant Date through the Valuation Date and further subject to Sections 2.3 – [2.4][2.5] hereof, the number of Performance Units that vest shall be determined as of the Valuation Date, based on the Company's Total Shareholder Return, as follows:

(i) If, as of the Valuation Date, the Company's TSR with respect to the Performance Period is less than the Minimum TSR, then no Performance Units shall vest and the Performance Units shall thereupon be forfeited.

(ii) If, as of the Valuation Date, the Company's TSR with respect to the Performance Period is equal to the Minimum TSR, then 25% of the Target Number of Performance Units set forth on the Grant Notice shall vest.

(iii) If, as of the Valuation Date, the Company's TSR with respect to the Performance Period is equal to the Target TSR, then 100% of the Target Number of Performance Units set forth on the Grant Notice shall vest.

(iv) If, as of the Valuation Date, the Company's TSR with respect to the Performance Period is equal to or greater than the Maximum TSR, then 200% of the Target Number of Performance Units set forth on the Grant Notice shall vest.

(v) If the Company's Total Shareholder Return is between the Minimum TSR and the Target TSR or between the Target TSR and the Maximum TSR, then the number of Performance Units that shall vest in accordance with this Section 2.2(b) shall be determined by means of linear interpolation.

<sup>3</sup>Insert for CEO form of agreement.

<sup>4</sup>Insert for CEO form of agreement.

<sup>5</sup>Insert for CEO form of agreement.

2.3 Performance Unit Award Change in Control. Notwithstanding any contrary provision of this Agreement, in the event that a Change in Control occurs at any time prior to the End Date and the Participant remains continuously employed as of immediately prior to such Change in Control, the number of Performance Units that vest and become payable hereunder shall be determined, pursuant to Section 2.2 hereof, based on the Company's achievement of the Performance Goals as of the date on which the Change in Control occurs.

2.4 Termination. Notwithstanding anything to contrary in the Employment Agreement, in the event that the Participant experiences a Qualifying Termination prior to the end of the Performance Period, then the Applicable Number of Performance Units shall vest and become payable hereunder as of the termination date, and no additional Performance Units shall vest or become payable thereafter.]

2.5 Forfeiture.

(a) *Termination of Service.* In the event that the Participant experiences a termination of service during the Performance Period for any reason [that is not a Qualifying Termination], all of the Performance Units shall thereupon automatically be forfeited by the Participant as of the date of termination and the Participant's rights in any such Performance Units and such portion of the Award, shall thereupon lapse and expire.

(b) *Failure to Achieve Performance Goals.* Any outstanding Performance Units that do not vest in accordance with this Agreement due to the failure by the Company to achieve the Performance Goals shall automatically be forfeited by the Participant as of the Valuation Date, and the Participant's rights in any such Performance Units and such portion of the Award shall thereupon lapse and expire.

2.6 Payment of Shares. As soon as administratively practicable following the vesting of any Performance Units pursuant to Sections 2.2, 2.3 [and 2.4] hereof, but in no event later than sixty (60) days after such vesting date (for the avoidance of doubt, this deadline is intended to comply with the "short term deferral" exemption from Section 409A of the Code), the Company shall deliver to the Participant a number of Shares equal to the number of Performance Units subject to this Award that vest on the applicable vesting date (either by delivering one or more certificates for such Shares or by entering such Shares in book entry form, as determined by the Administrator in its sole discretion), provided that any such payment made pursuant to Section 2.3 above in the event of a Change in Control shall be made or deemed made immediately preceding and effective upon the occurrence of such Change in Control.

2.7 Rights as Stockholder. The holder of the Performance Units shall not be, nor have any of the rights or privileges of, a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of the Performance Units and any Shares underlying the Performance Units and deliverable hereunder unless and until such Shares shall have been issued by the Company and held of record by such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company).

<sup>6</sup>Insert for CEO form of agreement.

<sup>7</sup>Insert for CEO form of agreement.

<sup>8</sup>Insert for CEO form of agreement.

**ARTICLE 3.**  
**OTHER PROVISIONS**

3.1 Administration. The Administrator shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. Without limiting the generality of the foregoing, all determinations, interpretations and assumptions relating to the calculation and payment of the Performance Units (including, without limitation, determinations, interpretations and assumptions with respect to TSR and shareholder returns) shall be made by the Administrator. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon the Participant, the Company and all other interested persons. No member of the Committee or the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the Performance Units.

3.2 Grant is Not Transferable. During the lifetime of the Participant, the Performance Units may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the Performance Units have been issued. Neither the Performance Units nor any interest or right therein shall be liable for the debts, contracts or engagements of the Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

3.3 Binding Agreement. Subject to the limitation on the transferability of the Performance Units contained herein, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

3.4 Adjustments Upon Specified Events. This Award and the Performance Units may be subject to adjustments pursuant to Section 4.2 of the Plan in connection with the occurrence of certain events relating to the shares of the Common Stock. The Participant acknowledges that this Award and the Performance Unit are subject to amendment, modification and termination in certain events as provided in this Agreement and Section 4.2 of the Plan.

3.5 Tax Withholding. The Company shall be entitled to require a cash payment (or to elect, or permit the Participant to elect, such other form of payment determined in accordance with Section 12.1 of the Plan) by or on behalf of the Participant and/or to deduct from other compensation payable to the Participant any sums required by federal, state or local tax law to be withheld with respect to the grant, vesting or payment of the Award. In satisfaction of the foregoing requirement with respect to the grant, vesting or payment of the Award, unless otherwise determined by the Company, the Company shall withhold Shares otherwise issuable under the Award having a fair market value equal to the sums required to be withheld by federal, state and/or local tax law. The number of Shares which shall be so withheld in order to satisfy such federal, state and/or local withholding tax liabilities shall be limited to the number of shares which have a fair market value on the date of withholding equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state and/or local tax purposes that are

applicable to such supplemental taxable income. Notwithstanding any other provision of this Agreement, the Company shall not be obligated to deliver any certificate representing Shares to the Participant or the Participant's legal representative or to enter any such Shares in book entry form unless and until the Participant or the Participant's legal representative, as applicable, shall have paid or otherwise satisfied in full the amount of all federal, state and local taxes applicable to the taxable income of the Participant resulting from the grant or vesting of the Award or the issuance of Shares hereunder.

3.6 Conditions to Delivery of Shares. The Shares deliverable under this Award may be either previously authorized but unissued Shares, treasury Shares or Shares purchased on the open market. Such Shares shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any Shares under this Award prior to fulfillment of the conditions set forth in Section 12.1 of the Plan.

3.7 Not a Contract of Service Relationship. Nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue to serve as an employee or other Service Provider of the Company or shall interfere with or restrict in any way the rights of the Company, which rights are hereby expressly reserved, to discharge or terminate the services of the Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or an Affiliated Company and the Participant.

3.8 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

3.9 Conformity to Securities Laws. The Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act, and applicable law. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Award is granted, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

3.10 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board; *provided, however,* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the Award in any material way without the prior written consent of the Participant.

3.11 Notices. Any notice to be given under the terms of this Agreement shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to the Participant shall be addressed to the Participant at the Participant's last address reflected on the Company's records. Any notice shall be deemed duly given when sent via email or when sent by reputable overnight courier or by certified mail (return receipt requested) through the United States Postal Service.

3.12 Successors and Assigns. The Company or any Affiliated Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit

of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 3.2 hereof, this Agreement shall be binding upon the Participant and his or her heirs, executors, administrators, successors and assigns.

3.13 Section 409A. The Performance Units are not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, “**Section 409A**”). However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that the Performance Units or any portion thereof may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify the Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for the Performance Units to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

3.14 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if the Participant is subject to Section 16 of the Exchange Act, then the Plan, the Award and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.15 Limitation on the Participant’s Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. The Plan, in and of itself, has no assets. The Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Shares issuable hereunder.



**EXHIBIT C**  
**TO PERFORMANCE UNIT AWARD GRANT NOTICE**  
**PEER GROUP**

AMAG Pharmaceuticals, Inc.	Sucampo Pharmaceuticals, Inc.
Albany Molecular Research Inc.	Enanta Pharmaceuticals, Inc.
Genomic Health Inc.	Fluidigm Corp.
Luminex Corporation	Harvard Bioscience, Inc.
Amphastar Pharmaceuticals, Inc.	Vanda Pharmaceuticals Inc.
Mimedx Group, Inc.	Infinity Pharmaceuticals, Inc.
Pernix Therapeutics Holdings, Inc.	VIVUS, Inc.
SciClone Pharmaceuticals Inc.	Merrimack Pharmaceuticals Inc.
Supernus Pharmaceuticals, Inc.	NewLink Genetics Corporation
Halozyme Therapeutics, Inc.	Eagle Pharmaceuticals, Inc.
Ariad Pharmaceuticals, Inc.	

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Rajesh C. Shrotriya, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Spectrum Pharmaceuticals, 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. The registrant's other certifying officer and I are 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 our 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 our 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 our 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. The registrant's other certifying officer and I have disclosed, based on our 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.

May 4, 2017

/s/ Rajesh C. Shrotriya

---

Rajesh C. Shrotriya, MD

Chairman of the Board and Chief Executive Officer



## CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Kurt A. Gustafson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Spectrum Pharmaceuticals, 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. The registrant's other certifying officer and I are 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 our 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 our 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 our 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. The registrant's other certifying officer and I have disclosed, based on our 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.

May 4, 2017

/s/ Kurt A. Gustafson

---

Kurt A. Gustafson

Executive Vice President and Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Rajesh C. Shrotriya, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report of Spectrum Pharmaceuticals, Inc. on Form 10-Q for the quarterly period ended March 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents in all material respects the financial condition and results of operations of Spectrum Pharmaceuticals, Inc.

Date: May 4, 2017

By: /s/ Rajesh C. Shrotriya

Name: Rajesh C. Shrotriya, MD

Title: Chairman of the Board and Chief Executive Officer

This certification accompanies the Report pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities and Exchange Act of 1934, or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporated by reference.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, Kurt A. Gustafson, certify, pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that, to my knowledge, the Quarterly Report of Spectrum Pharmaceuticals, Inc. on Form 10-Q for the quarterly period ended March 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents in all material respects the financial condition and results of operations of Spectrum Pharmaceuticals, Inc.

Date: May 4, 2017

By: /s/ Kurt A. Gustafson

Name: Kurt A. Gustafson

Title: Executive Vice President and Chief Financial Officer

This certification accompanies the Report pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities and Exchange Act of 1934, or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, or, the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporated by reference.