UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2006

OR

o **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 000-28782

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.)
157 Technology Drive **Irvine, California** (Address of Principal Executive Offices)	**92618** (Zip Code)

Registrant's Telephone Number, Including Area Code: (949) 788-6700

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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer x Non-accelerated filer o

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date:

Class	Outstanding at November 2, 2006
Common Stock, $.001 par value	25,093,480

SPECTRUM PHARMACEUTICALS, INC.
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FORM 10-Q

For the three-month and nine-month periods ended September 30, 2006

PART I — FINANCIAL INFORMATION

ITEM 1. Financial Statements

Statement Regarding Financial Information

The condensed consolidated financial statements of Spectrum Pharmaceuticals, Inc. included herein have been prepared by management, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States has been condensed or omitted pursuant to such rules and regulations. However, we believe that the disclosures are adequate to make the information presented not misleading.

We recommend that you read the condensed consolidated financial statements included herein in conjunction with the audited consolidated financial statements and notes thereto included in our annual report on Form 10-K for the fiscal year ended December 31, 2005, filed with the Securities and Exchange Commission on March 15, 2006.

Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2006	December 31, 2005
	(In Thousands, Except Share and Per Share Data)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 4,263	$ 28,750
Marketable securities	46,189	34,917
Accounts Receivable	1,214	287
Inventory	—	58
Prepaid expenses and other current assets	293	373
Total current assets	51,959	64,385
Property and equipment, net	578	562
Other Assets	197	128
Total assets	$ 52,734	$ 65,075
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 2,596	$ 1,220
Accrued compensation	672	683
Accrued clinical study costs	3,049	1,925
Total current liabilities	6,317	3,828
Deferred revenue and other credits	1,066	241
Total liabilities	7,383	4,069
Commitments and Contingencies (Note 4)		

Minority Interest	21	23
Stockholders' Equity:		
Preferred Stock, par value $0.001 per share, 5,000,000 shares authorized:		
Series B Junior Participating Preferred Stock, 1,000,000 shares authorized, no shares issued and outstanding		
Series D 8% Cumulative Convertible Voting Preferred Stock, 600 shares authorized, stated value $10,000 per share, liquidation value $1,524, issued and outstanding 127 shares at September 30, 2006 and 157 shares at December 31, 2005	604	747
Series E Convertible Voting Preferred Stock, 2,000 shares authorized, stated value $10,000 per share, liquidation value $3,492, issued and outstanding, 291 shares at September 30, 2006 and December 31, 2005	1,795	1,795
Common stock, par value $0.001 per share, 100,000,000 shares authorized:		
Issued and outstanding, 24,485,369 and 23,503,157 shares at September 30, 2006 and December 31, 2005, respectively	24	24
Additional paid-in capital	249,375	243,656
Deferred stock-based compensation	—	(783)
Accumulated other comprehensive income	255	(26)
Accumulated deficit	(206,723)	(184,430)
Total stockholders' equity	45,330	60,983
Total liabilities and stockholders' equity	$ 52,734	$ 65,075

The accompanying notes are an integral part of these condensed consolidated balance sheets.

Condensed Consolidated Statements of Operations
(Unaudited)

	Three-Months Ended September 30, 2006	Three-Months Ended September 30, 2005	Nine-Months Ended September 30, 2006	Nine-Months Ended September 30, 2005
	(In Thousands, Except Share and Per Share Data)		(In Thousands, Except Share and Per Share Data)	
Revenues				
Licensing fees	$ —	$ 56	$ —	56
Product sales	92	128	92	368
Total revenues	$ 92	$ 184	$ 92	$ 424
Operating expenses:				
Cost of product sold	$ 97	$ 103	$ 97	$ 324
Research and development	5,803	3,252	13,554	10,319
General and administrative	1,516	2,152	4,379	4,721
Stock-based charges	738	169	6,306	863
Total operating expenses	8,154	5,676	24,336	16,227
Loss from operations	(8,062)	(5,492)	(24,244)	(15,803)
Other income, net	660	264	1,949	754
Net loss before minority interest in consolidated subsidiary	(7,402)	(5,228)	(22,295)	(15,049)
Minority interest in net loss of consolidated subsidiary	—	—	2	4
Net loss	$ (7,402)	$ (5,228)	$ (22,293)	$ (15,045)
Basic and diluted net loss per share	$ (0.30)	$ (0.32)	$ (0.93)	$ (0.96)
Basic and diluted weighted average common shares outstanding	24,485,369	16,666,960	23,934,749	15,723,509
Supplemental Information				
Stock-based charges - Components:				
Research and development	$ 447	$ 147	$ 5,233	$ 801
General and administrative	291	22	1,073	62
Total stock based charges	$ 738	$ 169	$ 6,306	$ 863

The accompanying notes are an integral part of these condensed consolidated balance sheets.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine-Months Ended September 30, 2006	Nine-Months Ended September 30, 2005
	(In Thousands, Except Share and Per Share Data)	
Cash Flows From Operating Activities:		
Net loss	$ (22,293)	$ (15,045)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	145	175
Amortization of deferred stock-based compensation	2,990	269
Fair value of common stock issued in connection with drug license	3,316	594
Minority interest in subsidiary	(2)	(4)
Changes in operating assets and liabilities:		
Increase in Accounts Receivable	(927)	(155)
Decrease in Inventory	58	81
Decrease in other assets	80	239
Increase in accounts payable and accrued expenses	2,536	3,098
Decrease in accrued compensation and related taxes	(11)	(426)
Increase in other non-current liabilities	825	66
Net cash used in operating activities	(13,283)	(11,108)
Cash Flows From Investing Activities:		
(Purchases) sales of marketable securities, net	(11,060)	35,861
Purchases of property and equipment	(161)	(126)
Net cash provided by (used in) investing activities	(11,221)	35,735
Cash Flows From Financing Activities:		
Proceeds from issuance of common stock		40,117
Proceeds from exercise of warrants	17	1,052
Repurchase of Warrants		(420)
Proceeds from exercise of stock options		5
Net cash provided by financing activities	17	40,754
Net increase (decrease) in cash and cash equivalents	(24,487)	65,381
Cash and cash equivalents, beginning of period	28,750	3,241
Cash and cash equivalents, end of period	$ 4,263	$ 68,622
Supplemental Cash Flow Information:		
Interest paid	$ 3	$ —
Income taxes paid	$ 1	$ 1
Schedule of Non-Cash Investing and Financing Activities:		
Preferred stock dividends paid with common stock	$ 55	$ 95
Fair value of common stock issued in connection with drug license	$ 3,316	$ 594
Fair value of options and warrants issued to consultants for services	$ 237	$ 693
Fair value of restricted stock granted employees and directors	$ 338	
Fair value of stock issued to match employee 401k contributions	$ 75	

The accompanying notes are an integral part of these condensed consolidated balance sheets.

Notes to Condensed Financial Statements

September 30, 2006
(Unaudited)

1. Business and Basis of Presentation

Business

Spectrum Pharmaceuticals, Inc., or the Company, is a pharmaceutical company engaged in the business of acquiring, developing and commercializing prescription drugs for various indications. While we directly own certain patent rights, the drugs we are currently developing, which are focused on the treatment of cancer and other unmet medical needs, are in-licensed from third parties whereby we acquired rights to develop and commercialize those compounds in territories specified in the respective agreements.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are prepared on a consistent basis in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all

adjustments (consisting of normal recurring accruals and consolidation and elimination entries) considered necessary for a fair presentation have been included. Operating results for the three-month and nine-month periods ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. The balance sheet at December 31, 2005 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in our annual report on Form 10-K for the year ended December 31, 2005.

Certain quarterly amounts have been reclassified to conform to the current period presentation.

2. Summary of Significant Accounting Policies and Estimates

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and of our wholly owned and majority owned subsidiaries. As of September 30, 2006, we had three subsidiaries: NeoJB LLC (NeoJB), 80% owned, organized in Delaware in April 2002; Spectrum Pharmaceuticals GmbH, wholly owned, incorporated in Switzerland in April 1997; and NeoGene Technologies, Inc. (NeoGene), an inactive subsidiary, 88.4% owned, incorporated in California in October 1999. We have eliminated all significant intercompany accounts and transactions.

Investments by outside parties in our consolidated subsidiary are recorded as Minority Interest in Consolidated Subsidiary in our accounts, and stated net after allocation of income and losses in the subsidiary.

We operate in one business segment, that of acquiring, developing and commercializing prescription drug products. The business has not matured to the point that disaggregated segment information would be meaningful. Accordingly, the accompanying financial statements are reported in the aggregate including all our activities in one segment.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent obligations in the financial statements and accompanying notes. Our most significant assumptions are employed in estimates used in determining values of financial instruments and accrued obligations, as well as in estimates used in applying the revenue recognition policy and estimating stock-based charges. The estimation process requires assumptions to be made about future events and conditions, and as such, is inherently subjective and uncertain. Actual results could differ materially from our estimates.

In estimating the fair value of stock-based compensation, we use the quoted market price of our common stock for stock awards, and the Black-Scholes Option Pricing Model for stock options and warrants. We estimate future volatility based on past volatility of our common stock; and we estimate the expected length of the option on several criteria, including the vesting period of the grant, and the expected volatility. In estimating the fair value of restricted common stock we issue in connection with licensing transactions, we apply a discount for marketability restrictions of more than one year, calculated after considering past volatility of our common stock as well as the term of restriction and the cost of risk free capital for a period that is comparable with the term of the restriction on the shares.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued liabilities, as reported in the balance sheets, are considered to approximate fair value given the short term maturity and/or liquidity of these financial instruments.

Cash, Cash Equivalents and Marketable Securities

Cash, cash equivalents and marketable securities primarily consist of bank checking deposits, short-term treasury securities, and institutional money market funds, corporate debt and equity, municipal obligations, including market auction debt securities, government agency notes, and certificates of deposit. We classify highly liquid short-term investments, with insignificant interest rate risk and maturities of 90 days or less at the time of acquisition, as cash and cash equivalents. Other investments, which do not meet the above definition of cash equivalents, are classified as either “held-to-maturity” or “available-for-sale” marketable securities, in accordance with the provisions of Financial Accounting Standards Board (FASB) Statement No. 115, *“Accounting for Certain Investments in Debt and Equity Securities.”* Investments that we intend to hold for more than one year are classified as long-term investments.

Concentrations of Credit Risk, Supplier and Customer

All of our cash, cash equivalents and marketable securities are invested at three major financial institutions. To a limited degree these investments are insured by the Federal Deposit Insurance Corporation (FDIC) and by third party insurance. 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 credit worthiness of the underlying issuer. We believe that such risks are mitigated because we invest only in investment grade securities. We have not incurred any significant credit risk losses related to such investments.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market. The lower of cost or market is determined based on net realizable value after appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors.

Patents and Licenses

We own or license all the intellectual property that forms the basis of our business model. We expense all licensing and patent application costs as they are incurred.

Revenue Recognition

License fees representing non-refundable payments received upon the execution of license agreements are recognized as revenue upon execution of the license agreements where we have no significant future performance obligations and collectibility of the fees is assured. Milestone payments, which are generally based on developmental or regulatory events, are recognized as revenue when the milestones are achieved, collectibility is assured, and we have no significant future performance obligations in connection with the milestones. In those instances where we have collected fees or milestone payments but have ongoing future obligations related to the development of the drug product, revenue recognition is deferred and amortized ratably over the period of our future obligations.

Revenue from sales of product is recognized upon shipment of product when title and risk of loss have transferred to the customer, and provisions for estimates, including promotional adjustments, price adjustments, returns, and other potential adjustments are reasonably determinable. Such revenue is recorded, net of such estimated provisions, at the minimum amount of the customer's obligation to us. We state the related accounts receivable at net realizable value, with any allowance for doubtful accounts charged to general operating expenses.

Research and Development

Research and development expenses are comprised of the following types of costs incurred in performing research and development activities: personnel expenses, facility costs, contract services, licensing fees and milestone payments, costs of clinical trials, laboratory supplies and drug products, and allocations of corporate costs. We expense all research and development activity costs in the period incurred.

Basic and Diluted Net Loss Per Share

In accordance with FASB Statement No. 128, *"Earnings Per Share,"* we calculate basic and diluted net loss per share using the weighted average number of common shares outstanding during the periods presented, and adjust the amount of net loss, used in this calculation, for preferred stock dividends declared during the period.

We incurred a net loss in each period presented, and as such, did not include the effect of potentially dilutive common stock equivalents in the diluted net loss per share calculation, as their effect would be anti-dilutive for all periods. Potentially dilutive common stock equivalents would include the common stock issuable upon the conversion of preferred stock and the exercise of warrants and stock options that have conversion or exercise prices below the market value of our common stock at the measurement date. As of September 30, 2006 and 2005, all potentially dilutive common stock equivalents amounted to approximately 15 million shares.

The following data show the amounts used in computing basic loss per share for the three-month and nine-month periods ended September 30, 2006 and 2005.

	Three-Months Ended September 30, 2006	Three-Months Ended September 30, 2005	Nine-Months Ended September 30, 2006	Nine-Months Ended September 30, 2005
	(In Thousands, Except Share and Per Share Data)			
Net loss	$ (7,402)	$ (5,228)	$ (22,293)	$ (15,045)
Less:				
Preferred dividends paid in cash or stock	(26)	(32)	(81)	(95)
Income available to common stockholders used in computing basic earnings per share	$ (7,428)	$ (5,260)	$ (22,374)	$ (15,140)
Weighted average shares outstanding	24,485,369	16,666,960	23,934,749	15,723,509
Basic and diluted net loss per share	$ (0.30)	$ (0.32)	$ (0.93)	$ (0.96)

Accounting for Stock-Based Employee Compensation

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R), *"Share-Based Payment."* This pronouncement amends SFAS No. 123, *"Accounting for Stock-Based Compensation,"* and supersedes Accounting Principles Board (APB) Opinion No. 25, *"Accounting for Stock Issued to Employees."* SFAS No. 123(R) requires that companies account for awards of equity instruments issued to employees under the fair value method of accounting and recognize such amounts in their statements of operations. We adopted SFAS No. 123(R) on January 1, 2006, using the modified prospective method and, accordingly, have not restated the consolidated statements of operations for periods prior to January 1, 2006. Under SFAS No. 123(R), we are required to measure compensation cost for all stock-based awards at fair value on the date of grant and recognize compensation expense in our consolidated statements of operations over the service period that the awards are expected to vest. As permitted under SFAS No. 123(R), we have elected to recognize compensation cost for all options with graded vesting on a straight-line basis over the vesting period of the entire option.

Prior to January 1, 2006, we accounted for stock-based compensation, as permitted by FASB Statement No. 123, *"Accounting for Stock-Based Compensation,"* under the intrinsic value method described in Accounting Principles Board (APB) Opinion No. 25, *"Accounting for Stock Issued to Employees,"* and related Interpretations. Under the intrinsic value method, no stock-based employee compensation cost is recorded when the exercise price is equal to, or higher than, the market value of the underlying common stock on the date of grant. We recognized stock-based compensation expense for all grants to consultants and for those grants to employees where the exercise prices were below the market price of the underlying stock at the measurement date of the grant.

The following table illustrates the effect on net loss and loss per share if we had applied the fair value recognition provisions of FASB Statement No. 123, *"Accounting for Stock-Based Compensation,"* to stock-based employee compensation, using the straight-line method, for periods prior to January 1, 2006.

	Three-Months Ended September 30, 2005	Nine-Months Ended September 30, 2005
	(In Thousands, Except Share and Per Share Data)	
Net loss, as reported	$ (5,228)	$ (15,045)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(803)	(3,582)
Pro forma net loss	$ (6,031)	$ (18,627)
Loss per share:		
Basic and diluted — as reported	$ (0.32)	$ (0.96)
Basic and diluted — pro forma	$ (0.36)	$ (1.19)

Comprehensive Loss

The net loss reflected on our Consolidated Statements of Operations substantially represents the total comprehensive loss for the periods presented.

3. Products and Strategic Alliances

We are developing our proprietary drugs for the treatment of a variety of cancers and other unmet medical needs. As of September 30, 2006, we had several proprietary drugs under development, and through the date of this report we have filed multiple, and received approval for some, Abbreviated New Drug Applications, or ANDAs, with the U.S. Food and Drug Administration, or FDA.

In general, we direct and pay for all aspects of the drug development process, and consequently incur the risks and rewards of drug development, which is an inherently uncertain process. To mitigate such risks we enter into alliances where we believe that our partners can provide strategic advantage in the development, manufacturing or distribution of our drugs. In such situations, the alliance partners may share in the risks and rewards of the drug development and commercialization.

Business Alliances

Our business alliances are described in detail in our Annual Report on Form 10-K for the year ended December 31, 2005. The following represents an update for significant developments during 2006.

Par Pharmaceutical Companies Inc.: In February 2006, we entered into a strategic alliance with Par Pharmaceutical Companies, Inc., or Par, one of the largest generics companies in the United States, to distribute generic drugs for which we have filed ANDAs, including sumatriptan succinate injection. Pursuant to the terms of the agreement, we will receive payments upon regulatory approval of certain ANDAs filed by us. The agreement also provides for an at least 50% share of the profits from the sale by Par of our generic products. In addition, Par agreed to provide financial and legal support, including the payment of all legal expenses for the ongoing patent challenge for sumatriptan succinate injection.

J.B. Chemicals & Pharmaceuticals Ltd.: In August 2006, we agreed to terminate the supply agreement dated April 16, 2002, by and between J.B. Chemicals & Pharmaceuticals Ltd., or JBCPL, and NeoJB LLC, or NeoJB, an 80% owned subsidiary, whereby in addition to certain named products we also had the right of first refusal on products sold by JBCPL in the U.S. In place of the supply agreement, we have agreed to enter into a new supply agreement between the Company and JBCPL for four specified products, including ciprofloxacin and fluconazole tablets, to be supplied by JBCPL. In addition, pursuant to a share subscription agreement, JBCPL agreed to purchase 120,000 restricted shares of our common stock for $1 million subject to approval by the appropriate regulatory authorities in India. We have agreed to file a registration statement with the Securities and Exchange Commission to register the shares after they have been issued.

Products under development

The following is a brief update of the most advanced products under development as of September 30, 2006:

Satraplatin: Satraplatin is an orally administered chemotherapeutic agent that is being studied for the treatment of hormone refractory prostate cancer in a phase 3 clinical trial. In September 2006, we announced positive results from the trial, which is being conducted by our development partner, GPC Biotech AG, or GPC Biotech. A rolling submission of a New Drug Application, or NDA, with the FDA had commenced in December 2005, and is expected to complete in the fourth quarter of 2006. Acceptance of the NDA by the FDA will trigger a milestone payment from GPC Biotech to us.

Levofolinic acid (LFA): In April 2006, we completed the acquisition of all of the oncology drug assets of Targent, Inc. The principal asset in the transaction was a license agreement to market levofolinic acid, or LFA, in the field of oncology in North America. LFA is the pure active isomer of calcium leucovorin, a component of "standard of care" 5-fluorouracil, or 5-FU, containing regimens for the treatment of colorectal cancer and other malignancies. Calcium leucovorin is also used after the administration of high-dose methotrexate in treating certain malignancies. A NDA for LFA has been filed with the FDA for the osteosarcoma indication. We expect to respond in early 2007 to certain chemistry and manufacturing questions raised by the FDA during the review of the application.

EOquin™: EOquin™, a synthetic drug which is activated by certain enzymes present in higher amounts in cancer cells than in normal tissues, is currently being developed for superficial (non-invasive) bladder cancer. Earlier in 2006, we held a pre-IND and end of phase 2 meeting with the FDA and have filed an IND with the FDA, with the view to initiating phase 3 trials in the United States in the next few months to evaluate EOquin™ in superficial (non-invasive) bladder cancer after completion of a 20-patient pilot study which has recently begun and approval of a special protocol assessment by the FDA.

Ozarelix: Ozarelix, a fourth generation LHRH (Luteinizing Hormone Releasing Hormone, also known as GnRH or Gonadotropin Releasing Hormone) antagonist is under evaluation for its intended initial indications, hormone-dependent prostate cancer and benign prostatic hypertrophy (BPH). Evaluation of the data from the Phase 2 clinical trials in each of those indications is proceeding. We recently announced preliminary data from these trials, and anticipate commencing a phase 3 clinical trial in BPH in 2007. The successful conclusion of a phase 2 trial, such that the data support the commencement of a phase 3 trial, triggers a milestone payment to Aeterna Zentaris, from whom we licensed ozarelix. Accordingly, we accrued approximately $1.3 million for such potential payment.

Aeterna Zentaris recently entered into a licensing and collaboration agreement, with a third party, for the development and marketing of ozarelix in Japan, and received certain upfront payments. Under the terms of our license agreement with Aeterna Zentaris, we are entitled to receive fifty percent of the upfront and milestone payments and royalties Aeterna Zentaris receives for such rights in Japan. As of September 30, 2006, we have recorded, as deferred revenue, an estimate of our share of these upfront payments. Such deferred revenue will be amortized to income in accordance with our revenue recognition policy, namely when we have no significant future performance obligations and collectibility of the fees is assured.

4. Commitments and Contingencies

Facility and Equipment Leases

As of September 30, 2006, we were obligated under a facility lease and several operating equipment leases. We have sub-leased a portion of our facility through September 2007, with a renewal option through the remaining term of our underlying lease.

Minimum lease commitments, and minimum contractual sublease income for each of the next five years and thereafter, under the property and equipment operating leases, are as follows:

Year ending December 31:	Lease Commitments	Sub-Lease Commitments
	Amounts In Thousands	
2006 (Remainder of Year)	$ 116	$ 57
2007	$ 474	$ 171
2008	$ 494	$ —
2009	$ 253	$ —
Thereafter	$ 5	$ —
	$ 1,342	$ 228

Licensing Agreements

Each of our proprietary drug product candidates is being developed pursuant to license agreements, which provide us with rights to certain territories to, among other things, develop, sublicense, and sell the drugs. With regard to one of our proprietary drug product candidates, satraplatin, we have out-licensed our rights to GPC Biotech. We are required to use commercially reasonable efforts to develop the drugs, are generally responsible for all development, patent filing and maintenance costs, sales, marketing and liability insurance costs, and are contingently obligated to make milestone payments to the licensors if we successfully reach development and regulatory milestones specified in the agreements. In addition, we are obligated to pay royalties and milestone payments based on net sales, if any, after marketing approval is obtained from regulatory authorities. We have no similar milestone or other payment obligations in connection with our generic drug products.

The potential contingent development and regulatory milestone obligations under all our licensing agreements are generally tied to progress through the FDA approval process, which approval significantly depends on positive clinical trial results. The following list is typical of milestone events: commencement of phase 3 clinical trials, filing of new drug applications in each of the United States, Europe and Japan, and approvals from each of those regulatory agencies.

Given the uncertainty of the drug development process, we are unable to predict with any certainty when any of the milestones will occur. Accordingly, the milestone payments represent contingent obligations that will be recorded as expense when the milestone is achieved. In connection with the development

of in-licensed drug products, we anticipate certain milestones will be achieved over the next twelve months. If the anticipated milestones are achieved, we will likely become obligated to issue approximately 250,000 restricted shares of our common stock and pay up to approximately $4 million in cash during the twelve-month period. If all of our contingent milestones were achieved, our potential contingent cash development and regulatory milestone obligations, aggregating approximately $48 million as of September 30, 2006, would be due approximately as follows: $4 million in less than 1 year; $3 million between 1 and 3 years; $2 million between 3 and 5 years; and $39 million after 5 years.

Service Agreements

In connection with the research and development of our drugs, we have entered into contracts with numerous third party service providers, such as clinical trial centers, clinical research organizations, data monitoring centers, and with drug formulation, development and testing laboratories. The financial terms of these agreements vary 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. As of each period end, we accrue for all non-cancelable installment amounts that we are likely to become obligated to pay.

Employment Agreements

We have entered into employment agreements with two of our Executive Officers, Dr. Shrotriya, Chief Executive Officer, and Dr. Lenaz, Chief Scientific Officer, expiring December 31, 2007 and July 1, 2007, respectively. The employment agreements automatically renew for a one-year term unless either party gives written notice at least 90 days prior to the commencement of the next year of such party's intent not to renew the agreement. The agreements require each executive to devote his full working time and effort to the business and affairs of the Company during the term of the agreement. The agreements provide for an annual base salary with annual increases, periodic bonuses and option grants as determined by the Compensation Committee of our Board of Directors.

Each officer's employment may be terminated by us with or without cause, as defined in the agreement. The agreements provide for certain guaranteed severance payments and benefits if the officer's employment is terminated without cause, if the officer's employment is terminated due to a change in control or is adversely affected due to a change in control and the officer resigns or if the officer decides to terminate his employment due to a disposition of a significant amount of assets or business units. The guaranteed severance payment includes a payment equal to the officer's annual base salary and other cash compensation, and approved bonus. The officer is also entitled to two years medical, dental and other benefits following termination. In addition, all options held by the officer shall immediately vest and will be exercisable for one year

from the date of termination; provided, however, if the board determines that the officer's employment is being terminated for the reason that the shared expectations of the officer and the board are not being met, then the options currently held by the officer will vest in accordance with their terms for up to one year after the date of termination, with the right to exercise those options, when they vest, for approximately thirteen months after the date of termination. The agreements also provide that, upon his retirement, all options held by the officer will become fully vested.

Litigation

At September 30, 2006, we were in litigation with GlaxoSmithKline as a result of filing an ANDA with paragraph IV certification for sumatriptan succinate injection, which is marketed by GlaxoSmithKline under the brand name Imitrex®. Pursuant to our February 2006 agreement with Par, Par agreed to provide financial and legal support, including the payment of all legal expenses for this patent challenge.

We are party to various other legal proceedings arising from the ordinary course of business. Although the ultimate resolution of these various proceedings cannot be determined at this time, we do not believe that such proceedings, individually or in the aggregate, will have a material adverse effect on our future consolidated results of operations, cash flows or financial condition.

5. Stockholders' Equity

Common Stock

In connection with the acquisition, in April 2006, of all the oncology assets of Targent, Inc., we issued to Targent and its stockholders an aggregate amount of 600,000 shares of Spectrum common stock, with a fair value of $2.7 million as of the transaction closing date, all of which amount representing purchased research and development, has been charged to expense at the closing of the transaction. Targent is eligible to receive additional payments of shares of Spectrum common stock and/or cash upon achievement of certain regulatory and sales milestones, if any. At our option, cash payments specified in the agreement may be paid in shares of Spectrum common stock having a value determined as provided in the asset purchase agreement, equal to the cash payment amount.

In June 2006, we issued to Altair Nanotechnologies, Inc. 140,000 restricted shares of Spectrum common stock, representing payment of a milestone pursuant to the license agreement for RenaZorb™, as well as additional amounts for transfer of technology related to formulation improvements to RenaZorb™ developed by Altair. The fair value of the stock, $574,000, was recorded as a stock-based charge for the nine-month period ended September 30, 2006.

On July 6, 2006, our stockholders approved an amendment to our Certificate of Incorporation to increase the authorized number of shares of our common stock from 50 million shares to 100 million shares. The amendment was filed with the Delaware Secretary of State on July 7, 2006. Further, on July 7, 2006, we amended the Certificate of Designation of Rights, Preferences and Privileges of Series B Junior Participating Preferred Stock filed with the Delaware Secretary of State on December 18, 2000 to increase the authorized number of Series B Junior Participating Preferred Stock from 200,000 shares to 1,000,000.

Common Stock Reserved for Future Issuance

As of September 30, 2006, approximately 15 million shares of common stock were issuable upon conversion or exercise of rights granted under prior financing arrangements and stock options and warrants, as follows:

Conversion of Series D preferred shares	537,479
Conversion of Series E preferred shares	582,000
Exercise of stock options	4,282,092
Exercise of warrants	9,939,363
Total shares of common stock reserved for future issuances	15,340,934

Stock-Based Compensation

At September 30, 2006, we had three stock incentive plans: the 1991 Stock Incentive Plan (1991 Plan), the 1997 Stock Incentive Plan (1997 Plan) and the 2003 Amended and Restated Incentive Award Plan (2003 Plan), (collectively, the Plans). We are not granting any more options pursuant the 1991 and 1997 Plans. The 2003 Plan authorizes the grant, in conjunction with all of our other plans, of various forms of stock-based awards including incentive and non-statutory stock options, stock

purchase rights, stock appreciation rights, and restricted and unrestricted stock awards, for the purchase of up to a total of 30% of our issued and outstanding stock at the time of grant. As of September 30, 2006, approximately 2.8 million incentive awards were available for grant under the 2003 Plan. Stock-based awards vest over periods of up to four years and have a ten-year life.

Below is a summary of activity, for all of our stock incentive plans, during the nine-month period ended September 30, 2006:

Stock Options:

During the nine-month period ended September 30, 2006, we granted stock options at exercise prices equal to or greater than the quoted price of our common stock on the grant dates. The weighted average grant date fair value of stock options granted during the nine-month period ended September 30, 2006, was estimated at approximately $3.04, using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 79.60%; risk free interest rate of 4.61%; and an expected life of five years.

	Common Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Term (In Years)	Aggregate Intrinsic Value (In Thousands)
Outstanding at beginning of period	3,661,682	$ 6.98		
Granted	746,500	$ 4.57		
Exercised	—	$ —		
Forfeited	(51,877)	$ 3.29		
Expired	(74,213)	$ 8.22		
Outstanding, at the end of period	4,282,092	$ 6.59	**7.10**	**$ 3,223**
Vested and expected to vest, at end of period	4,212,301	$ 6.60	**7.08**	**$ 3,189**
Exercisable, at the end of period	2,886,267	$ 7.03	**6.54**	**$ 2,545**

The aggregate intrinsic value in the table above represents the total difference between the Company's closing common stock price on September 30, 2006 and the exercise price, multiplied by the number of all in-the-money options, that would have been received by the option holders had all option holders exercised their options on September 30, 2006. This amount changes based on the fair market value of the Company's common stock.

During the nine-month period ended September 30, 2006, the stock-based charge in connection with the expensing of stock options was $2.7 million. As of September 30, 2006, there was $4.8 million of unrecognized stock-based compensation cost related to stock options, which is expected to be recognized over a weighted average period of 2.44 years.

Restricted Stock:

	Restricted Stock Awards	Weighted Average Grant date Fair Value
Nonvested at beginning of period	115,000	$ 4.26
Granted	80,000	$ 4.23
Vested	(48,750)	$ 4.25
Forfeited	—	$ —
Nonvested, at the end of period	146,250	$ 4.25

The fair value of restricted stock awards is the quoted market price of our stock on the grant date, and is charged to expense over the period of vesting. These awards are subject to forfeiture to the extent that the recipient's service is terminated prior to the shares becoming vested.

During the nine-month period ended September 30, 2006, the stock-based charge in connection with the expensing of restricted stock awards was $245,000. As of September 30, 2006, there was $461,000 of unrecognized stock-based compensation cost related to nonvested restricted stock awards, which is expected to be recognized over a weighted average period of 2.26 years.

401(k) Plan Matching Contribution:

In June 2006, we issued 17,709 shares of common stock as the Company's match of $75,000 on the 401(k) contributions of its employees accrued in 2005. As of September 30, 2006, we accrued approximately $101,000 in connection with the Company's match for 2006 through that date; and in October 2006, we issued 22,197 shares of common stock as the Company's match.

Warrants Activity

We typically issue warrants to purchase shares of our common stock to investors as part of a financing transaction or in connection with services rendered by placement agents and consultants. Our outstanding warrants expire on varying dates through September 2013. Below is a summary of warrant activity during the nine-month period ended September 30, 2006. The weighted average grant date fair value of warrants granted during the nine-month period ended September 30, 2006 was estimated at approximately $3.55, using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 80.04%; risk free interest rate of 5.21%; and an expected life of five years.

	Common Stock Warrants	Weighted Average Exercise Price
Outstanding at beginning of period	9,920,703	$ 7.20
Granted	50,000	$ 5.25
Repurchased	—	$ —
Exercised	(5,750)	3.00
Forfeited	—	—
Expired	(25,590)	$ (150.50)
Outstanding, at the end of period	9,939,363	$ 6.83
Exercisable, at the end of period	9,839,363	$ 6.84

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, and Section 21E of the Securities Exchange Act of 1934, as amended, in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding our future product development activities and costs, the revenue potential (licensing, royalty and sales) of our product candidates, the safety and efficacy of our drug products, the timing and likelihood of achieving development milestones and product revenues, the sufficiency of our capital resources, and other statements containing forward-looking words, such as, "believes," "may," "could," "will," "expects," "intends," "estimates," "anticipates," "plans," "seeks," or "continues." Such forward-looking statements are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's 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 below, including under "Risk Factors" as well as those discussed in our periodic reports filed with the Securities and Exchange Commission including our Annual Report on Form 10-K. These factors include, but are not limited to:

- our ability to successfully develop, obtain regulatory approvals for and market our products;
- 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;
- our ability to identify new product candidates;
- the timing or results of pending or future clinical trials;
- competition in the marketplace for our generic drugs;
- actions by the FDA and other regulatory agencies;
- demand and market acceptance for our approved products; and
- the effect of changing economic conditions.

We do not plan to update any such forward-looking statements and expressly disclaim any duty to update the information contained in this report except as required by law.

You should read the following discussion of the financial condition and results of our operations in conjunction with the condensed financial statements and the notes to those financial statements included in Item 1 of Part 1 of this report.

Overview

Spectrum Pharmaceuticals, Inc. is a pharmaceutical company engaged in the business of acquiring, developing and commercializing prescription drugs for various indications. While we directly own certain patent rights, the drugs we are currently developing, which are focused on the treatment of cancer and other unmet medical needs, are in-licensed from third parties whereby we acquired rights to develop and commercialize those compounds in territories specified in the agreements. We are also actively seeking FDA approval for marketing generic versions of branded drugs whose patent protection has either already expired, or is scheduled to expire in the foreseeable future. We currently have a few generic products approved by the FDA for marketing in the United States. In addition, we have a few neurology compounds that we may out-license to third parties for further development.

New drug development is an inherently uncertain, lengthy and expensive process. We focus our research and development efforts principally on clinical stage drug candidates, for which the primary expenses relate to the conduct of clinical trials necessary to demonstrate to the satisfaction of the FDA, and other regulatory authorities in the United States and other countries, that the products are both safe and effective in their respective indications and that they can be produced by a validated consistent manufacturing process. The number, size, scope and timing of the clinical trials necessary to bring a product candidate to development, completion and commercialization cannot readily be determined at an early stage nor, given the timelines of the trials extending over periods of years, can future costs be estimated with precision. While generic drug development is also subject to approval by regulatory authorities, the costs and timelines of development, completion and commercialization can be significantly shorter, and compared to new drug development, relatively less uncertain and less expensive.

Business Outlook

Our primary business focus for 2006, and beyond, will be to continue to acquire, develop and commercialize a portfolio of marketable prescription drug products with a mix of near-term and long-term revenue potential. Key developments anticipated in the next 12 to 18 months are:

- *Satraplatin:* In September 2006, we announced positive results from the phase 3 trial conducted by our development partner, GPC Biotech AG, or GPC Biotech. A rolling submission of a New Drug Application, or NDA, with the FDA had commenced in December 2005, and is expected to complete in the fourth quarter of 2006. A European marketing application is expected to be filed in the first half of 2007.
- *Levofolinic acid (LFA):* We expect to respond in early 2007 to certain chemistry and manufacturing questions raised by the FDA during the review of the NDA for LFA.
- *EOquin™:* We intend to initiate phase 3 trials in the United States in the next few months to evaluate EOquin™ in superficial (non-invasive) bladder cancer after completion of a 20-patient pilot study which recently commenced and after approval of a special protocol assessment by the FDA.
- *Ozarelix:* Ozarelix, a fourth generation LHRH (Luteinizing Hormone Releasing Hormone, also known as GnRH or Gonadotropin Releasing Hormone) antagonist is under evaluation for its intended initial indications, hormone-dependent prostate cancer and benign prostatic hypertrophy (BPH). Evaluation of the data from the Phase 2 clinical trials in each of those indications is proceeding. We recently announced preliminary data from these trials, and anticipate commencing a phase 3 clinical trial in BPH in 2007. Also, we plan to initiate a study in healthy female volunteers for endometriosis in Europe over the next several months after approval is received from the appropriate regulatory authorities.
- *Sumatriptan succinate injection:* In connection with this ANDA, we are challenging GlaxoSmithKline's patent. Trial is set for November 13, 2006. Pursuant to our agreement with Par, Par shall provide financial and legal support, including payment of legal expenses for the sumatriptan litigation.

Financial Condition

Liquidity and Capital Resources

Our current business operations do not generate sufficient operating cash to finance the clinical development of our drug product candidates. Our cumulative losses, since inception in 1987 through September 30, 2006, have exceeded $200 million. We expect to continue to incur significant additional losses as we implement our growth strategy of developing marketable drug products for at least the next several years unless they are offset, if at all, by licensing revenues under our out-license agreement with GPC Biotech or from the out-license of any of our other proprietary products and any profits from the sale of generic products.

We believe that the approximately $50 million in cash, cash equivalents and marketable securities that we had on hand as of September 30, 2006, will allow us to fund our current planned operations for at least the next twelve months. Our long-term strategy is to generate profits from the sale and licensing of our propriety drug products. In the next several years, we anticipate supplementing our cash position with licensing and royalties revenues under our out-license agreement with GPC Biotech, licensing revenues from out-licensing our other proprietary products and milestone payments and profits from the sale of our generic products by Par. Under the agreement with Par, not including our share of the profits from sales of the generic drugs, we could receive an aggregate of over $10 million under the agreement if a specified equity investment is made and the necessary regulatory approvals are obtained. If GPC Biotech successfully completes the filing of the NDA as planned, we will realize licensing revenues in 2007 from licensing milestones specified in the agreement.

However, if we are unable to generate the necessary revenues to finance our operations long-term, we may have to seek additional capital through the sale of our equity. Our operations have historically been financed by the issuance of capital stock. To this effect, we have a shelf registration statement with approximately $32 million available for the sale of our securities. In addition, we could receive a significant amount of cash from the exercise of outstanding warrants and options, if the price of our common stock appreciates. It is generally difficult to fund pharmaceutical research and development via borrowings due to the significant expenses involved, lack of revenues sufficient to service debt and the significant inherent uncertainty as to results of research and the timing of those results.

As described elsewhere in this report, including in Item 1A under "Risk Factors", our drug development efforts are subject to the considerable uncertainty inherent in any new drug development. Due to the uncertainties involved in progressing through clinical trials, and the time and cost involved in obtaining regulatory approval and in establishing collaborative arrangements, among other factors, we cannot reasonably estimate the timing and ultimate aggregate cost of developing each of our drug product candidates, and are similarly unable to reasonably estimate when, if ever, we will realize material net cash inflows from our proprietary drug product candidates. Accordingly, the following discussion of our current

assessment of the need for cash to fund our operations may prove too optimistic and our assessment of expenditures may prove inadequate.

Our expenditures for research and development and general and administrative expenses consist of direct product specific costs and non-product specific, or indirect, costs. The following describes our current assessment of direct, or product specific development costs, such as upfront license fees, milestone payments, active pharmaceutical ingredients, clinical trials, patent related legal costs, and product liability insurance, among others, for each significant proprietary drug product, and other proprietary and generic drug products as a group, currently under development. These costs are subject to uncertainties inherent in new drug development. Additionally, we may shift our cash resources between products. Therefore, what we actually spend to develop a particular product may not fall within the estimated range and the estimated ranges may change from quarter to quarter based upon changes in priorities or strategy and/or the results of the development. While we do not receive any funding from third parties for research and development we conduct, our estimated costs could be mitigated should we enter into co-development agreements for any of our drug product candidates.

- *Satraplatin:* The costs of conducting clinical trials worldwide are being borne entirely by our co-development partner GPC Biotech and its sublicensee. While we have licensed the development of satraplatin to GPC Biotech, we are not obligated to reimburse GPC Biotech for development costs they incur or to refund any license or milestone payments we receive. In connection with the milestone obligations related to satraplatin, each of our contingent future payment obligations is generally matched by a corresponding, greater milestone payment obligation of GPC Biotech to us.

- *Levofolinic acid (LFA):* In April 2006, we acquired the rights to the NDA filing pending at the FDA. During the nine-month period ended September 30, 2006, excluding indirect costs, we spent approximately $1.1 million on the development of LFA. In order to complete the NDA filing to the satisfaction of the FDA, we anticipate that over the next twelve months we may incur development costs up to approximately $1.5 million.

- *EOquin™:* During the nine-month period ended September 30, 2006, excluding indirect costs, we spent approximately $1.8 million on the development of EOquin™. Estimated expenditures for the next twelve months are subject to considerable uncertainty, and are largely dependent on the outcome of continuing discussions with the FDA regarding our planned phase 3 clinical trial. We anticipate that over the next twelve months we could incur development costs up to approximately $6 million.

- *Ozarelix:* During the nine-month period ended September 30, 2006, excluding indirect costs, we spent approximately $2.2 million on the development of ozarelix, including an accrual for an anticipated milestone payment. Estimated expenditures for the next twelve months are subject to considerable uncertainty, and are largely dependent on the final results from the analysis of the complete phase 2 study data, and on the outcome of discussions with the FDA regarding our planned phase 3 clinical trial. We anticipate that over the next twelve months we could incur development costs up to approximately $6 million.

- *SPI-1620:* During the nine-month period ended September 30, 2006, excluding indirect costs, we incurred approximately $1.1 million on the development of SPI-1620. Estimated expenditures for the next twelve months are subject to considerable uncertainty, and are largely dependent on the results of our preclinical work and the initiation of any clinical trials.

- *Other:* During the nine-month period ended September 30, 2006, excluding indirect costs, we incurred approximately $2.0 million on the development of other proprietary and generic drug products, including costs for products for which we anticipate filing ANDAs in the future. Estimated expenditures for the next twelve months are subject to considerable uncertainty, and are largely dependent on continued positive results from our preclinical studies, and the initiation of any clinical trials.

In addition to the foregoing drug product candidates, we continually evaluate proprietary products for acquisition. If we are successful in acquiring rights to additional products, we may pay up-front licensing fees in cash and our research and development expenditures would likely increase.

Under our various existing licensing agreements, we are contingently obligated to make milestone payments. In connection with the development of certain in-licensed drug products, we anticipate the occurrence of certain of these milestones over the next twelve months. Upon successful achievement of these milestones, we will likely become obligated to pay up to approximately $4 million in cash and issue approximately 250,000 shares of our common stock during the twelve-month period.

Net Cash used in Operating Activities

During the nine-month period ended September 30, 2006, the net cash used in operations was approximately $13.3 million, net of interest income of approximately $2.0 million.

Based on our current plans and the scope of our activities, our anticipated use of cash for operations over the next twelve months, excluding the cost of in-licensing any additional drug products, is expected to exceed the approximately $5 million average during recent quarters. As discussed above under "Liquidity and Capital Resources", estimated expenditures for the next twelve months are subject to considerable uncertainty, and are largely dependent on continued positive results from our preclinical studies, and the initiation of any clinical trials, the final results from current phase 2 study data, and on the outcome of discussions with the FDA regarding our planned phase 3 clinical trials.

Net Cash provided by and used for Investing Activities

While cash preservation is our primary investment goal, in order to maximize the interest yield on our investments, we invest our cash in a variety of investments pending its use in our business. During the nine-month period ended September 30, 2006, we reinvested our funds with Lehman Brothers acting as primary cash manager. This reinvestment resulted in the net conversion of approximately $11 million of cash and cash equivalents into marketable securities.

Net Cash provided by and used for Financing Activities

During the nine-month period ended September 30, 2006, we received approximately $17,000 from the exercise of an outstanding warrant for 5,750 shares of our common stock.

Results of Operations

Results of Operations for the three-month period ended September 30, 2006 Compared to the three-month period ended September 30, 2005

During the three-month period ended September 30, 2006, we incurred a net loss of approximately $7.4 million compared to a net loss of approximately $5.2 million in the three-month period ended September 30, 2005. The increase of approximately $2.2 million in the net loss was primarily due to increases in research and development expense, partially offset by a decrease in legal expense.

During the three-month period ended September 30, 2005, we had $56,000 of revenues representing amounts received from the GPC Biotech under our license agreement for commissions on drug products used by GPC Biotech in clinical trials. The timing and amount of future commissions is neither predictable nor assured. Generic product sales were $92,000 and $128,000 during the three-month periods ended September 30, 2006 and 2005, respectively. Future product sales are dependent on our distributors reordering the product from us.

Research and development expenses increased by approximately $2.5 million, from approximately $3.3 million in the three-month period ended September 30, 2005 to approximately $5.8 million in the three-month period ended September 30, 2006, due to the expanded scope of our research and development activities, including an increase in the number of personnel in preparation for the commencement of a phase 3 trial for EOquin in the next few months. Approximately $1.3 million of the increase is attributable to an accrual for a milestone payable upon the successful conclusion of a phase 2 trial for ozarelix, such that the data support the commencement of a phase 3 trial.

General and administrative expenses decreased by approximately $0.7 million, from approximately $2.2 million in the three-month period ended September 30, 2005 to approximately $1.5 million in the three-month period ended September 30, 2006, primarily due to a decrease in legal expense in connection with the lawsuit regarding our patent challenge of GlaxoSmithKline's Imitrex® injection. As described elsewhere in this report, the agreement with Par for the distribution of our generic products obligates Par to provide financial and legal support, including the payment of all legal expenses, for the ongoing patent challenge for sumatriptan succinate injection.

Stock-based charges increased by approximately $0.5 million from $0.2 million in the three-month period ended September 30, 2005 to approximately $0.7 million in the three-month period ended September 30, 2006, primarily due to our adoption of SFAS 123(R), effective January 1, 2006.

Other income consisted of net interest income of approximately $0.7 million for the three-month period ended September 30, 2006 and approximately $0.3 million for the three-month period ended September 30, 2005. The increase of

approximately $0.4 million is attributable to significantly higher average interest rates and balances of investable funds in 2006.

Results of Operations for the nine-month period ended September 30, 2006 Compared to the nine-month period ended September 30, 2005

During the nine-month period ended September 30, 2006, we incurred a net loss of approximately $22.3 million compared to a net loss of approximately $15.0 million in the nine-month period ended September 30, 2005. The increase of approximately $7.3 million in the net loss was primarily due to increases in research and development expense, partially offset by a decrease in legal expense, and increases in stock-based charges resulting from the adoption, effective January 1, 2006, of SFAS 123(R), and the issuance of common stock to Targent Inc. in connection with the acquisition of its oncology assets; and the issuance of common stock to Altair Nanotechnologies, Inc. in connection with a payment to Altair Nanotechnologies, Inc., the licensor of RenaZorb™, of a milestone pursuant to our license agreement and additional amounts for transfer of technology related to formulation improvements to RenaZorb™.

During the nine-month period ended September 30, 2005, we also recorded $56,000 of revenues representing amounts received from the GPC Biotech under our license agreement for commissions on drug products used by GPC Biotech in clinical trials. The timing and amount of future commissions is neither predictable nor assured. Generic product sales were $92,000 and $368,000 during the nine-month periods ended September 30, 2006 and 2005, respectively. Future product sales are dependent on our distributors reordering the product from us.

Research and development expenses increased by approximately $3.3 million, from approximately $10.3 million in the nine-month period ended September 30, 2005 to approximately $13.6 million in the nine-month period ended September 30, 2006, due to the expanded scope of our research and development activities, including an increase in the number of personnel in preparation for the commencement of a phase 3 for EOquin in the next few

months. Approximately $1.3 million of the increase is attributable to an accrual for a milestone payable upon the successful conclusion of a phase 2 trial for ozarelix, such that the data support the commencement of a phase 3 trial.

General and administrative expenses decreased by approximately $0.3 million, from approximately $4.7 million in the nine-month period ended September 30, 2005 to approximately $4.4 million in the nine-month period ended September 30, 2006, primarily due to a decrease in legal expense in connection with the lawsuit regarding our patent challenge of GlaxoSmithKline's Imitrex® injection. As described elsewhere in this report, the agreement with Par for the distribution of our generic products obligates Par to provide financial and legal support, including the payment of all legal expenses, for the ongoing patent challenge for sumatriptan succinate injection.

Stock-based charges increased by approximately $5.4 million, from $0.9 million in the nine-month period ended September 30, 2005 to approximately $6.3 million in the nine-month period ended September 30, 2006, primarily due to our adoption of SFAS 123(R), effective January 1, 2006. Also in the nine-month period ended September 30, 2006, we recorded a stock-based charge of approximately $2.7 million in connection with the acquisition of the oncology assets of Targent, Inc. and approximately $0.6 million in connection with a payment to Altair Nanotechnologies, Inc., the licensor of RenaZorb™, of a milestone pursuant to our license agreement and additional amounts for transfer of technology related to formulation improvements to RenaZorb™.

Other income consisted of net interest income of approximately $2.0 million for the nine-month period ended September 30, 2006 and approximately $0.8 million for the nine-month period ended September 30, 2005. The increase of approximately $1.2 million is attributable to significantly higher average interest rates and balances of investable funds in 2006.

Off-Balance Sheet Arrangements

None.

Contractual and Commercial Obligations

The following table summarizes our contractual and other commitments, including obligations under facility and equipment leases, as of September 30, 2006:

	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
Contractual Obligations (1)					
Capital Lease Obligations (2)	$ —	$ —	$ —	$ —	$ —
Operating Lease Obligations (3)	$ 1,342	$ 469	$ 864	$ 9	$ —
Purchase Obligations (4)	$ 3,501	$ 3,277	$ 224	$ —	$ —
Contingent Milestone Obligations (5)	$ 47,826	$ 3,772	$ 3,079	$ 1,875	$ 39,100
Total	$ 52,669	$ 7,518	$ 4,167	$ 1,884	$ 39,100

(1) The table of contractual and commercial obligations excludes contingent payments that we may become obligated to pay upon the occurrence of future events whose outcome is not readily predictable. Such significant contingent obligations are described below under "Employment Agreements".

(2) As of September 30, 2006, we had no capital lease obligations.

(3) The operating lease obligations are primarily the facility lease for our corporate office, which extends through June 2009.

(4) Purchase obligations represent the amount of open purchase orders and contractual commitments to vendors, for products and services that have not been delivered, or rendered, as of September 30, 2006.

(5) Contingent milestone obligations are payable contingent upon successfully reaching certain development and regulatory milestones as further described below under "Licensing Agreements". While the amounts included in the table above represent all of our potential cash development and regulatory milestone obligations as of September 30, 2006, given the unpredictability of the drug development process, and the impossibility of predicting the success of current and future clinical trials, the timelines estimated above do not represent a forecast of when payment milestones will actually be reached, if at all. Rather, they assume that all development and regulatory milestones under all of our license agreements are successfully met, and represent our best estimates of the timelines. In the event that the milestones are met, we believe it is likely that the increase in the potential value of the related drug product will exceed the amount of the milestone obligation.

Licensing Agreements

Each of our proprietary drug product candidates is being developed pursuant to license agreements, which provide us with rights to certain territories to, among other things, develop, sublicense, and sell the drug product candidates. With regard to one of our drug product candidates, satraplatin, we have out licensed our rights to GPC Biotech. We are required to use commercially reasonable efforts to develop the drug product candidates, are generally responsible for all development, patent filing and maintenance costs, sales, marketing and liability insurance costs, and are contingently obligated to make milestone payments to the licensors if we successfully reach the development and regulatory milestones specified in the agreements. In addition, we are obligated to pay royalties and milestone payments based on net sales, if any, after marketing approval is obtained from regulatory authorities. We have no similar milestone or other payment obligations in connection with our generic drug products.

The potential contingent development and regulatory milestone obligations under all our licensing agreements, are generally tied to progress through the FDA approval process, which approval significantly depends on positive clinical trial results. The following list is typical of milestone events: commencement of phase 3 clinical trials, filing of new drug applications in each of the United States, Europe and Japan, and approvals from each of those regulatory agencies.

Given the uncertainty of the drug development process, we are unable to predict with any certainty when, if at all, any of the milestones will occur and, accordingly, the milestone payments represent contingent obligations that will be recorded as expense when the milestone is achieved. In connection with the development of in-licensed drug products, we anticipate certain milestones will be achieved over the next twelve months. If the anticipated milestones are

achieved, we will likely become obligated to issue approximately 250,000 restricted shares of our common stock and pay up to approximately $4 million in cash during the twelve-month period. If all of our contingent milestones were achieved, our potential contingent cash development and regulatory milestone obligations, aggregating approximately $48 million as of September 30, 2006, would be due approximately as follows: $4 million in less than 1 year; $3 million between 1 and 3 years; $2 million between 3 and 5 years; and $39 million after 5 years.

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 clinical trial centers, clinical research organizations, data monitoring centers, and with

drug formulation, development and testing laboratories. The financial terms of these agreements vary 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. As of each period end, we accrue for all non-cancelable installment amounts that we are likely to become obligated to pay.

Employment Agreements

We have entered into employment agreements with two of our executive officers, Dr. Shrotriya, Chief Executive Officer, and Dr. Lenaz, Chief Scientific Officer, expiring December 31, 2007 and July 1, 2007, respectively. The employment agreements automatically renew for a one-year term unless either party gives written notice at least 90 days prior to the commencement of the next year of such party's intent not to renew the agreement. The agreements require each executive to devote his full working time and effort to the business and affairs of the Company during the term of the agreement. The agreements provide for an annual base salary with annual increases, periodic bonuses and option grants as determined by the Compensation Committee of our Board of Directors.

Each officer's employment may be terminated by us with or without cause, as defined in the agreement. The agreements provide for certain guaranteed severance payments and benefits if the officer's employment is terminated without cause, if the officer's employment is terminated due to a change in control or is adversely affected due to a change in control and the officer resigns or if the officer decides to terminate his employment due to a disposition of a significant amount of assets or business units. The guaranteed severance payment includes a payment equal to the officer's annual base salary and other cash compensation, and any approved bonus. The officer is also entitled to medical, dental and other benefits for two years following termination. In addition, all options held by the officer shall immediately vest and will be exercisable for one year from the date of such termination. However, if the board determines that the officer's employment is being terminated for the reason that the shared expectations of the officer and the board are not being met, then the options currently held by the officer will vest in accordance with their terms for up to one year after the date of termination, with the right to exercise those options, when they vest, for approximately thirteen months after the date of termination. The agreements also provide that, upon his retirement, all options held by the officer will become fully vested.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The estimation process requires assumptions to be made about future events and conditions, and as such, is inherently subjective and uncertain. Actual results could differ materially from our estimates. On an on-going basis, we evaluate our estimates, including cash requirements, by assessing: planned research and development activities and general and administrative requirements, required clinical trial activity, market need for our drug candidates and other major business assumptions.

The SEC defines critical accounting policies as those that are, in management's view, most important to the portrayal of our financial condition and results of operations and most demanding of our judgment. We consider the following policies to be critical to an understanding of our consolidated financial statements and the uncertainties associated with the complex judgments made by us that could impact our results of operations, financial position and cash flows.

Stock-Based Charges

In estimating the fair value of stock-based compensation, we use the quoted market price of our common stock for stock awards, and the Black Scholes Option Pricing Model for stock options and warrants. We estimate future volatility based on past volatility of our common stock; and we estimate the expected length of the option on several criteria, including the vesting period of the grant, and the expected volatility. In estimating the fair value of restricted common stock we issue in connection with licensing transactions, we apply a discount for the marketability restrictions calculated after considering past volatility of our common stock as well as the term of restriction and the cost of risk free capital for a period that is comparable with the term of the restriction on the shares.

Cash, Cash Equivalents and Marketable Securities

Cash, cash equivalents and marketable securities primarily consist of bank checking deposits, short-term treasury securities, and institutional money market funds, corporate debt and equity, municipal obligations, including market auction debt securities, government agency notes, and certificates of deposit. We classify highly liquid short-term investments, with insignificant interest rate risk and maturities of 90 days or less at the time of acquisition, as cash and cash equivalents. Other investments, which do not meet the above definition of cash equivalents, are classified as either "held-to-maturity" or

"available-for-sale" marketable securities, in accordance with the provisions of Financial Accounting Standards Board (FASB) Statement No. 115, *"Accounting for Certain Investments in Debt and Equity Securities."* Investments that we intend to hold for more than one year are classified as long-term investments.

Patents and Licenses

We own or license all the intellectual property that forms the basis of our business model. We expense all licensing and patent application costs as they are incurred.

Revenue Recognition

License fees representing non-refundable payments received upon the execution of license agreements are recognized as revenue upon execution of the license agreements where we have no significant future performance obligations and collectibility of the fees is assured. Milestone payments, which are generally based on developmental or regulatory events, are recognized as revenue when the milestones are achieved, collectibility is assured, and we have no significant future performance obligations in connection with the milestones. In those instances where we have collected fees or milestone payments but have ongoing future obligations related to the development of the drug product, revenue recognition is deferred and amortized ratably over the period of our future obligations.

Revenue from sales of product is recognized upon shipment of product when title and risk of loss have transferred to the customer, and provisions for estimates, including promotional adjustments, price adjustments, returns, and other potential adjustments are reasonably determinable. Such revenue is recorded, net of such estimated provisions, at the minimum amount of the customer's obligation to us. We state the related accounts receivable at net realizable value, with any allowance for doubtful accounts charged to general operating expenses.

Research and Development

Research and development expenses are comprised of the following types of costs incurred in performing research and development activities: personnel expenses, facility costs, contract services, license fees and milestone payments, costs of clinical trials, laboratory supplies and drug products, and allocations of corporate costs. We expense all research and development activity costs in the period incurred.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks associated with interest rate fluctuations and credit risk on our cash equivalents and marketable securities, which investments are entered into for purposes other than trading. 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.

Our primary exposures relate to (1) interest rate risk on our investment portfolio, and (2) credit risk of the companies' bonds in which we invest. We manage interest rate risk on our investment portfolio by matching scheduled investment maturities with our cash requirements.

Our investments as of September 30, 2006 are primarily in floating rate securities, short-term government securities and money market accounts. Because of our ability to redeem these investments at par with short notice, 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 September 30, 2006, any decline in the fair value of our investments would not be material. 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 selecting securities that generally have third party insurance coverage in the event of default by the issuer.

In addition, we are exposed to foreign currency exchange rate fluctuations relating to payments we make to vendors and suppliers using foreign currencies. In particular, we have foreign expenses associated with our ongoing clinical studies in Europe, where some of our obligations are incurred in Euros. We mitigate such risk by maintaining a limited portion of our cash in Euros. Although fluctuations in exchange rates have an effect on our payment obligations, such fluctuations have not had a material impact on our financial condition or results of operations as of or for the nine-month period ended September 30, 2006.

ITEM 4. Controls and Procedures

We have established disclosure controls and procedures (as such terms are defined in Rules 13(a)-15(e) and 15(d)-15(e)) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (our principal executive officer) and Vice President Finance (our principal financial officer), as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our

management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching our desired disclosure control objectives.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Vice President Finance, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2006, the end of the period covered by this report, or the Evaluation Date. Based on the foregoing, our Chief Executive Officer and Vice President Finance concluded that our disclosure controls and procedures were effective and were operating at the reasonable assurance level.

There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. Legal Proceedings

Sumatriptan succinate injection Paragraph IV Litigation

In October 2004, we filed with the FDA an abbreviated new drug application for sumatriptan succinate injection 6mg/0.5mL seeking approval to engage in the commercial manufacture, sale and use of the sumatriptan succinate injection product in the United States. Sumatriptan succinate injection is marketed by GlaxoSmithKline under the brand name Imitrex® injection and is used for the acute treatment of migraine attacks with or without aura and the acute treatment of cluster headache episodes in adults. On February 18, 2005, GlaxoSmithKline filed a lawsuit against us in the United States District Court for the District of Delaware, alleging infringement of the patent on Imitrex® injection.

While it is not possible to determine with any degree of certainty the ultimate outcome of the foregoing legal proceeding, we believe that we have a meritorious basis for our challenge of the patent. Pre-trial briefs have been filed and a pre-trial hearing has been held. Trial is set to begin on November 13, 2006. Pursuant to our agreement with Par, Par shall provide financial and legal support, including payment of legal expenses, for the sumatriptan litigation. In addition, we have made other regulatory filings with the FDA related to sumatriptan succinate injection, which may result in additional legal proceedings related to this litigation that may impact this litigation.

On October 10, 2006, Dr. Reddy's Laboratories announced that it settled its patent litigation with GlaxoSmithKline relating to sumatriptan succinate tablets, subject to government review. This case was a separate proceeding from our case, held in the U.S. District Court for the Southern District of New York.

Additional information regarding this litigation can be found in our annual report on Form 10-K filed with the Securities and Exchange Commission on March 15, 2006, and our quarterly reports on Form 10-Q filed on May 8, 2006 and August 8, 2006.

Other

We are party to various other legal proceedings arising from the ordinary course of business. Although the ultimate resolution of these various proceedings cannot be determined at this time, we do not believe that such proceedings, individually or in the aggregate, will have a material adverse effect on our future consolidated results of operations, cash flows or financial condition.

ITEM IA. Risk Factors

RISK FACTORS

An investment in our common stock involves a high degree of risk. Our business, financial condition, operating results and prospects can be impacted by a number of factors, any one of which could cause our actual results to differ materially from recent results or from our anticipated future results. As a result, the trading price of our common stock could decline,

and you could lose a part or all of your investment. You should carefully consider the risks described below with all of the other information included in this Quarterly Report. For discussion of some of our potential risks or uncertainties, refer to Part I, Item 1A., Risk Factors, included in our Form 10-K for the fiscal year ended December 31, 2005 as filed with the SEC. The following risk factors are the only material changes to the risk factors described in the Form 10-K.

Risks Related to Our Business

Clinical trials may fail to demonstrate the safety and efficacy of our proprietary drug candidates, which could prevent or significantly delay obtaining regulatory approval.

Prior to receiving approval to commercialize any of our proprietary drug candidates, we must demonstrate with substantial evidence from well-controlled clinical trials, and to the satisfaction of the FDA and other regulatory authorities in the United States and other countries, that each of the products is both safe and effective. For each product candidate, we will need to demonstrate its efficacy and monitor its safety throughout the process. If such development is unsuccessful, our business and reputation would be harmed and our stock price would be adversely affected.

All of our product candidates are prone to the risks of failure inherent in drug development. The results of pre-clinical studies and early-stage clinical trials of our product candidates do not necessarily predict the results of later-stage clinical trials. Later-stage clinical trials may fail to demonstrate that a

product candidate is safe and effective despite having progressed through initial clinical testing. Even if we believe the data collected from clinical trials of our drug candidates are promising, such data may not be sufficient to support approval by the FDA or any other United States or foreign regulatory approval. Pre-clinical and clinical data can be interpreted in different ways.

Accordingly, FDA officials could interpret such data in different ways than we or our partners do, which could delay, limit or prevent regulatory approval. The FDA, other regulatory authorities, our institutional review boards, our contract research organizations, or we may suspend or terminate our clinical trials for our drug candidates. Any failure or significant delay in completing clinical trials for our product candidates, or in receiving regulatory approval for the sale of any drugs resulting from our drug candidates, may severely harm our business and reputation. Even if we receive FDA and other regulatory approvals, our product candidates may later exhibit adverse effects that may limit or prevent their widespread use, may cause the FDA to revoke, suspend or limit their approval, or may force us to withdraw products derived from those candidates from the market.

Our proprietary drug candidates, their target indications, and status of development are summarized in the following table:

Drug Candidate	Target Indication	Development Status
Satraplatin	Hormone Refractory Prostate Cancer	Late phase 3; rolling NDA submission has begun
	Metastatic breast cancer	Phase 2
	With Taxol® in advanced Non-small Cell Lung Cancer	Phase 2
	With Tarceva® in inoperable advanced Non-small Cell Lung Cancer	Phase 2
	With radiation therapy in Non-small Cell Lung Cancer	Phase 1/2
	With radiation therapy and Xeloda® in rectal cancer	Phase 1/2
	With Taxotere® in advanced solid tumors	Phase 1
	With Xeloda® in advanced solid tumors	Phase 1
	With Gemzar® in advanced solid tumors	Phase 1

Drug Candidate	Target Indication	Development Status
Levofolinic acid (LFA),	Osteogenic Sarcoma	NDA on file with FDA; CMC responses pending
	Colorectal Cancer	
EOquin™	Superficial (non-invasive) Bladder Cancer	Phase 2 completed; end of phase 2 meeting held with the FDA; IND filed; Pilot Safety Study initiated
Elsamitrucin	Refractory non-Hodgkin's Lymphoma	Phase 2
Ozarelix (formerly SPI-153)	Hormone Dependent Prostate Cancer	Phase 2
	Benign Prostatic Hypertrophy	Phase 2
Lucanthone	Radiation Sensitizer for Brain Tumors and Brain Metastases	Phase 2
RenaZorb™	Hyperphosphatemia in End-stage Renal Disease	Pre-clinical
SPI-1620	Adjunct to Chemotherapy	Pre-clinical
SPI-205	Chemotherapy Induced Neuropathy	Pre-clinical

The development of our drug candidate, satraplatin, depends on the efforts of a third party and, therefore, its eventual success or commercial viability is largely beyond our control.

In 2002, we entered into a co-development and license agreement with GPC Biotech AG for the worldwide development and commercialization of our lead drug candidate, satraplatin. GPC Biotech has agreed to fully fund development and commercialization expenses for satraplatin. We do not have control over the drug development process and therefore the success of our lead drug candidate depends upon the efforts of GPC Biotech and its new sublicensee. GPC Biotech and its sublicensee may not be successful in the clinical development of the drug, the achievement of any additional milestones such as the acceptance of a New Drug Application, or NDA, filing by the FDA, or the eventual commercialization of satraplatin.

The eventual FDA approval and subsequent marketing and sale of our drug candidate levofolinic acid, or LFA, may be adversely affected by the marketing and sale efforts of third parties who sell LFA outside North America.

We have only licensed the rights to develop, market and sell LFA in North America. Other companies, such as Wyeth and Sanofi-Aventis Inc., market and sell LFA in other parts of the world. If, as a result of their actions, negative publicity is associated with LFA, our own efforts to successfully receive FDA approval for, and subsequently, market and sell LFA, may be adversely impacted.

Our proprietary drug candidate LFA may not be more effective, safer or more cost efficient than competing drugs and otherwise may not have any competitive advantage, which could hinder our ability to successfully commercialize it.

LFA is the pure active isomer of calcium leucovorin, a component of "standard of care" 5-FU containing regimens for the treatment of colorectal cancer and other malignancies. Leucovorin has been sold as a generic product on the market for a number of years. There are a number of generic companies currently selling the product. Even if LFA ultimately receives FDA approval, it may not have better efficacy in treating the target indication or a more favorable side-effect profile than generic leucovorin. If we are not able to demonstrate a competitive advantage over generic leucovorin, we may not be able to obtain a price premium over generic leucovorin. If we are not able to obtain a price premium, we may not be able to manufacture LFA in a cost efficient

manner or at a cost below the generic leucovorin cost price. Also, LFA will be offered as part of a treatment regimen, and that regimen may change to exclude LFA. Accordingly, even if FDA approval is obtained for LFA, it may not gain acceptance by the medical field or become commercially successful.

We may have conflicts with our partners that could delay or prevent the development or commercialization of our product candidates.

We may have conflicts with our partners, such as conflicts concerning the interpretation of preclinical or clinical data, the achievement of milestones, the interpretation of contractual obligations, payments for services, development obligations or the ownership of intellectual property developed during our collaboration. If any conflicts arise with any of our partners, such partner may act in a manner that is adverse to our best interests. Any such disagreement could result in one or more of the following, each of which could delay or prevent the development or commercialization of our product candidates, and in turn prevent us from generating revenues:

- unwillingness on the part of a partner to pay us milestone payments or royalties we believe are due to us under a collaboration;
- uncertainty regarding ownership of intellectual property rights arising from our collaborative activities, which could prevent us from entering into additional collaborations;
- unwillingness by the partner to cooperate in the development or manufacture of the product, including providing us with product data or materials;
- unwillingness on the part of a partner to keep us informed regarding the progress of its development and commercialization activities or to permit public disclosure of the results of those activities;
- initiating of litigation or alternative dispute resolution options by either party to resolve the dispute; or
- attempts by either party to terminate the agreement.

GlaxoSmithKline filed suit in United States federal court asserting that we have infringed one of their patents for Imitrex® injection by filing our ANDA for sumatriptan injection, the generic form of Imitrex® injection. This challenge may prevent us from commercializing sumatriptan injection until after the patent has expired and may require us to incur the significant effort of technical and management personnel.

On February 18, 2005, GlaxoSmithKline, or GSK, filed suit in United States federal court to prevent us from proceeding with the commercialization of our generic form of sumatriptan injection. Since patent litigation has been initiated, the FDA will not approve our ANDA until the earlier of 30 months from GSK's receipt of our notice of ANDA acceptance (the 30-month stay) or the issuance of a final non-appealed, or non-appealable court decision finding the Imitrex® patent we are currently challenging invalid, unenforceable or not infringed. If the patent is found to be infringed by the filing of our ANDA, GSK could seek an injunction to block the launch of our generic product until the patent expires.

During 2006, we made additional regulatory filings with the FDA, related to sumatriptan succinate injection, which may result in additional legal proceedings related to this litigation that may delay the litigation and/or delay our ability to launch our generic product.

Our continued defense against the charge of infringement by GSK could require us to divert significant effort of our technical and management personnel away from their regular activities in our business, which could substantially hinder our ability to conduct, advance and grow our business. Recently, GSK settled with Dr. Reddy's Laboratories a similar patent litigation relating to sumatriptan succinate tablets in a separate proceeding. It is not possible to evaluate whether such a settlement will impact our case, favorably or unfavorably. However, through our strategic alliance with Par, Par has agreed to provide us with financial and legal support and therefore, the success of our defense is dependent on their efforts as well.

Risks Related to Our Stock

The market price and volume of our common stock fluctuate significantly and could result in substantial losses for individual investors.

The stock market from time to time experiences significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These broad market fluctuations may cause the market price and volume of our common stock to decrease. In addition, the market price and volume of our common stock is highly volatile. Factors that may cause the market price and volume of our common stock to decrease include fluctuations in our results of operations, timing and announcements of our bio-technological innovations or new products or those of our competitors, FDA and foreign regulatory actions, developments with respect to patents and proprietary rights, public concern as to the safety of products developed by us or others, changes in health care policy in the United States and in foreign countries, changes in stock market analyst recommendations regarding our common stock, the pharmaceutical industry generally and general market conditions. In addition, the market price and volume of our common stock may decrease if our results of operations

fail to meet the expectations of stock market analysts and investors. Also, certain dilutive securities such as warrants can be used as hedging tools which may increase volatility in our stock and cause a price decline. While a decrease in market price could result in direct economic loss for an individual investor, low trading volume could limit an individual investor's ability to sell our common stock, which could result in substantial economic loss as well. During 2005, the price of our common stock ranged between $3.51 and $7.50, and the daily trading volume was as high as 1,368,400 shares and as low as 16,700 shares.

During 2006 through October 31, 2006, the price of our common stock has ranged between $3.36 and $6.20, and the daily trading volume has been as high as 6,624,100 shares and as low as 24,300 shares.

Provisions of our charter, bylaws and stockholder rights plan may make it more difficult for someone to acquire control of us or replace current management even if doing so would benefit our stockholders, which may lower the price an acquirer or investor would pay for our stock.

Provisions of our certificate of incorporation, as amended, and bylaws may make it more difficult for someone to acquire control of us or replace our current management. These provisions include:

- the ability of our board of directors to amend our bylaws without stockholder approval;
- the inability of stockholders to call special meetings;
- the ability of members of the board of directors to fill vacancies on the board of directors;
- the inability of stockholders to act by written consent, unless such consent is unanimous;
- the establishment of advance notice requirements for nomination for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

These provisions may make it more difficult for stockholders to take certain corporate actions and could delay, discourage or prevent someone from acquiring our business or replacing our current management, even if doing so would benefit our stockholders. These provisions could limit the price that certain investors might be willing to pay for shares of our common stock.

In December 2000, we adopted a stockholder rights plan pursuant to which we distributed rights to purchase units of our series B junior participating preferred stock. The rights become exercisable upon the earlier of ten days after a person or group of affiliated or associated persons has acquired 15% or more of the outstanding shares of our common stock or ten business days after a tender offer has commenced that would result in a person or group beneficially owning 15% or more of our outstanding common stock. These rights could delay or discourage someone from acquiring our business, even if doing so would benefit our stockholders. We currently have no stockholders who own 15% or more of the outstanding shares of our common stock.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Since our last periodic report, we issued (i) on October 4, 2006, 2,000 shares of our common stock upon the conversion of 1 share of our Series E Convertible Voting Preferred Stock, at a conversion price of $5.00 per share, (ii) on November 2, 2006, 240,000 shares of our common stock upon the conversion of 120 shares of our Series E Preferred Converting Voting Preferred Stock, at a conversion price of $5.00, and (iii) on November 2, 2006, 331,914 shares of our common stock upon the conversion of 78 shares of our Series D 8% Cumulative Convertible Voting Preferred Stock, at a conversion price of $2.35 per share. All of these shares of our common stock were issued without registration under the Securities Act of 1933, as amended, in reliance upon the exemption from registration provided under Section 3(a)(9) of the Securities Act. We received no additional consideration for these conversions.

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. Submission of Matters to a Vote of Security Holders

Information regarding our Annual Meeting of Stockholders on July 6, 2006 was provided in Part II, Item 4, of our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on August 8, 2006.

ITEM 5. Other Information (not previously reported in a Form 8-K)

None

ITEM 6. Exhibits

Exhibit No.	Description
3.1	Amended Certificate of Incorporation of the Registrant. (Filed as Exhibit 3.1 to Form 10-Q, as filed with the Securities and Exchange Commission on August 8, 2006, and incorporated herein by reference.)
3.1.1	First Amendment to the Certificate of Designation of Series B Junior Participating Preferred Stock of the Registrant. (Filed as Exhibit 3.1 to Form 8-K, as filed with the Securities and Exchange Commission on July 12, 2006, and incorporated herein by reference.)
4.1	Fourth Amendment to the Rights Agreement. (Filed as Exhibit 4.1 to Form 8-K, as filed with the Securities and Exchange Commission on July 12, 2006, and incorporated herein by reference.)
4.2+	Amendment No. 5 to the Rights Agreement dated as of December 13, 2000 by and between the Registrant and U.S. Stock Transfer Corporation.
10.1+#	Share Subscription Agreement by and between the Registrant and J B Chemicals & Pharmaceuticals Limited dated as of August 4, 2006.

10.2+	Spectrum Pharmaceuticals, Inc. Third Amended and Restated 1997 Stock Incentive Plan.
31.1+	Certification of Chief Executive Officer, pursuant to Rule 13a-14 promulgated under the Exchange Act, as created by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Vice President Finance, pursuant to Rule 13a-14 promulgated under the Exchange Act, as created by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2+	Certification of Vice President Finance, pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.

+ Filed herewith.

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: November 3, 2006

By: /s/ Shyam K. Kumaria
Shyam K. Kumaria, Vice President, Finance
(Authorized Signatory and Principal Financial Officer)

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AMENDMENT NO. 5

TO THE

RIGHTS AGREEMENT

DATED AS OF DECEMBER 13, 2000

BY AND BETWEEN

SPECTRUM PHARMACEUTICALS, INC.

AND

U.S. STOCK TRANSFER CORPORATION

On December 13, 2000, the Board of Directors of Spectrum Pharmaceuticals, Inc., a Delaware corporation (the "Company") authorized and declared a dividend distribution of one Right for each share of its Common Stock issued and outstanding as of December 28, 2000 (as such number may be adjusted) and each share of Common Stock issued between the Record Date and the Distribution Date, each Right initially representing the right to purchase one-hundredth of a share of Series B Junior Participating Preferred Stock of the Company, upon the terms set forth in a Rights Agreement dated as of December 13, 2000 by and between U.S. Stock Transfer Corporation (the "Rights Agent") and the Company (as amended to date, the "Rights Agreement")

The Company's Board of Directors has recently determined that it was in the best interest of the Company and its stockholders to amend the Rights Agreement to reduce the triggering threshold for the Rights Agreement from 20% to 15%. The Distribution Date has not yet occurred and the Company has met all requirements for amendment of the Rights Agreement. In order to give effect to this amendment, the Company and U.S. Stock Transfer Corporation hereby agreed to amend the Rights Agreement as follows:

1. Amend the definition of "Acquiring Person" in Section 1(a) of the Rights Agreement to change the threshold from 20% to 15%, so that the first paragraph of Section 1(a) shall be replaced in its entirety with the following:

(a) "Acquiring Person" shall mean any Person who or which, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of fifteen percent (15%) or more of the shares of Common Stock then outstanding, but shall not include the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan. In addition, notwithstanding the foregoing, no Person shall be deemed to be an Acquiring Person if (i) the Board of Directors of the Company determines in good faith that a person who would otherwise be an "Acquiring Person," but for the operation of this clause (i), has become such inadvertently, and such person divests as promptly as practical a sufficient number of shares of Common Stock so that such person would no longer be an "Acquiring Person," (ii) as the result of an acquisition of Common Stock by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to fifteen percent (15%) or more of the Common

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Stock of the Company then outstanding; provided, however, that if a Person shall become the Beneficial Owner of fifteen percent (15%) or more of the Common Stock of the Company then outstanding by reason of share purchases by the Company and shall, after such share purchases by the Company, become the Beneficial Owner (other than by way of a stock dividend or stock split) of additional shares of Common Stock representing one-half of one percent (.50%) of the then outstanding shares of Common Stock of the Company, then such Person shall be deemed to be an Acquiring Person, or (iii) a Person enters into an agreement or transaction or understanding with the Company whereby, solely as a consequence of that agreement or transaction or understanding, such Person would become an "Acquiring Person" (but for the operation of this clause (iii)), and such agreement, transaction or understanding is approved by the Board of Directors of the Company; provided, however, that if such Person subsequently becomes the Beneficial Owner of any additional shares of Common Stock in a manner not specifically approved by a majority of the Board of Directors, such Person shall be deemed to be an Acquiring Person.

2. Amend Section 3(a) of the Rights Agreement, so that the section shall be replaced in its entirety with the following:

(a) Until the earlier of (i) the Close of Business on the tenth day (or such later date as may be determined by action of a majority of the Board of Directors) after the Stock Acquisition Date (or, if the tenth day after the Stock Acquisition Date occurs before the Record Date, the Close of Business on the Record Date), or (ii) the Close of Business on the tenth Business Day (or such later date as may be determined by action of a majority of the Board of Directors then in office) after the date that a tender or exchange offer by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan) is first published or sent or given within the meaning of Rule 14d-2(a) of the General Rules and Regulations under the Exchange Act, if upon consummation thereof, such Person would be the Beneficial Owner of fifteen percent (15%) or more of the shares of Common Stock then outstanding (the earlier of (i) and (ii) being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of paragraph (b) of this Section 3) by the certificates for the Common Stock registered in the names of the holders of the Common Stock (which certificates for Common Stock shall be deemed also to be certificates for Rights) and not by separate certificates, and (y) the Rights will be transferable only in connection with the transfer of the underlying shares of Common Stock (including a transfer to the Company). As soon as practicable after the Distribution Date, the Rights Agent will send by first-class, insured, postage prepaid mail, to each record holder of the Common Stock as of the Close of Business on the Distribution Date, at the address of such holder shown on the records of the Company, one or more rights certificates, in substantially the form of Exhibit B hereto (the "Rights Certificates"), evidencing one Right for each share of Common Stock so held, subject to adjustment as provided herein. In the event that an adjustment in the number of Rights per share of Common Stock has been made pursuant to Section 11(p) hereof, at the time of distribution of the Rights Certificates, the Company shall make the necessary and appropriate rounding adjustments (in accordance with Section 14(a) hereof) so that

Rights Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Rights. As of and after the Distribution Date, the Rights will be evidenced solely by such Rights Certificates and may be transferred by the transfer of the Rights Certificates as permitted hereby, separately and apart from any transfer of one or more Common Stock, and the holders of such Rights Certificates as listed in the records of the Company or any transfer agent or registrar for the Rights shall be the record holders thereof.

3. Amend Section 23(a) of the Rights Agreement, so that the section shall be replaced in its entirety with the following:

(b) The Board of Directors of the Company may, at its option, at any time prior to the earlier of (i) the Close of Business on the tenth day following the Stock Acquisition Date, or such later date as may be determined by action of a majority of the Board of Directors then in office and publicly announced by the Company (or, if the Stock Acquisition Date shall have occurred prior to the Record Date, the Close of Business on the tenth day following the Record Date, or such later date as may be determined by action of a majority of the Board of Directors then in office and publicly announced by the Company), or (ii) the Final Expiration Date, redeem all but not less than all of the then outstanding Rights at a redemption price of $.001 per Right, as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"); provided, however, that if, following the occurrence of a Stock Acquisition Date and following the expiration of the right of redemption hereunder but prior to any Triggering Event, (i) a person who is an Acquiring Person shall have transferred or otherwise disposed of a number of shares of Common Stock in one transaction or series of transactions, not directly or indirectly involving the Company, or any of its Subsidiaries, which did not result in the occurrence of a Triggering Event such that such Person is thereafter a Beneficial Owner of less than fifteen percent (15%) of the outstanding shares of Common Stock, and (ii) there are no other Persons, immediately following the occurrence of the event described in clause (i), who are Acquiring Persons, then the right of redemption herein shall be reinstated and thereafter be subject to the provisions of this Section 23. The Company may, at its option, pay the Redemption Price in cash, shares of Common Stock (based on the "current market price", as defined in Section 11(d)(i) hereof, of the Common Stock at the time of redemption) or any other form of consideration deemed appropriate by the Board of Directors.

Capitalized terms used and not otherwise defined herein shall have the meanings given such terms in the Rights Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company and the Rights Agent have caused this amendment to be executed this 26th day of September, 2006.

Spectrum Pharmaceuticals, Inc.		U.S. Stock Transfer Corporation	
By:	/S/ Rajesh C. Shrotriya	By:	/S/ Richard C. Brown
Name:	Rajesh C. Shrotriya, M.D.	Name:	Richard C. Brown
Title:	CEO & President	Title:	Vice President

Confidential treatment has been requested for portions of this Exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated by ***. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

SHARE SUBSCRIPTION AGREEMENT

THIS **SHARE SUBSCRIPTION AGREEMENT** (**"Share Subscription Agreement**") is made this 4th day of August 2006

BY AND BETWEEN

J B Chemicals & Pharmaceuticals Limited, a Company incorporated under the Indian Companies Act, 1956, having its registered office at "Neelam Centre", 'B' Wing, 4th Floor, Hind Cycle Road, Worli, Mumbai – 400 030, India, (hereinafter referred to as the **"JBCPL"**, which expression shall, unless it be repugnant to the meaning or context thereof, be deemed to mean and include its successors) of the **ONE PART**;

AND

Spectrum Pharmaceuticals, Inc., a Company incorporated under the laws of the State of Delaware and having its office at 157 Technology Drive, Irvine, California, USA, 92618, (hereinafter referred to as "**SPECTRUM**", which expression shall, unless it be repugnant to the meaning and context thereof, mean and include its successors and permitted assigns) of the **OTHER PART**.

WHEREAS:

A. JBCPL is a leading manufacturer and distributor of pharmaceutical products in India. JBCPL also exports various pharmaceutical Products to various International countries.

B. SPECTRUM is engaged in the development and marketing of pharmaceutical products for human use in the USA.

C. JBCPL and SPECTRUM entered into a Limited Liability Company Agreement dated 16th April, 2002 (***"LLC Agreement"***) to form NEOJB inter alia for the purposes of obtaining regulatory approvals for the distribution and marketing of certain of the products manufactured by JBCPL in the USA, as mutually agreed upon between the parties.

D. JBCPL and NEOJB entered into a Supply Agreement dated the 16th of April, 2002 (***"Original Supply Agreement"***), whereby it was agreed upon that NEOJB would obtain regulatory approvals to market certain products of JBCPL, appointed to be listed by the parties, under the Original Supply Agreement. and on the terms contained therein.

E. By Memorandum of Understanding ("MOU") dated the 6th of May, 2006, it was agreed upon between JBCPL, NEOJB and SPECTRUM that the Original Supply Agreement would be cancelled and JBCPL and SPECTRUM would enter into a new supply agreement ("Supply Agreement") for JBCPL's products Ciprofloxocin Tablets, Fluconazole Tablets ***. In addition, JBCPL shall purchase one-hundred twenty thousand (120,000) shares of SPECTRUM's common stock, par value $0.001 per share ("Shares"), for one million dollars ("USD 1,000,000").

F. JBCPL and SPECTRUM are desirous of entering into the Share Subscription Agreement to record the terms and conditions on which JBCPL shall subscribe USD 1,000,000 to purchase the Shares SPECTRUM shall issue, and SPECTRUM shall allot the said Shares to JBCPL.

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the adequacy of which is hereby acknowledged, it is hereby agreed upon by and between JBCPL and SPECTRUM hereto and this Share Subscription Agreement witnesseth as under:

(i) JBCPL shall purchase from SPECTRUM the Shares for USD 1,000,000.

(ii) The purchase of the Shares shall be subject to the approval of the Reserve Bank of India and/or such other appropriate regulatory authorities under the prevailing laws of India.

(iii) Upon execution of the Supply Agreement, and this Share Subscription Agreement by and between JBCPL and SPECTRUM, JBCPL shall apply to Reserve Bank of India and/or other such appropriate regulatory authorities for necessary approvals under the prevailing laws of India.

(iv) **Registration of the Shares.** SPECTRUM shall use commercially reasonably efforts to register the Shares, at SPECTRUM's sole expense, by including them in a registration statement filed by SPECTRUM (other than a registration statement on Form S-8 relating to shares offered to its employees under an employment benefit plan) with the Securities and Exchange Commission within one (1) month of the Shares having been purchased by and fully paid for by JBCPL. Until such registration statement is effective, the Shares shall be subject to the restrictions on resale by JBCPL set forth or referred to in this Agreement.

(v) In consideration for the issuance of the Shares to JBCPL, JBCPL hereby represents and warrants as follows:

1. **Experience.** JBCPL has experience as an investor in securities of companies and acknowledges that it can bear the economic risk of its investment in the Shares. JBCPL has either (a) a pre-existing personal or business relationship with SPECTRUM or any of its officers, directors or controlling persons that is of a nature and duration which enables JBCPL to be aware of the character, business acumen and general business and financial circumstances of SPECTRUM or (b) by reason of its business or financial expertise or the business or financial experience of its professional advisors who are unaffiliated with and who are not compensated by SPECTRUM or any affiliate or selling agent of SPECTRUM, directly or indirectly, has the capacity to protect its own interests in connection with its acquisition of the Shares.

JBCPL represents and warrants that (i) by reason of its business or financial expertise, it has the capacity to protect its own interests in connection with its acquisition of shares of SPECTRUM and (ii) JBCPL is an "accredited investor" as defined in Rule 501 of Regulation D of the Securities Act of 1933, as amended (the "Securities Act").

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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2. **Purchase Entirely for Own Account.** The Shares to be acquired by JBCPL will be acquired for investment for JBCPL's own account not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and JBCPL has no present intention of selling, granting any participation in, or otherwise distributing the same. JBCPL does not presently have any contract, undertaking, agreement or arrangement with any person or entity to sell, transfer or grant participations to such person or entity or to any third person or entity, with respect to any of the Shares. JBCPL has not been formed for the specific purpose of acquiring solely the Shares.

3. **Disclosure of Information.** JBCPL has received and reviewed information about SPECTRUM and has had an opportunity to discuss SPECTRUM's business, management and financial affairs with its management and to review SPECTRUM's facilities in order to reach an informed and knowledgeable decision to acquire the Shares. JBCPL understands and acknowledges that such discussions, as well as any written information issued by SPECTRUM (i) were intended to describe the aspects of SPECTRUM's business and prospects which SPECTRUM believes to be material, but were not necessarily an exhaustive description, and (ii) may have contained forward-looking statements involving known and unknown risks and uncertainties which may cause SPECTRUM's actual results in future periods or plans for future periods to differ materially from what was anticipated and that no representations or warranties were or are being made with respect to any such forward-looking statements or the probability of achieving any of the results projected in any of such forward-looking statements.

4. **Restricted Shares.** JBCPL understands that the Shares will be issued without registration under the Securities Act of 1933, as amended (the "Securities Act") and without qualification and/or registration under any applicable state securities laws ("Blue Sky Laws"), in reliance upon specific exemptions therefrom, which exemptions depend upon, among other things, the bona fide nature of the investment intent and the accuracy of JBCPL's representations as expressed herein. JBCPL understands that the Shares are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, JBCPL must hold the Shares indefinitely unless they are registered with the SEC and qualified by state authorities, or an exemption from such registration and qualification requirements is available. Moreover, JBCPL understands that SPECTRUM is under no obligation to register and/or qualify the Shares, except as otherwise set forth in this Share Subscription Agreement. In addition, JBCPL acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Shares, and on requirements relating to SPECTRUM which are outside of JBCPL's control, and which SPECTRUM is under no obligation and may not be able to satisfy. JBCPL acknowledges that SPECTRUM will make a notation on its stock books regarding the restrictions on transfers set forth in this Section 4 and will transfer securities on the books of SPECTRUM only to the extent not inconsistent therewith.

5. **Further Restrictions on Disposition**. Without in any way limiting the provisions of Section 4 above, JBCPL agrees not to make any disposition of all or any portion of the Shares unless and until the transferee has agreed in writing for the benefit of SPECTRUM to be bound by the representations and warranties contained herein (provided and to the extent such representations and warranties are then applicable), and any of the following conditions apply: (a) there is then in effect a registration

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statement under the Securities Act covering such proposed disposition and the disposition is made in accordance with such registration statement; or (b) (i) JBCPL shall have notified SPECTRUM of the proposed disposition and shall have furnished SPECTRUM with a statement of the circumstances surrounding the proposed disposition and (ii) if reasonably requested by SPECTRUM, JBCPL shall have furnished SPECTRUM with an opinion of counsel, reasonably acceptable to SPECTRUM, that such disposition will not require registration under the Securities Act.

6. **Legends.** JBCPL understands that the Shares, and any securities issued in respect of or exchange for the Shares, may bear one or all of the following legends until they are no longer required by law or the provisions of this Agreement:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION CONTAINED IN REGULATION S PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD OR TRANSFERRED EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S, PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREUNDER AND IN COMPLIANCE WITH APPLICABLE STATE SECURITIES OR BLUE SKY LAWS. NO HEDGING TRANSACTIONS INVOLVING THESE SECURITIES MAY BE CONDUCTED EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT."

The legend set forth above shall be removed by SPECTRUM from any certificate evidencing Shares upon transfer of such Shares in compliance with Rule 144(k) under the Securities Act or upon delivery to SPECTRUM of an opinion, in form and substance and by counsel reasonably satisfactory to SPECTRUM, that a registration statement under the Securities Act is at that time in effect with respect to the legended security or that such security can be freely transferred without such a registration statement being in effect and that such transfer will not jeopardize the exemption or exemptions from registration pursuant to which the securities were issued.

7. **Foreign Investors.** JBCPL hereby represents that it has satisfied or will satisfy itself as to the full observance of the laws of its jurisdiction in connection with any invitation to subscribe for the Shares, including (i) the legal requirements within its jurisdiction for the

purchase of the Shares, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale, or transfer of the Shares. JBCPL's subscription and payment for and continued beneficial ownership of the Shares will not violate any applicable securities or other laws of JBCPL's jurisdiction and will not require SPECTRUM to obtain any permit, make any filing or take any other action in such jurisdiction.

8. Offshore Transaction.

a) JBCPL is not organized under the laws of or is not a citizen or resident of the United States and was not formed for the purpose of investing in securities not registered under the Securities Act, does not have any of its securities registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not owned by U.S. Persons as defined in Regulation S and herein.

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b) At the time the buy order to purchase the Shares was originated, JBCPL was outside the United States.

c) No offer to purchase the Shares was made in the United States nor were any "directed selling efforts" as defined in Rule 902 of Regulation S made in the United States.

d) All subsequent offers and sales of the Shares shall be made in compliance with Regulation S, pursuant to registration of the securities under the Securities Act or pursuant to an exemption from such registration.

e) JBCPL agrees that from the date hereof until after one year after the closing of the purchase of the Shares hereunder (the "Restrictive Period"), JBCPL agrees, upon any offer, sale, or transfer of the Shares (including any interests therein), JBCPL, or any successor, or any Professional under its direction (as defined below) (except for sales of any Shares registered under the Securities Act or otherwise exempt from such registration) (i) will not sell to a U.S. Person or to an account of or for the benefit of a U.S. Person or to anyone believed to be a U.S. Person; (ii) will not engage in any efforts to sell the Shares in the United States; (iii) will, at the time the buy order or transfer is originated, believe the buyer or transferee is outside the United States; (iv) will send to any transferee who is a Professional, whether acting as agent or principal, a confirmation or other notice stating that the Professional is subject to the same restrictions on transfer to U.S. Persons or for the account of or benefit of U.S. Persons during the Restrictive Period as provided herein; and (v) will not in connection with the common stock of SPECTRUM engage in the United States in any short selling, option writing, equity swaps, or other types of hedging transactions or derivative transactions. SPECTRUM will not honor or register and will not be obligated to honor or register any transfer in violation of these provisions.

f) For purpose hereof, in general, a "U.S. Person" means any natural person, resident of the United States; any partnership or corporation organized or incorporated under the laws of the United States or any state or territory thereof; any estate of which any executor or administrator is a U.S. Person; any trust of which any trustee is a U.S. Person; any agency or branch of a foreign entity located in the United States; any nondiscretionary account or similar account, other than an estate or trust, held by a dealer or other fiduciary for the benefit of a U.S. person; any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and any partnership or corporation if organized or incorporated under the laws of any foreign jurisdiction and formed by a U.S. Person principally for the purpose of investing in securities and not registered under the Securities Act unless it is organized or incorporated, and owned, by "accredited investors," as defined under Rule 501(a) under the Securities Act, who are not natural persons, estates or trusts. "U.S. Person" is further defined in Rule 902(k) under the Securities Act.

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g) A "Professional" is a "distributor" as defined in Rule 902(d) under the Securities Act (generally any underwriter, dealer or other person, who participates, pursuant to a contractual arrangement, in the distribution of the Shares); a dealer as defined in Section 2(12) of the Exchange Act (encompassing those who engage in the business of trading or dealing in securities as agent, broker, or principal); or a person receiving a selling concession, fee, or other remuneration in respect of the sale of the Shares sold. JBCPL understands and acknowledges that SPECTRUM will refuse the transfer of the Shares if such transfer is not made in compliance with applicable securities laws as set forth in d) above.

(vi) This Share Subscription Agreement shall be governed and construed in accordance with the laws of the State of New York, without giving effect to conflict of law principles. SPECTRUM and JBCPL irrevocably submits to the jurisdiction of the United States District Court sitting in New York, New York for the purposes of any suit, action or proceeding arising out of or relating to this Share Subscription Agreement and hereby waives any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper.

(vii) This Share Subscription Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have set and subscribed their respective hands hereunto on the day, month and year first hereinabove written.

SIGNED AND DELIVERED	)	FOR J.B. CHEMICALS &
BY THE WITHIN NAMED **"JBCPL"**	)	PHARMACEUTICALS LTD.
THROUGH ITS CHAIRMAN & MANAGING	)	
DIRECTOR SHRI J. B. MODY	)	/S/ SHRI J.B. MODY
PURSUANT TO THE RESOLUTION PASSED BY	)	MANAGING DIRECTOR/DIRECTOR
THE BOARD OF DIRECTORS OF	)	
J B CHEMICALS & PHARMACEUTICALS LIMITED	)	
AT A BOARD MEETING HELD ON 27th of July 2006	)	

IN THE PRESENCE OF WITNESS:

NAME MR. BEEJAL DESAI /S/ BEEJAL DESAI

ADDRESS J.B. CHEMICALS & PHARMACEUTICALS, LTD.
NEELAM CENTRE, B-WING, 4TH FLOOR
HIND CYCLE ROAD, WORLI, MUMBAI-30

BY THE WITHIN NAMED **"SPECTRUM"**	)	
THROUGH ITS CHAIRMAN, CEO AND PRESIDENT	)	
RAJESH C. SHROTRIYA, M.D.	)	/S/ RAJESH C. SHROTRIYA
PURSUANT TO THE RESOLUTION PASSED BY	)	
THE BOARD OF DIRECTORS OF	)	
SPECTRUM PHARMACEUTICALS, INC.	)	
BY UNANIMOUS WRITTEN CONSENT DATED JUNE 20, 2006	)	

IN THE PRESENCE OF WITNESS:

NAME WILLIAM N. PEDRANTI, ESQ. /S/ WILLIAM N. PEDRANTI

ADDRESS SPECTRUM PHARMACEUTICALS, INC.
157 TECHNOLOGY DRIVE
IRVINE, CA 92618, USA

SPECTRUM PHARMACEUTICALS, INC.

THIRD AMENDED AND RESTATED

1997 STOCK INCENTIVE PLAN
(As Amended and Restated Effective as of September 26, 2006)

The SPECTRUM PHARMACEUTICALS, INC. THIRD AMENDED AND RESTATED 1997 STOCK INCENTIVE PLAN (formerly the NeoTherapeutics, Inc. Amended and Restated 1997 Stock Incentive Plan) (the "Plan") was originally established by Spectrum Pharmaceuticals, Inc. (formerly known as NeoTherapeutics, Inc.) (the "Company"), and first adopted by its Board of Directors as of the 2nd day of May, 1997 (the "Effective Date"). The Plan was subsequently amended on March 19, 1999, May 6, 1999, December 15, 1999, March 24, 2000, November 2, 2000, March 19, 2001, October 9, 2001, and February 11, 2002. The Plan was first amended and restated on March 23, 2002 and subsequently renamed, amended and restated on April 13, 2003. On September 26, 2006, the Board amended and restated the Plan to reflect the changes approved by the Board on such date.

ARTICLE 1.

PURPOSES OF THE PLAN

1.1 Purposes. The purposes of the Plan are (a) to enhance the Company's ability to attract and retain the services of qualified Employees, Officers and Directors (including non-employee Officers and Directors), and Consultants upon whose judgment, initiative and efforts the successful conduct and development of the Company's business largely depends, and (b) to provide additional incentives to such persons or entities to devote their utmost effort and skill to the advancement and betterment of the Company, by providing them an opportunity to participate in the ownership of the Company and thereby have an interest in the success and increased value of the Company.

ARTICLE 2.

DEFINITIONS

For purposes of this Plan, the following terms shall have the meanings indicated:

2.1 Administrator. "Administrator" means the Board or, if the Board delegates responsibility for any matter to the Committee, the term Administrator shall mean the Committee.

2.2 Affiliated Company. "Affiliated Company" means any "parent corporation" or "subsidiary corporation" of the Company, whether now existing or hereafter created or acquired, as those terms are defined in Sections 424(e) and 424(f) of the Code, respectively.

2.3 Board. "Board" means the Board of Directors of the Company.

2.4 Change in Control. "Change in Control" shall mean (i) the acquisition, directly or indirectly, by any person or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) of the beneficial ownership of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company; (ii) a merger or consolidation in which the Company is not the surviving entity, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such merger or consolidation hold, in the aggregate, securities possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the surviving entity immediately after such merger or consolidation; (iii) a reverse merger in which the Company is the surviving entity but in which securities possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company are transferred to or acquired by a person or persons different from the persons holding those securities immediately prior to such merger; (iv) the sale, transfer or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company; or (v) the approval by the shareholders of a plan or proposal for the liquidation or dissolution of the Company.

2.5 Code. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

2.6 Committee. "Committee" means a committee of two or more members of the Board appointed to administer and/or amend the Plan, as set forth in Sections 7.1 and 9.1, respectively, hereof.

2.7 Common Stock. "Common Stock" means the Common Stock, no par value, of the Company, subject to adjustment pursuant to Section 4.2 hereof.

2.8 Consultant. "Consultant" means any consultant or adviser if: (i) the consultant or adviser renders bona fide services to the Company; (ii) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities; and (iii) the consultant or adviser is a natural person who has contracted directly with the Company to render such services.

2.9 Director. "Director" means a member of the Board.

2.10 Disability. "Disability" means permanent and total disability as defined in Section 22(e)(3) of the Code. The Administrator's determination of a Disability or the absence thereof shall be conclusive and binding on all interested parties.

2.11 Effective Date. "Effective Date" means the date on which the Plan is adopted by the Board, as set forth on the first page hereof.

2.12 Employee. "Employee" means any person, including an Officer or Director, who is an employee (as defined in accordance with Section 3401(c) of the Code) of the Company or any Affiliated Company. A Service Provider shall not cease to be an Employee in the case of (i) any leave of

absence approved by the Company or (ii) transfers between locations of the Company or between the Company and any Affiliated Company, or any successor. For purposes of Incentive Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient, by itself, to constitute "employment" by the Company.

2.13 **Exercise Price.** "Exercise Price" means the purchase price per share of Common Stock payable upon exercise of an Option.

2.14 **Fair Market Value.** "Fair Market Value" on any given date means the value of one share of Common Stock, determined as follows:

(a) If the Common Stock is then listed or admitted to trading on a NASDAQ market system or a stock exchange which reports closing sale prices, the Fair Market Value shall be the closing sale price on the date of valuation on such NASDAQ market system or principal stock exchange on which the Common Stock is then listed or admitted to trading, or, if no closing sale price is quoted on such day, then the Fair Market Value shall be the closing sale price of the Common Stock on such NASDAQ market system or such exchange on the next preceding day for which a closing sale price is reported.

(b) If the Common Stock is not then listed or admitted to trading on a NASDAQ market system or a stock exchange which reports closing sale prices, the Fair Market Value shall be the average of the closing bid and asked prices of the Common Stock in the over-the-counter market on the date of valuation.

(c) If neither (a) nor (b) is applicable as of the date of valuation, then the Fair Market Value shall be determined by the Administrator in good faith using any reasonable method of evaluation, which determination shall be conclusive and binding on all interested parties.

2.15 **Incentive Option.** "Incentive Option" means any Option designated and qualified as an "incentive stock option" as defined in Section 422 of the Code.

2.16 **Incentive Option Agreement.** "Incentive Option Agreement" means an Option Agreement with respect to an Incentive Option.

2.17 **NASD Dealer.** "NASD Dealer" means a broker-dealer that is a member of the National Association of Securities Dealers, Inc.

2.18 **Nonqualified Option.** "Nonqualified Option" means any Option that is not an Incentive Option. To the extent that any Option designated as an Incentive Option fails in whole or in part to qualify as an Incentive Option, including, without limitation, for failure to meet the limitations applicable to a 10% Shareholder or because it exceeds the annual limit provided for in Section 5.6 below, it shall to that extent constitute a Nonqualified Option.

2.19 **Nonqualified Option Agreement.** "Nonqualified Option Agreement" means an Option Agreement with respect to a Nonqualified Option.

2.20 **Offeree.** "Offeree" means a Participant to whom a Right to Purchase has been offered or who has acquired Restricted Stock under the Plan.

2.21 **Officer.** "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder.

2.22 **Option.** "Option" means any option to purchase Common Stock granted pursuant to the Plan.

2.23 **Option Agreement.** "Option Agreement" means the written agreement entered into between the Company and the Optionee with respect to an Option granted under the Plan.

2.24 **Optionee.** "Optionee" means a Participant who holds an Option.

2.25 **Participant.** "Participant" means an individual or entity who holds an Option, a Right to Purchase or Restricted Stock under the Plan.

2.26 **Purchase Price.** "Purchase Price" means the purchase price per share of Restricted Stock payable upon acceptance of a Right to Purchase.

2.27 **Restricted Stock.** "Restricted Stock" means shares of Common Stock issued pursuant to Article 6 hereof, subject to any restrictions and conditions as are established pursuant to such Article 6.

2.28 **Right to Purchase.** "Right to Purchase" means a right to purchase Restricted Stock granted to an Offeree pursuant to Article 6 hereof.

2.29 **Service Provider.** "Service Provider" means a Employee, Director or Consultant.

2.30 **Stock Purchase Agreement.** "Stock Purchase Agreement" means the written agreement entered into between the Company and the Offeree with respect to a Right to Purchase offered under the Plan.

2.31 **10% Shareholder.** "10% Shareholder" means a person who, as of a relevant date, owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company

or of an Affiliated Company.

ARTICLE 3.

ELIGIBILITY

3.1 Incentive Options. Officers and other key Employees of the Company or of an Affiliated Company (including Directors if they are Employees) are eligible to receive Incentive Options under the Plan.

3.2 Nonqualified Options and Rights to Purchase. Officers and other key Employees of the Company or of an Affiliated Company, Directors (whether or not employed by the Company or an Affiliated Company), and Consultants are eligible to receive Nonqualified Options or Rights to Purchase under the Plan.

3.3 Limitation on Shares. In no event shall any Participant be granted Options or Rights to Purchase in any one calendar year pursuant to which the aggregate number of shares of Common Stock that may be acquired thereunder exceeds 500,000 shares.

ARTICLE 4.

PLAN SHARES

4.1 Shares Subject to the Plan. A total of 1,219,000 shares of Common Stock may be issued under the Plan, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. For purposes of this limitation, in the event that (a) all or any portion of any Option or Right to Purchase granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company pursuant to an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option or such Right to Purchase, or the shares so reacquired, shall again be available for grant or issuance under the Plan.

4.2 Changes in Capital Structure. In the event that the outstanding shares of Common Stock are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, combination of shares, reclassification, stock dividend, or other change in the capital structure of the Company, then appropriate adjustments shall be made by the Administrator to the aggregate number and kind of shares subject to this Plan, and the number and kind of shares and the price per share subject to outstanding Option Agreements, Rights to Purchase and Stock Purchase Agreements in order to preserve, as nearly as practical, but not to increase, the benefits to Participants.

ARTICLE 5.

OPTIONS

5.1 Option Agreement. Each Option granted pursuant to this Plan shall be evidenced by an Option Agreement which shall specify the number of shares subject thereto, the Exercise Price per share, and whether the Option is an Incentive Option or Nonqualified Option. As soon as is practical following the grant of an Option, an Option Agreement shall be duly executed and delivered by or on behalf of the Company to the Optionee to whom such Option was granted. Each Option Agreement shall be in such form and contain such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable, including, without limitation, the imposition of any rights of first refusal and resale obligations upon any shares of Common Stock acquired pursuant to an Option Agreement. Each Option Agreement may be different from each other Option Agreement.

5.2 Exercise Price. The Exercise Price per share of Common Stock covered by each Option shall be determined by the Administrator, subject to the following: (a) the Exercise Price of an Incentive Option shall not be less than 100% of Fair Market Value on the date the Incentive Option is granted, (b) the Exercise Price of a Nonqualified Option shall not be less than 85% of Fair Market Value on the date the Nonqualified Option is granted, and (c) if the person to whom an Option is granted is a 10% Shareholder on the date of grant, the Exercise Price shall not be less than 110% of Fair Market Value on the date the Option is granted.

5.3 Payment of Exercise Price. Payment of the Exercise Price shall be made upon exercise of an Option and may be made, in the discretion of the Administrator, subject to any legal restrictions, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Optionee that have been held by the Optionee for at least six (6) months, which surrendered shares

shall be valued at Fair Market Value as of the date of such exercise; (d) the Optionee's promissory note in a form and on terms acceptable to the Administrator; (e) the cancellation of indebtedness of the Company to the Optionee; (f) the waiver of compensation due or accrued to the Optionee for services rendered; (g) provided that a public market for the Common Stock exists, a "same day sale" commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to sell a portion of the shares so purchased to pay for the Exercise Price and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; (h) provided that a public market for the Common Stock exists, a "margin" commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to pledge the shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; or (i) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable corporate law.

5.4 **Term and Termination of Options.** The term and provisions for termination of each Option shall be as fixed by the Administrator, but no Option may be exercisable more than ten (10) years after the date it is granted. An Incentive Option granted to a person who is a 10% Shareholder on the date of grant shall not be exercisable more than five (5) years after the date it is granted.

5.5 **Vesting and Exercise of Options.** Each Option shall vest and become exercisable in one or more installments at such time or times and subject to such conditions, including without limitation the achievement of specified performance goals or objectives, as shall be determined by the Administrator; provided, however, that, except with regard to Options granted to Officers, Directors or Consultants, in no event shall an Option granted hereunder become vested and exercisable at a rate of less than twenty percent (20%) per year over five (5) years from the date the Option is granted, subject to reasonable conditions, such as continuing to be a Service Provider. No Option granted to an Optionee may be exercised to any extent by anyone after the first to occur of the following events:

(a) the expiration of 12 months from the date of the Participant ceases to be a Service Provider as a result of the Participant's death;

(b) the expiration of 12 months from the date the Participant's ceases to be a Service Provider as a result of the Participant's Disability;

(c) the expiration of three months from the date the Participant ceases to be a Service Provider for any reason other than such Participant's death or his or her Disability, unless the Participant dies within said three-month period; or

(d) the expiration of the Option in accordance with Section 5.4.

5.6 **Annual Limit on Incentive Options.** To the extent required for "incentive stock option" treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock shall not, with respect to which Incentive Options granted under this Plan and any other plan of the Company or any Affiliated Company become exercisable for the first time by an Optionee during any calendar year, exceed $100,000.

5.7 **Limits on Transfer**. No right or interest of an Optionee in any Option may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or an Affiliated Company, or shall be subject to any lien, obligation, or liability of such Optionee to any other party other than the Company or an Affiliated Company. Except as otherwise provided by the Administrator, no Option shall be assigned, transferred, or otherwise disposed of by an Optionee other than by will or the laws of descent and distribution. The Administrator by express provision in the Option Agreement or an amendment thereto may permit an Option (other than an Incentive Option) to be transferred to, exercised by and shares issued to certain persons or entities related to the Optionee, including but not limited to members of the Optionee's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Optionee's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Administrator, pursuant to such conditions and procedures as the Administrator may establish. Any permitted transfer may be subject to the condition that the Administrator receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a "blind trust" in connection with the Optionee's termination of employment or service with the Company or an Affiliated Company to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities. Any Nonqualified Option which is so transferred shall continue to be subject to all the terms and conditions of the Nonqualified Option as applicable to the original Optionee (other than the ability to further transfer the Nonqualified Option).

5. 8 **Rights as Shareholder.** An Optionee or permitted transferee of an Option shall have no rights or privileges as a shareholder with respect to any shares covered by an Option until such Option has been duly exercised and certificates representing shares purchased upon such exercise have been issued to such person.

ARTICLE 6.

RIGHTS TO PURCHASE

6.1 **Nature of Right to Purchase.** A Right to Purchase granted to an Offeree entitles the Offeree to purchase, for a Purchase Price determined by the Administrator, shares of Common Stock subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant ("Restricted Stock"). Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives.

6.2 **Acceptance of Right to Purchase.** An Offeree shall have no rights with respect to the Restricted Stock subject to a Right to Purchase unless the Offeree shall have accepted the Right to Purchase within ten (10) days (or such longer or shorter period as the Administrator may specify) following the grant of the Right to Purchase by making payment of the full Purchase Price to the Company in the manner set forth in Section 6.3 hereof and by executing and delivering to the Company a Stock Purchase Agreement. Each Stock Purchase Agreement shall be in such form, and shall set forth the Purchase Price and such other terms, conditions and restrictions of the Restricted Stock, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable. Each Stock Purchase Agreement may be different from each other Stock Purchase Agreement.

6.3 **Payment of Purchase Price.** Subject to any legal restrictions, payment of the Purchase Price upon acceptance of a Right to Purchase Restricted Stock may be made, in the discretion of the Administrator, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Offeree that have been held by the Offeree for at least six (6) months, which surrendered shares shall be valued at Fair Market Value as of the date of such exercise; (d) the

Offeree's promissory note in a form and on terms acceptable to the Administrator; (e) the cancellation of indebtedness of the Company to the Offeree; (f) the waiver of compensation due or accrued to the Offeree for services rendered; or (g) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable corporate law.

6.4 Rights as a Shareholder. Upon complying with the provisions of Section 6.2 hereof, an Offeree shall have the rights of a shareholder with respect to the Restricted Stock purchased pursuant to the Right to Purchase, including voting and dividend rights, subject to the terms, restrictions and conditions as are set forth in the Stock Purchase Agreement. Unless the Administrator shall determine otherwise, certificates evidencing shares of Restricted Stock shall remain in the possession of the Company until such shares have vested in accordance with the terms of the Stock Purchase Agreement.

6.5 Restrictions. Shares of Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided in the Stock Purchase Agreement. In the event of termination of a Participant's status as a Service Provider for any reason whatsoever (including death or disability), the Stock Purchase Agreement may provide, in the discretion of the Administrator, that the Company shall have the right, exercisable at the discretion of the Administrator, to repurchase (i) at the original Purchase Price, any shares of Restricted Stock which have not vested as of the date of termination, and (ii) at Fair Market Value, any shares of Restricted Stock which have vested as of such date, on such terms as may be provided in the Stock Purchase Agreement, provided, however, that to the extent required by Section 260.140.41 and Section 260.140.42 of Title 10 of the California Code of Regulations, any such repurchase right set forth in a Right to Purchase to a person who is not an Officer, Director or Consultant shall be upon the following terms: if the repurchase option gives the Company the right to repurchase the shares of Restricted Stock upon termination as a Service Provider at the original purchase price for such Shares, then (A) the right to repurchase at the original purchase price shall lapse at the rate of at least twenty percent (20%) of the shares per year over five (5) years from the date the Right to Purchase is granted (without respect to the date the Right to Purchase was exercised or became exercisable) and (B) the right to repurchase shall be exercised for cash or cancellation of purchase money indebtedness for the shares within ninety (90) days of termination of status as a Service Provider (or, in the case of shares issued upon exercise of Rights to Purchase, after such date of termination, within ninety (90) days after the date of the exercise) or such longer period as may be agreed to by the Company and the Plan participant.

6.6 Vesting of Restricted Stock. The Stock Purchase Agreement shall specify the date or dates, the performance goals or objectives which must be achieved, and any other conditions on which the Restricted Stock may vest; provided, however, that to the extent required to comply with applicable securities laws, the terms of such shares of Restricted Stock shall comply with the requirements set forth in Section 260.140.42 of Title 10 of the California Code of Regulations.

6.7 Dividends. If payment for shares of Restricted Stock is made by promissory note, any cash dividends paid with respect to the Restricted Stock may be applied, in the discretion of the Administrator, to repayment of such note.

6.8 Nonassignability of Rights. No Right to Purchase shall be assignable or transferable except by will or the laws of descent and distribution or as otherwise provided by the Administrator.

ARTICLE 7.

ADMINISTRATION OF THE PLAN

7.1 Administrator. Authority to control and manage the operation and administration of the Plan shall be vested in the Board, which may delegate such responsibilities in whole or in part to a committee consisting of two (2) or more members of the Board (the "Committee"). Members of the Committee may be appointed from time to time by, and shall serve at the pleasure of, the Board. As used herein, the term "Administrator" means the Board or, with respect to any matter as to which responsibility has been delegated to the Committee, the term Administrator shall mean the Committee.

7.2 Powers of the Administrator. In addition to any other powers or authority conferred upon the Administrator elsewhere in the Plan or by law, the Administrator shall have full power and authority: (a) to determine the persons to whom, and the time or times at which, Incentive Options or Nonqualified Options shall be granted and Rights to Purchase shall be offered, the number of shares to be represented by each Option and Right to Purchase and the consideration to be received by the Company upon the exercise thereof; (b) to interpret the Plan; (c) to create, amend or rescind rules and regulations relating to the Plan; (d) to determine the terms, conditions and restrictions contained in, and the form of, Option Agreements and Stock Purchase Agreements; (e) to determine the identity or capacity of any persons who may be entitled to exercise a Participant's rights under any Option or Right to Purchase under the Plan; (f) to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Option Agreement or Stock Purchase Agreement; (g) to accelerate the vesting of any Option or release or waive any repurchase rights of the Company with respect to Restricted Stock; (h) to extend the exercise date of any Option or acceptance date of any Right to Purchase; (i) to provide for rights of first refusal and/or repurchase rights; (j) to amend outstanding Option Agreements and Stock Purchase Agreements to provide for, among other things, any change or modification which the Administrator could have provided for upon the grant of an Option or Right to Purchase or in furtherance of the powers provided for herein; and (k) to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan. Any action, decision, interpretation or determination made in good faith by the Administrator in the exercise of its authority conferred upon it under the Plan shall be final and binding on the Company and all Participants.

7.3 Limitation on Liability. No employee of the Company or member of the Board or Committee shall be subject to any liability with respect to duties under the Plan unless the person acts fraudulently or in bad faith. To the extent permitted by law, the Company shall indemnify each member of the Board or Committee, and any employee of the Company with duties under the Plan, who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, by reason of such person's conduct in the performance of duties under the Plan.

ARTICLE 8.

CHANGE IN CONTROL

8.1 Change in Control. In order to preserve a Participant's rights in the event of a Change in Control of the Company, (i) the time period relating to the exercise or realization of all outstanding Options, Rights to Purchase and Restricted Stock shall automatically accelerate immediately prior to the consummation of such Change in Control, and (ii) with respect to Options and Rights to Purchase, the Administrator in its discretion may, at any time an Option or Right to Purchase is granted, or at any time thereafter, take one or more of the following actions: (A) provide for the purchase or exchange of each Option or Right to Purchase for an amount of cash or other property having a value equal to the difference, or spread, between (x) the value of the cash or other property that the Participant would have received pursuant to such Change in Control transaction in exchange for the shares issuable upon exercise of the Option or Right to Purchase had the Option or Right to Purchase been exercised immediately prior to such Change in Control transaction and (y) the Exercise Price of such Option or the Purchase Price under such Right to Purchase, (B) adjust the terms of the Options and Rights to Purchase in a manner determined by the Administrator to reflect the Change in Control, (C) cause the Options and Rights to Purchase to be assumed, or new rights substituted therefor, by another entity, through the continuance of the Plan and the assumption of outstanding Options and Rights to Purchase, or the substitution for such Options and Rights to Purchase of new options and new rights to purchase of comparable value covering shares of a successor corporation, with appropriate adjustments as to the number and kind of shares and Exercise Prices, in which event the Plan and such Options and Rights to Purchase, or the new options and rights to purchase substituted therefor, shall continue in the manner and under the terms so provided, or (D) make such other provision as the Administrator may consider equitable. If the Administrator does not take any of the forgoing actions, all Options and Rights to Purchase shall terminate upon the consummation of the Change in Control and the Administrator shall cause written notice of the proposed transaction to be given to all Participants not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

ARTICLE 9.

AMENDMENT AND TERMINATION OF THE PLAN

9.1 Amendments. The Board may from time to time alter, amend, suspend or terminate the Plan in such respects as the Board may deem advisable. In addition, the Board may delegate such power in whole or in part to the Committee. No such alteration, amendment, suspension or termination shall be made which shall substantially affect or impair the rights of any Participant under an outstanding Option Agreement or Stock Purchase Agreement without such Participant's consent. The Board and/or Committee may alter or amend the Plan to comply with requirements under the Code relating to Incentive Options or other types of options which give Optionees more favorable tax treatment than that applicable to Options granted under this Plan as of the date of its adoption. Upon any such alteration or amendment, any outstanding Option granted hereunder may, if the Administrator so determines and if permitted by applicable law, be subject to the more favorable tax treatment afforded to an Optionee pursuant to such terms and conditions.

9.2 Plan Termination. Unless the Plan shall theretofore have been terminated, the Plan shall terminate on the tenth (10th) anniversary of the Effective Date and no Options or Rights to Purchase may be granted under the Plan thereafter, but Option Agreements, Stock Purchase Agreements and Rights to Purchase then outstanding shall continue in effect in accordance with their respective terms.

ARTICLE 10.

TAX WITHHOLDING

10.1 Withholding. The Company shall have the power to withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy any applicable Federal, state, and local tax withholding requirements with respect to any Options exercised or Restricted Stock issued under the Plan. To the extent permissible under applicable tax, securities and other laws, the Administrator may, in its sole discretion and upon such terms and conditions as it may deem appropriate, permit a Participant to satisfy his or her obligation to pay any such tax, in whole or in part, up to an amount determined on the basis of the highest marginal tax rate applicable to such Participant, by (a) directing the Company to apply shares of Common Stock to which the Participant is entitled as a result of the exercise of an Option or as a result of the purchase of or lapse of restrictions on Restricted Stock or (b) delivering to the Company shares of Common Stock owned by the Participant. The shares of Common Stock so applied or delivered in satisfaction of the Participant's tax withholding obligation shall be valued at their Fair Market Value as of the date of measurement of the amount of income subject to withholding.

ARTICLE 11.

MISCELLANEOUS

11.1 Benefits Not Alienable. Other than as provided above, benefits under the Plan may not be assigned or alienated, whether voluntarily or involuntarily. Any unauthorized attempt at assignment, transfer, pledge or other disposition shall be without effect.

11.2 No Enlargement of Employee Rights. This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Participant to be consideration for, or an inducement to, or a condition of, the employment of any Participant. Nothing contained in the Plan shall be deemed to give the right to any Participant to be retained as an employee of the Company or any Affiliated Company or to limit the right of the Company or any Affiliated Company to discharge any Participant at any time.

11.3 Application of Funds. The proceeds received by the Company from the sale of Common Stock pursuant to Option Agreements and Stock Purchase Agreements, except as otherwise provided herein, will be used for general corporate purposes.

11.4 Information to Holders and Purchasers. To the extent required by Section 260.140.46 of Title 10 of the California Code of Regulations, the Company shall provide to each Participant and to each individual who acquires shares of Common Stock pursuant to the Plan, not less frequently than annually during the period such Participant or purchaser has one or more Options or Rights to Purchase outstanding, and, in the case of an individual who acquires shares of Common Stock pursuant to the Plan, during the period such individual owns such shares, copies of annual financial statements. Notwithstanding the preceding sentence, the Company shall not be required to provide such statements to key employees whose duties in connection with the Company assure their access to equivalent information.

EXHIBIT 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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.

Date: November 3, 2006

/s/ RAJESH C. SHROTRIYA

Rajesh C. Shrotriya
Chairman, Chief Executive Officer and President

EXHIBIT 31.2

Certification of Vice President, Finance
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Shyam K. Kumaria, 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 controls 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.

Date: November 3, 2006

/s/ SHYAM K. KUMARIA
Shyam K. Kumaria
Vice President, Finance

EXHIBIT 32.1

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Spectrum Pharmaceuticals, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2006 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 3, 2006

/s/ RAJESH C. SHROTRIYA

Rajesh C. Shrotriya
Chairman, Chief Executive Officer and President

EXHIBIT 32.2

Certification of Vice President, Finance

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Spectrum Pharmaceuticals, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2006 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 3, 2006

/s/ SHYAM K. KUMARIA

Shyam K. Kumaria
Vice President, Finance