

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-Q**

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

For the quarterly period ended March 31, 2019

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

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

Commission File Number: 001-35006



**SPECTRUM PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

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

**93-0979187**  
(I.R.S. Employer  
Identification No.)

**11500 South Eastern Avenue, Suite 240**  
**Henderson, Nevada**  
(Address of principal executive offices)

**89052**  
(Zip Code)

**(702) 835-6300**

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	SPPI	The NASDAQ Global Select Market

As of April 30, 2019, 111,963,467 shares of the registrant's common stock were outstanding.

**SPECTRUM PHARMACEUTICALS, INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

**TABLE OF CONTENTS**

<u>Item</u>		<u>Page</u>
<b>PART I. FINANCIAL INFORMATION</b>		
Item 1.	Financial Statements (unaudited):	
	<a href="#">Condensed Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018</a>	<a href="#">3</a>
	<a href="#">Condensed Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018</a>	<a href="#">4</a>
	<a href="#">Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2019 and 2018</a>	<a href="#">5</a>
	<a href="#">Condensed Consolidated Statement of Stockholders' Equity for the three months ended March 31, 2019 and 2018</a>	<a href="#">6</a>
	<a href="#">Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018</a>	<a href="#">7</a>
	<a href="#">Notes to Condensed Consolidated Financial Statements</a>	<a href="#">8</a>
Item 2.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">28</a>
Item 3.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">33</a>
Item 4.	<a href="#">Controls and Procedures</a>	<a href="#">33</a>
<b>PART II. OTHER INFORMATION</b>		
Item 1.	<a href="#">Legal Proceedings</a>	<a href="#">33</a>
Item 1A.	<a href="#">Risk Factors</a>	<a href="#">34</a>
Item 6.	<a href="#">Exhibits</a>	<a href="#">35</a>
	<a href="#">Signatures</a>	<a href="#">36</a>

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

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**PART I: FINANCIAL INFORMATION**  
**ITEM 1: FINANCIAL STATEMENTS**  
**SPECTRUM PHARMACEUTICALS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and par value amounts)  
(Unaudited)

	March 31, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 272,652	\$ 157,480
Restricted cash	4,000	—
Marketable securities	33,229	46,508
Accounts receivable, net of allowance for doubtful accounts of \$67 and \$67, respectively	14,936	29,873
Other receivables	7,466	3,698
Prepaid expenses and other assets	7,955	7,574
Discontinued operations, current assets ( <i>Note 11</i> )	—	5,555
Total current assets	340,238	250,688
Property and equipment, net of accumulated depreciation	466	385
Other assets	8,180	7,188
Facility and equipment under lease	3,774	—
Discontinued operations, non-current assets ( <i>Note 11</i> )	—	132,625
Total assets	\$ 352,658	\$ 390,886
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 60,302	\$ 69,460
Accrued payroll and benefits	5,168	9,853
Contract liabilities	4,850	4,850
Discontinued operations, current liabilities ( <i>Note 11</i> )	—	2,311
Total current liabilities	70,320	86,474
Deferred tax liabilities	—	1,469
Other long-term liabilities	9,789	5,650
Discontinued operations, non-current liabilities ( <i>Note 11</i> )	—	14,031
Total liabilities	80,109	107,624
Commitments and contingencies ( <i>Note 9</i> )		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.001 par value; 300,000,000 shares authorized; 111,212,572 and 110,525,141 issued and outstanding at March 31, 2019 and December 31, 2018, respectively	111	110
Additional paid-in capital	895,571	886,740
Accumulated other comprehensive loss	(4,092)	(3,702)
Accumulated deficit	(619,041)	(599,886)
Total stockholders' equity	272,549	283,262
Total liabilities and stockholders' equity	\$ 352,658	\$ 390,886

See accompanying notes to these unaudited condensed consolidated financial statements.

## SPECTRUM PHARMACEUTICALS, INC.

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

	Three Months Ended March 31,	
	2019	2018
Revenues ( <i>Note 1(b)</i> )	\$ —	\$ —
Operating costs and expenses:		
Selling, general and administrative	15,952	16,616
Research and development	21,886	13,365
Total operating costs and expenses	37,838	29,981
Loss from continuing operations	(37,838)	(29,981)
Other (expense) income:		
Interest income (expense), net	1,061	(230)
Other (expense) income, net	(11,285)	9,972
Total other (expense) income	(10,224)	9,742
Loss from continuing operations before income taxes	(48,062)	(20,239)
Benefit for income taxes from continuing operations	8,242	1,067
Loss from continuing operations	\$ (39,820)	\$ (19,172)
Income from discontinued operations, net of income taxes ( <i>Note 11</i> )	20,665	3,356
Net loss	\$ (19,155)	\$ (15,816)
Basic and diluted loss per share:		
Loss per common share from continuing operations	\$ (0.36)	\$ (0.19)
Income per common share from discontinued operations	0.19	0.03
Net loss per common share	\$ (0.17)	\$ (0.16)
Weighted average shares outstanding:		
Basic and Diluted	109,552,602	100,809,853

See accompanying notes to these unaudited condensed consolidated financial statements.

## SPECTRUM PHARMACEUTICALS, INC.

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Net loss	\$ (19,155)	\$ (15,816)
Other comprehensive loss:		
Foreign currency translation adjustments	(390)	393
Other comprehensive (loss) income	(390)	393
Total comprehensive loss	\$ (19,545)	\$ (15,423)

See accompanying notes to these unaudited condensed consolidated financial statements.

**SPECTRUM PHARMACEUTICALS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
<b>Balance as of December 31, 2018</b>	110,525,141	\$ 110	\$ 886,740	\$ (3,702)	\$ (599,886)	\$ 283,262
Net loss	—	—	—	—	(19,155)	(19,155)
Other comprehensive income, net	—	—	—	(390)	—	(390)
Employee stock-based compensation expense	—	—	7,481	—	—	7,481
Issuance of common stock to 401(k) plan for employee match	47,347	—	519	—	—	519
Issuance of common stock upon exercise of stock options	146,785	—	831	—	—	831
RSA grants, net of forfeitures	259,539	1	—	—	—	1
Issuance of common stock upon vesting of RSUs	233,760	—	—	—	—	—
<b>Balance as of March 31, 2019</b>	<b>111,212,572</b>	<b>\$ 111</b>	<b>\$ 895,571</b>	<b>\$ (4,092)</b>	<b>\$ (619,041)</b>	<b>\$ 272,549</b>

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
<b>Balance as of December 31, 2017</b>	100,742,735	\$ 100	\$ 837,347	\$ 15,999	\$ (502,107)	\$ 351,339
Net loss	—	—	—	—	(15,816)	(15,816)
Cumulative-effect adjustment of ASU 2016-01 adoption (Note 3(a))	—	—	—	(17,211)	17,211	—
Cumulative-effect adjustment of Topic 606 adoption (Note 2(i))	—	—	—	—	4,678	4,678
Foreign currency adjustment related to adoptions of ASU 2016-01 and Topic 606	—	—	—	—	343	343
Other comprehensive income, net	—	—	—	393	—	393
Employee stock-based compensation expense	—	—	4,144	—	—	4,144
Issuance of common stock to 401(k) plan for employee match	16,834	—	334	—	—	334
Issuance of common stock upon exercise of stock options	5,793,413	6	41,417	—	—	41,423
RSA grants, net of forfeitures	614,035	—	—	—	—	—
Retirement of RSAs and shares as part of stock option cashless exercises to satisfy employee tax withholdings	(3,463,873)	(3)	(62,541)	—	—	(62,544)
Issuance of common stock upon vesting of RSUs	200,652	—	—	—	—	—
Issuance of common stock upon exercise of warrants	31,602	—	—	—	—	—
<b>Balance as of March 31, 2018</b>	<b>103,935,398</b>	<b>\$ 103</b>	<b>\$ 820,701</b>	<b>\$ (819)</b>	<b>\$ (495,691)</b>	<b>\$ 324,294</b>

See accompanying notes to these unaudited condensed consolidated financial statements.

**SPECTRUM PHARMACEUTICALS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
<b>Cash Flows From Operating Activities:</b>		
Loss from continuing operations	\$ (39,820)	\$ (19,172)
Income from discontinued operations, net of income taxes (Note 11)	20,665	3,356
Net loss	(19,155)	(15,816)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,331	6,995
Stock-based compensation	8,000	4,478
Non-cash lease expense (Note 9(a))	509	—
Accretion of debt discount on 2018 Convertible Notes, recorded to interest expense	—	533
Amortization of deferred financing costs on 2018 Convertible Notes, recorded to interest expense	—	61
Unrealized gains from transactions denominated in foreign currency	(1)	(8)
Deferred tax liabilities	(1,469)	9
Gain on Commercial Product Portfolio Transaction (Note 11)	(33,644)	—
Unrealized loss (gain) on marketable securities (Note 3(a))	12,183	(10,196)
Change in fair value of contingent consideration (Note 9(b))	1,478	291
Changes in operating assets and liabilities:		
Accounts receivable, net	14,914	(583)
Other receivables	(3,776)	(762)
Inventories	(2,037)	657
Prepaid expenses and other assets	512	2,134
Other assets	(980)	(1,693)
Accounts payable and other accrued obligations	(14,255)	(7,207)
Accrued payroll and benefits	(4,685)	(5,860)
FOLOTYN development liability	(4)	(103)
Other long-term liabilities	1,024	325
Net cash used in operating activities	(40,055)	(26,745)
<b>Cash Flows From Investing Activities:</b>		
Proceeds from Commercial Product Portfolio Transaction (Note 1(b))	158,765	—
Proceeds from redemption of corporate-owned life insurance policy	—	4,130
Redemption of mutual funds	—	(1)
Purchases of property and equipment	(314)	(52)
Net cash provided by investing activities	158,451	4,077
<b>Cash Flows From Financing Activities:</b>		
Proceeds from employees for exercises of stock options	831	1,920
Proceeds from employees, for our remittance to tax authorities, upon vesting of restricted stock and exercises of stock options	—	4,645
Payments to tax authorities upon employees' surrender of restricted stock at vesting and exercises of stock options	—	(27,686)
Net cash provided by (used in) financing activities	831	(21,121)
Effect of exchange rates on cash, cash equivalents and restricted cash	(55)	(21)
Net increase (decrease) in cash, cash equivalents and restricted cash	119,172	(43,810)
Cash, cash equivalents and restricted cash—beginning of period	157,480	227,323
Cash, cash equivalents and restricted cash—end of period	\$ 276,652	\$ 183,513
Supplemental disclosure of cash flow information:		
Cash paid for facility and equipment under lease	\$ 471	\$ —
Cash paid for income taxes	\$ 33	\$ —

See accompanying notes to these unaudited condensed consolidated financial statements.

**Spectrum Pharmaceuticals, Inc.**

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

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

***(a) Description of Business***

Spectrum Pharmaceuticals, Inc. (“Spectrum”, the “Company”, “we”, “our”, or “us”) is a biopharma company, with a primary strategy comprised of acquiring, developing, and commercializing a broad and diverse pipeline of clinical and commercial products. We have an in-house clinical development organization with regulatory and data management capabilities, in addition to commercial and marketing capabilities upon product launch.

We have two drugs in late-stage and active development:

- Pozotinib, a novel pan-HER inhibitor used in the investigation for non-small cell lung cancer (“NSCLC”) tumors with either EGFR or HER2 exon 20 insertion mutations; and
- ROLONTIS, a novel long-acting granulocyte colony-stimulating (“G-CSF”) analog for chemotherapy-induced neutropenia.

Our business strategy is to further the development of our late stage assets through commercialization and acquire new assets through partnerships or acquisitions.

***(b) Basis of Presentation***

***Interim Financial Statements***

The interim financial data for the three months ended March 31, 2019 and 2018, respectively, is unaudited, and is not necessarily indicative of our operating results for a full year. In the opinion of our management, the interim data includes normal and recurring adjustments necessary for a fair presentation of our financial results for the three months ended March 31, 2019 and 2018. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to the U.S. Securities and Exchange Commission (“SEC”) rules and regulations relating to interim financial statements. The accompanying Condensed Consolidated Financial Statements should be read in conjunction with our audited Consolidated Financial Statements and Notes thereto included within our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed with the SEC on February 28, 2019).

***Discontinued Operations - Sale of our Product Portfolio***

On March 1, 2019, we completed the sale of our seven then-commercialized drugs, including FUSILEV, KHAPZORY, FOLOTYN, ZEVALIN, MARQIBO, BELEODAQ, and EVOMELA (the “Commercial Product Portfolio”) to Acrotech Biopharma LLC (“Acrotech”) (the “Commercial Product Portfolio Transaction”). Upon closing we received \$158.8 million in an upfront cash payment (of which \$4 million is held in escrow). We are also entitled to receive up to an aggregate of \$140 million upon Acrotech's achievement of certain regulatory (totaling \$40 million) and sales-based milestones (totaling \$100 million) relating to the Commercial Product Portfolio.

These Condensed Consolidated Financial Statements are recast for all periods presented to reflect the sale of the assets and liabilities associated with our Commercial Product Portfolio, as well as the corresponding revenue-deriving activities and allocable expenses of this commercial business within “discontinued operations” - see *Note 11*. We have presented our face financial statements in general conformity with our historical format, even where presented values are \$-0- within continuing operations due to required discontinued operations classification for all periods presented. We believe this format provides increased clarity and comparability with our previously filed financial statements, as well as our expectation that these financial statement captions and included footnote disclosures will remain relevant to our future business activities.

***Principles of Consolidation***

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

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

***Variable Interest Entity***

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

***(c) Operating Segment***

We operate one reportable operating segment that is focused exclusively on developing (and eventually marketing) oncology and hematology drug products. For the three months ended March 31, 2019 and 2018, all of our revenue and related expenses were solely attributable to these activities (and as applicable, currently and retrospectively classified as “discontinued” within the accompanying Condensed Consolidated Balance Sheet and Condensed Consolidated Statement of Operations - see *Note 11*). All of our assets are held in the U.S, except for cash held in certain foreign bank accounts.

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

The preparation of financial statements in conformity with GAAP requires our management to make informed estimates and assumptions that affect our reported amounts of assets, liabilities, revenues, and expenses. These amounts may materially differ from the amounts ultimately realized and reported due to the inherent uncertainty of any estimate or assumption. On an on-going basis, our management evaluates its most critical estimates and assumptions, including those related to: (i) gross-to-net revenue adjustments; (ii) the timing of revenue recognition; (iii) the collectability of customer accounts; (iv) whether the cost of our inventories can be recovered; (v) the realization of our tax assets and estimates of our tax liabilities; (vi) the fair value of our investments; (vii) the valuation of our stock options and the periodic expense recognition of stock-based compensation; and (viii) the potential outcome of our ongoing or threatened litigation.

Our accounting policies and estimates that most significantly impact the presented amounts within these Condensed Consolidated Financial Statements are further described below:

***(i) Revenue Recognition***

***Impact of the Adoption of the New Revenue Recognition Standard:*** ASU No. 2014-09, *Revenue from Contracts with Customers* (“*Topic 606*”), became effective for us on January 1, 2018. Our disclosure within the below sections to this footnote reflects our updated accounting policies that are affected by this new standard. We applied the “modified retrospective” transition method for open contracts for the implementation of *Topic 606*; this resulted in the recognition of an aggregate \$4.7 million, net of tax, decrease to our January 1, 2018 “accumulated deficit” on our accompanying Condensed Consolidated Balance Sheets for the cumulative impact of applying this new standard. We made no adjustments to our previously-reported total revenues, as those periods continue to be presented in accordance with our historical accounting practices under *Topic 605, Revenue Recognition* (“*Topic 605*”).

***Required Elements of Our Revenue Recognition:*** Revenue from our (a) product sales, (b) out-license arrangements, and (c) service arrangements is recognized under *Topic 606* in a manner that reasonably reflects the delivery of our goods and/or services to customers in return for expected consideration and includes the following elements:

- (1) we ensure that we have an executed contract(s) with our customer that we believe is legally enforceable;
- (2) we identify the “performance obligations” in the respective contract;
- (3) we determine the “transaction price” for each performance obligation in the respective contract;

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

- (4) we allocate the transaction price to each performance obligation; and
- (5) we recognize revenue only when we satisfy each performance obligation.

These five elements, as applied to each of our revenue categories, are summarized below:

**(a) Product Sales:** We sell our products to pharmaceutical wholesalers/distributors (i.e., our customers), except for our U.S. sales of ZEVALIN, and limited sales of EVOMELA, in which case the end-user (i.e., clinic or hospital) is our customer. Our wholesalers/distributors in turn sell our products directly to clinics, hospitals, and private oncology-based practices. Revenue from our product sales is recognized as physical delivery of product occurs (when our customer obtains control of the product), in return for agreed-upon consideration.

Our gross product sales (i.e., delivered units *multiplied* by the contractual price per unit) are reduced by our corresponding gross-to-net (“GTN”) estimates using the “expected value” method, resulting in our reported “product sales, net” in the accompanying Condensed Consolidated Statements of Operations, reflecting the amount we ultimately expect to realize in net cash proceeds, taking into account our current period gross sales and related cash receipts, and the subsequent cash disbursements on these sales that we estimate for the various GTN categories discussed below. These estimates are based upon information received from external sources (such as written or oral information obtained from our customers with respect to their period-end inventory levels and sales to end-users during the period), in combination with management’s informed judgments. Due to the inherent uncertainty of these estimates, the actual amount incurred (of some, or all) of product returns, government chargebacks, prompt pay discounts, commercial rebates, Medicaid rebates, and distribution, data, and GPO administrative fees may be materially above or below the amount estimated, then requiring prospective adjustments to our reported net product sales.

These GTN estimate categories are each discussed below:

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

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

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

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

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

**Distribution, Data, and GPO Administrative Fees:** Distribution, data, and GPO administrative fees are paid to authorized wholesalers/distributors of our products (except for U.S. sales of ZEVALIN) for various commercial services including:

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

contract administration, inventory management, delivery of end-user sales data, and product returns processing. These fees are based on a contractually-determined percentage of our applicable sales.

**(b) License Fees:** Our out-license arrangements allow licensees to market our product(s) in certain territories for a specific term (representing the out-license of “functional intellectual property”). These arrangements may include one or more of the following forms of consideration: (i) upfront license fees, (ii) sales royalties, (iii) sales milestone-achievement fees, and (iv) regulatory milestone-achievement fees. We recognize revenue for each based on the contractual terms that establish our right to collect payment once the performance obligation is achieved, as follows:

**(1) Upfront License Fees:** We determine whether upfront license fees are earned at the time of contract execution (i.e., when rights transfer to the customer) or over the actual (or implied) contractual period of the out-license. As part of this determination, we evaluate whether we have any other requirements to provide substantive services that are inseparable from the performance obligation of the license transfer. Our customers’ “distinct” rights to licensed “functional intellectual property” at the time of contract execution results in concurrent revenue recognition of all upfront license fees (assuming that there are no other performance obligations at contract execution that are inseparable from this license transfer).

**(2) Royalties:** Under the “sales-or-usage-based royalty exception” we recognize revenue in the same period that our licensees complete product sales in their territory for which we are contractually entitled to a percentage-based royalty receipt.

**(3) Sales Milestones:** Under the “sales-or-usage-based royalty exception” we recognize revenue in full within the period that our licensees achieve annual or aggregate product sales levels in their territories for which we are contractually entitled to a specified lump-sum receipt.

**(4) Regulatory Milestones:** Under the terms of the respective out-license, regulatory achievements may either be our responsibility, or that of our licensee.

- When our licensee is responsible for the achievement of the regulatory milestone, we recognize revenue in full (for the contractual amount due from our licensee) in the period that the approval occurs (i.e., when the “performance obligation” is satisfied by our customer) under the “most likely amount” method. This revenue recognition remains “constrained” (i.e., not recognized) until regulatory approval occurs, given its inherent uncertainty and the requirement of a significant revenue reversal not being probable if achievement does not occur. At each reporting period, we re-evaluate the probability of milestone achievement and the associated revenue constraint; any resulting adjustments would be recorded on a cumulative catch-up basis, thus reflected in our financial statements in the period of adjustment.
- When we are responsible for the achievement of a regulatory milestone, the “relative selling price method” is applied for purposes of allocating the transaction price to our performance obligations. In such case, we consider (i) the extent of our effort to achieve the milestone and/or the enhancement of the value of the delivered item(s) as a result of milestone achievement and (ii) if the milestone payment is reasonable relative to all of the deliverables and payment terms (including other potential milestone consideration) within the arrangement. We have historically assessed the contractual value of these milestones upon their achievement to be identical to the allocation of value of our performance obligations and thus representing the “transaction price” for each milestone at contract inception. We recognize this revenue in the period that the regulatory approval occurs (i.e., when we complete the “performance obligation”) under the “most likely amount” method, and revenue recognition is otherwise “constrained” until regulatory approval occurs, given its inherent uncertainty and the requirement of a significant revenue reversal not being probable if achievement does not occur. At each reporting period, we re-evaluate the probability of milestone achievement and the associated revenue constraint; any resulting adjustments would be recorded on a cumulative catch-up basis, thus reflected in our financial statements in the period of adjustment.

**(c) Service Revenue:** We receive fees under certain arrangements for (i) sales and marketing services, (ii) supply chain services, (iii) research and development services, and (iv) clinical trial management services.

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

Our rights to receive payment for these services may be established by (1) a fixed-fee schedule that covers the term of the arrangement, so long as we meet ongoing performance obligations, (2) our completion of product delivery in our capacity as a procurement agent, (3) the successful completion of a phase of drug development, (4) favorable results from a clinical trial, and/or (5) regulatory approval events.

We consider whether revenue associated with these service arrangements is reportable each period, based on our completed services or deliverables (i.e., satisfied “performance obligations”) during the reporting period, and the terms of the arrangement that contractually result in fixed payments due to us. The promised service(s) within these arrangements are distinct and explicitly stated within each contract, and our customer benefits from the separable service(s) delivery/completion. Further, the nature of the promise to our customer as stated within the respective contract is to deliver each named service individually (not a transfer of combined items to which the promised goods or services are inputs), and thus are separable for revenue recognition.

**(ii) Cash and Cash Equivalents**

Cash and cash equivalents consist of bank deposits and highly liquid investments with maturities of three months or less from the purchase date. Our restricted cash is currently held in an escrow account as part of our completed Commercial Product Portfolio Transaction (see *Note 1(b)*).

**(iii) Marketable Securities**

Our marketable securities consist of our holdings in equity securities, mutual funds, and bank certificates of deposit (“Bank CDs”). Our realized and unrealized (losses) gains on marketable securities are included in “other (expense) income, net” on the accompanying Condensed Consolidated Statements of Operations.

**(iv) Accounts Receivable**

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

**(v) Inventories**

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

Manufacturing costs of drug products that are pending U.S. Food and Drug Administration (“FDA”) approval are fully expensed through “research and development” on the accompanying Condensed Consolidated Statements of Operations.

**(vi) Stock-Based Compensation**

Stock-based compensation expense for equity awards granted to our employees and members of our Board of Directors is recognized on a straight-line basis over each award’s vesting period. Recognized compensation expense is net of an estimated forfeiture rate, representing the percentage of awards that are expected to be forfeited prior to vesting, though is ultimately adjusted for actual forfeitures. We use the Black-Scholes option pricing model to determine the fair value of stock options (as of the date of grant) that have service conditions for vesting. We use the Monte Carlo valuation model to value equity awards (as of the date of grant) that have combined market conditions and service conditions for vesting.

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

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

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

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

**(viii) Income Taxes**

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

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

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

**(ix) Research and Development Costs**

Our research and development costs are expensed as incurred (see *Note 9(c)*), or as certain milestone payments become contractually due to our licensors, as triggered by the achievement of clinical or regulatory events.

**(x) Fair Value Measurements**

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

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

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

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

**3. BALANCE SHEET ACCOUNT DETAIL**

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

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

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

As of March 31, 2019 and December 31, 2018, our “cash and cash equivalents” were held with major financial institutions. Our “marketable securities” primarily relate to our equity holdings in CASI Pharmaceuticals, Inc. (“CASI”).

We maintain cash balances in excess of federally insured limits with reputable financial institutions. To a limited degree, the Federal Deposit Insurance Corporation and other third parties insure these investments. However, these investments are not insured against the possibility of a complete loss of earnings or principal and are inherently subject to the credit risk related to the continued credit worthiness of the underlying issuer and general credit market risks. We manage such risks in our portfolio by investing in highly liquid, highly-rated instruments, and limit investing in long-term maturity instruments.

Our investment policy requires that purchased investments in marketable securities may only be in highly-rated instruments, which are primarily U.S. treasury bills or treasury-backed securities, and also limits our investments in securities of any single issuer (excluding any debt or equity securities received from our strategic partners in connection with an out-license arrangement, as discussed in *Note 7*).

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

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

	Cost	Foreign Currency Translation	Gross Unrealized Gains	Estimated Fair Value	Cash and Cash Equivalents	Marketable Securities
<b>March 31, 2019</b>						
Equity securities* (see <i>Note 7</i> )	\$ 8,710	\$ (3,265)	\$ 27,697	\$ 33,142	\$ —	\$ 33,142
Bank deposits	15,649	—	—	15,649	15,649	—
Money market funds	257,003	—	—	257,003	257,003	—
Bank CDs	87	—	—	87	—	87
Total cash and cash equivalents and marketable securities	<u>\$ 281,449</u>	<u>\$ (3,265)</u>	<u>\$ 27,697</u>	<u>\$ 305,881</u>	<u>\$ 272,652</u>	<u>\$ 33,229</u>
<b>December 31, 2018</b>						
Equity securities* (see <i>Note 7</i> )	\$ 8,710	\$ (2,168)	\$ 39,880	\$ 46,422	\$ —	\$ 46,422
Bank deposits	14,735	—	—	14,735	14,735	—
Money market funds	142,745	—	—	142,745	142,745	—
Bank CDs	86	—	—	86	—	86
Total cash and cash equivalents and marketable securities	<u>\$ 166,276</u>	<u>\$ (2,168)</u>	<u>\$ 39,880</u>	<u>\$ 203,988</u>	<u>\$ 157,480</u>	<u>\$ 46,508</u>

\* Beginning January 1, 2018, under the requirements of *ASU 2016-01, Recognition and Measurement of Financial Assets and Liabilities*, the unrealized (loss) gain on our CASI equity securities are recognized as an (decrease) increase to “other (expense) income, net” on the Condensed Consolidated Statements of Operations (rather than through “other comprehensive loss” on the Condensed Consolidated Statements of Comprehensive Loss). Our adoption of *ASU 2016-01* on January 1, 2018 resulted in a \$17.2 million cumulative-effect adjustment, net of income tax, recorded as a decrease to “accumulated other comprehensive loss” and a decrease to “accumulated deficit” on the accompanying Condensed Consolidated Balance Sheets. Our recognized unrealized (loss) gain on these equity securities for the three months ended March 31, 2019 and 2018 was \$(12.2) million and \$10.2 million, respectively, as reported in “other (expense) income, net” on the accompanying Condensed Consolidated Statements of Operations.

As of March 31, 2019, none of the securities that we hold were in an unrealized loss position with respect to our cost basis.

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

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

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

	March 31, 2019	December 31, 2018
Computer hardware and software	\$ 3,075	\$ 3,079
Laboratory equipment	669	635
Office furniture	227	212
Leasehold improvements	2,957	2,957
Property and equipment, at cost	6,928	6,883
(Less): Accumulated depreciation	(6,462)	(6,498)
Property and equipment, net of accumulated depreciation	\$ 466	\$ 385

Depreciation expense (included within “total operating costs and expenses” in the accompanying Condensed Consolidated Statements of Operations) for the three months ended March 31, 2019 and 2018, was \$0.1 million, and \$49 thousand, respectively.

**(c) Prepaid Expenses and Other Assets**

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

	March 31, 2019	December 31, 2018
Deposits and other	\$ 6,760	\$ 6,792
Value of equity forward-sale contract (see Note 7)	793	—
Prepaid insurance	402	782
Prepaid expenses and other assets	\$ 7,955	\$ 7,574

**(d) Other Receivables**

“Other receivables” consists of the following:

	March 31, 2019	December 31, 2018
FDA refund due	\$ 1,941	\$ —
Other miscellaneous receivables (including Medicaid rebate credits and royalty receivables from licensees)	1,575	1,189
Income tax receivable - current portion	643	643
Insurance receivable	1,576	206
Secured promissory note (see Note 7)	1,527	1,525
Reimbursements due from development partners for incurred research and development expenses	204	135
Other receivables	\$ 7,466	\$ 3,698

**(e) Other Assets**

“Other assets” consists of the following:

	March 31, 2019	December 31, 2018
Key employee life insurance – cash surrender value associated with deferred compensation plan (Note 9(f))	\$ 7,270	\$ 6,274
Income tax receivable - non-current portion*	668	668
Research & development supplies and other	242	246
Other assets	\$ 8,180	\$ 7,188

\* This value represents the non-current portion of the refundable alternative minimum tax credit that is expected to be received over the next few years (see Note 10).

**(f) Facility and Equipment Under Lease**

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

“Facility and equipment under lease” consists of the following:

	March 31, 2019	December 31, 2018
Office and research facilities	\$ 3,287	\$ —
Office equipment	487	—
Facility and equipment under lease (Note 9(a))	<u>\$ 3,774</u>	<u>\$ —</u>

**(g) Accounts Payable and Other Accrued Liabilities**

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

	March 31, 2019	December 31, 2018
Trade accounts payable and other	\$ 41,788	\$ 44,919
Lease liability - current portion (Note 9(a))	808	—
Accrued commercial/Medicaid rebates	6,370	8,371
Accrued product royalty due to licensors	1,910	4,337
Allowance for product returns	5,325	5,171
Accrued data and distribution fees	2,398	3,248
Accrued GPO administrative fees	150	296
Accrued inventory management fees	368	388
Allowance for government chargebacks	1,185	2,730
Accounts payable and other accrued liabilities	<u>\$ 60,302</u>	<u>\$ 69,460</u>

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

	Commercial/Medicaid Rebates and Government Chargebacks	Distribution, Data, Inventory and GPO Administrative Fees	Product Return Allowances
Balance as of December 31, 2017	\$ 10,358	\$ 5,727	\$ 4,045
Add: GTN accruals recorded for product sales	65,751	13,962	1,700
(Less): Payments made and credits against GTN accruals	(65,008)	(15,757)	(574)
Balance as of December 31, 2018	<u>\$ 11,101</u>	<u>\$ 3,932</u>	<u>\$ 5,171</u>
Add: GTN accruals recorded for product sales	5,452	12	167
(Less): Payments made and credits against GTN accruals	(8,998)	(1,028)	(13)
Balance as of March 31, 2019	<u>\$ 7,555</u>	<u>\$ 2,916</u>	<u>\$ 5,325</u>

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

**(h) Contract Liabilities**

“Contract liabilities” consists of the following:

	March 31, 2019	December 31, 2018
Customer deposit for EVOMELA supply in China territory (see Note 7)	\$ 4,850	\$ 4,850
Contract liabilities	\$ 4,850	\$ 4,850

**(i) Other Long-Term Liabilities**

“Other long-term liabilities” consists of the following:

	March 31, 2019	December 31, 2018
Deferred compensation liability (Note 9(f))	\$ 6,499	\$ 5,474
Lease liability - non-current portion (Note 9(a))	3,114	—
Other tax liabilities	176	176
Other long-term liabilities	\$ 9,789	\$ 5,650

**4. STOCK-BASED COMPENSATION**

We report our stock-based compensation expense (inclusive of our incentive stock plan, employee stock purchase plan, and 401(k) contribution matching program) in the accompanying Condensed Consolidated Statements of Operations, based on the assigned department of the recipient. Stock-based compensation expense, included within “total operating costs and expenses” for the three months ended March 31, 2019 and 2018, was as follows:

	Three Months Ended March 31,	
	2019	2018
Selling, general and administrative	\$ 3,626	\$ 2,253
Research and development	969	632
Total stock-based compensation	\$ 4,595	\$ 2,885

**5. NET LOSS PER SHARE**

Net loss per share was computed by dividing net loss by the weighted average number of common shares outstanding for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
Weighted average shares outstanding - basic and diluted	109,552,602	100,809,853
Net loss	\$ (19,155)	\$ (15,816)
Net loss per share – basic and diluted	\$ (0.17)	\$ (0.16)

The below outstanding securities were excluded from the above calculation of net loss because their impact under the “treasury stock method” and “if-converted method” would have been anti-dilutive due to our net loss per share for the three months ended March 31, 2019 and 2018, respectively.

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

	Three Months Ended March 31,	
	2019	2018
Common stock options	1,816,531	5,589,852
Restricted stock awards	1,374,954	1,875,569
Restricted stock units	343,334	210,214
Employee stock purchase plan shares	38,848	24,064
2018 Convertible Notes	—	3,854,959
Common stock warrants	—	261,622
<b>Total</b>	<b>3,573,667</b>	<b>11,816,280</b>

## 6. FAIR VALUE MEASUREMENTS

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

	March 31, 2019 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Bank CDs	\$ —	\$ 87	\$ —	\$ 87
Money market funds	257,003	—	—	257,003
Equity securities ( <i>Note 7</i> )	33,142	—	—	33,142
Equity forward-sale contract ( <i>Note 7</i> )	793	—	—	793
Mutual funds	—	65	—	65
Deferred compensation investments (life insurance cash surrender value ( <i>Note 3(e)</i> ))	—	7,270	—	7,270 *
Restricted cash	4,000	—	—	4,000
	<u>\$ 294,938</u>	<u>\$ 7,422</u>	<u>\$ —</u>	<u>\$ 302,360</u>
<b>Liabilities:</b>				
Deferred compensation liability ( <i>Note 9(f)</i> )	\$ —	\$ 7,223	\$ —	\$ 7,223 *
	<u>\$ —</u>	<u>\$ 7,223</u>	<u>\$ —</u>	<u>\$ 7,223</u>
<b>December 31, 2018 Fair Value Measurements</b>				
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Bank CDs	\$ —	\$ 86	\$ —	\$ 86
Money market funds	—	142,745	—	142,745
Equity securities ( <i>Note 7</i> )	46,422	—	—	46,422
Mutual funds	—	78	—	78
Deferred compensation investments (life insurance cash surrender value ( <i>Note 3(e)</i> ))	—	6,274	—	6,274 *
	<u>\$ 46,422</u>	<u>\$ 149,183</u>	<u>\$ —</u>	<u>\$ 195,605</u>
<b>Liabilities:</b>				
Deferred compensation liability ( <i>Note 9(f)</i> )	\$ —	\$ 6,167	\$ —	\$ 6,167 *
	<u>\$ —</u>	<u>\$ 6,167</u>	<u>\$ —</u>	<u>\$ 6,167</u>

\* The reported amount of “deferred compensation investments” is based on the cash surrender value of employee life insurance policies at each period-end, while the reported amount of “deferred executive compensation liability” is based on the period-end market value of investments selected by employee participants of the deferred compensation plan.

We did not have any transfers between “Level 1” and “Level 2” (see *Note 2(x)*) measurement categories for any periods presented.

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

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

## 7. CASI HOLDINGS AND EVOMELA SUPPLY CONTRACT

### *Overview of CASI Transaction*

In 2014, we executed three perpetual out-license agreements for our former products ZEVALIN, MARQIBO, and EVOMELA (“CASI Out-Licensed Products”) with CASI, a publicly-traded biopharmaceutical company (NASDAQ: CASI) with a primary focus on the China market (collectively, the “CASI Out-License”). Under the CASI Out-License, we received CASI common stock and a secured promissory note and CASI gained the exclusive rights to distribute the CASI Out-Licensed Products in greater China (which includes Taiwan, Hong Kong and Macau). On March 1, 2019, we completed the Commercial Product Portfolio Transaction and substantially all of the contractual rights and obligations associated with the Commercial Product Portfolio, including the CASI Out-License, were transferred to Acrotech at closing. However, we will continue to supply CASI with EVOMELA under an active contract that tentatively was not assumed by Acrotech as part of our Commercial Product Portfolio Transaction (see *Note 3(h)*). After we fulfill this open order, Acrotech will then assume future supply of this product to CASI and we will not have any further involvement with the arrangement.

### *Our Ownership in CASI at March 31, 2019*

Under certain conditions that expired in December 2017, we exercised our rights during 2016 and 2017 to purchase additional shares of CASI common stock at par value in order to maintain our post-investment ownership percentage. Our aggregate holding of 11.5 million CASI common shares as of March 31, 2019 represented an approximate 12.1% ownership with a fair market value of \$33.1 million (see *Note 3(a)*). In April 2019, we completed the sale of 1.5 million of these shares under a forward-sales contract (see *Note 3(c)*).

## 8. CONVERTIBLE SENIOR NOTES AND INTEREST EXPENSE

### *Overview of 2013 Convertible Notes*

On December 17, 2013, we entered into an agreement for the sale of \$120 million aggregate principal amount of 2.75% Convertible Senior Notes (the “2013 Convertible Notes”). During 2016 and 2017 we completed certain open market purchases to retire \$79.5 million of principal. Maturity of the 2013 Convertible Notes occurred on December 15, 2018 and substantially all remaining notes were converted into our common stock at a rate of 95 shares per \$1,000 principal units.

### *Components of Interest Expense on 2013 Convertible Notes*

The following table sets forth the components of interest expense recognized in the accompanying Condensed Consolidated Statements of Operations for the 2013 Convertible Notes:

	<b>Three months ended March 31, 2018</b>	
Stated coupon interest expense	\$	279
Amortization of debt issuance costs		61
Accretion of debt discount		533
Total	\$	873
Effective interest rate		8.4%

## 9. FINANCIAL COMMITMENTS & CONTINGENCIES AND KEY LICENSE AGREEMENTS

### **(a) Facility and Equipment Leases**

#### *Overview*

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

In the ordinary course of our business, we enter into leases with unaffiliated parties for the use of (i) office and research facilities and (ii) office equipment. Our current leases have remaining terms ranging from less than one year to five years and none include any residual guarantees, restrictive covenants, or options to extend or early-terminate.

Our office and research facilities leases have minimum annual rents, payable monthly, and some carry fixed annual rent increases. Under some of these arrangements, real estate taxes, insurance, certain operating expenses, and common area maintenance are reimbursable to the lessor. These amounts are expensed as incurred, as they are typically variable and therefore excluded from the measurement of the right-of-use asset and lease liability.

***Adoption of the New Lease Accounting Standard***

On January 1, 2019, we adopted ASU 2016-02, *Leases* (“Topic 842”). Under this new lease standard, we are required to recognize a “right-of-use asset” and “lease liability” on our accompanying Condensed Consolidated Balance Sheets for all leases (except for any lease with an original term of less than 12 months).

In July 2018, the FASB issued ASU 2018-11, *Lease* (Topic 842) Targeted Improvements, providing a package of practical expedients and an optional transition method, in which the new standard is not applied to prior periods. We elected the optional transition method upon adoption of this ASU on January 1, 2019 and the package of practical expedients available under the transition provisions. Therefore, we did not reassess the following upon adoption: (i) whether expired or existing contracts contain leases, (ii) lease classification, and (iii) initial direct costs for existing leases.

This asset and liability substantially represents our aggregate benefit of use and present-value obligation to make corresponding minimum lease payments for the duration of each lease term, respectively. Since the implicit rate is not readily determinable in any of our leases, we apply an estimated incremental borrowing rate as of the lease commencement date using the “effective interest method” to derive the present value of our aggregate lease liability. Accordingly, we recorded \$4.2 million to our January 1, 2019 balance sheet for both our right-of-use asset within “facility and equipment under lease” and our lease liability within “accounts payable and accrued liabilities” and “other long-term liabilities.” The asset and liability associated with each lease is amortized over the respective lease term, based on the incremental borrowing rate for each.

We elected to not separate lease components from non-lease components in our measurement of minimum lease payments for (i) facility, and (ii) office equipment leases. We also elected the short-term lease practical expedient, in which we will not recognize a right-of-use asset and lease liability for leases with a term of 12 months or less. We recognize lease expense on a straight-line basis over the expected lease term, as reported within “selling, general and administrative” expense on the accompanying Condensed Consolidated Statement of Operations, as have only operating leases. For the three months ended March 31, 2019 and 2018, this expense aggregated \$0.6 million and \$0.4 million, respectively.

***Financial Reporting Captions***

The below table summarizes these lease asset and liability accounts presented on our accompanying Condensed Consolidated Balance Sheets:

Operating Leases*	Condensed Consolidated Balance Sheet Caption	Balance at March 31, 2019
Operating lease right-of-use assets - non-current	Facility and equipment under lease	\$ 3,774
Operating lease liabilities - current	Accounts payable and other accrued liabilities	\$ 808
Operating lease liabilities - non-current	Other long-term liabilities	3,114
Total operating lease liabilities		\$ 3,922

\* As of March 31, 2019, we have no “finance leases” as defined in *Topic 842*.

***Components of Lease Expense***

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

We report our total operating lease expense, (inclusive of our variable lease payments and short-term lease cost) in the accompanying Condensed Consolidated Statements of Operations. Total lease expense, included within “total operating costs and expenses” for the three months ended March 31, 2019, was as follows:

	<b>Three Months Ended March 31, 2019</b>
Operating lease cost	\$ 459
Variable lease cost	108
Short-term lease cost	15
Total lease cost*	<u>\$ 583</u>

\* As of March 31, 2019, we have no “sublease income” as defined in *Topic 842*.

**Weighted Average Remaining Lease Term and Discount Rate**

	<b>Weighted Average Remaining Lease Term</b>	<b>Weighted Average Discount Rate</b>
Operating leases as of March 31, 2019	3 years	7.8%

**Future Lease Payments**

The below table summarizes our (i) minimum lease payments over the next five years, (ii) implied interest (from the application of our incremental borrowing rate), and (iii) present value of future lease payments:

<b>Operating Leases - future payments</b>	<b>March 31, 2019</b>
2019 (remaining)	\$ 1,015
2020	1,252
2021	1,303
2022	828
2023	87
Total future lease payments, undiscounted	<u>\$ 4,485</u>
Less: Implied interest	<u>(563)</u>
Present value of operating lease payments	<u>\$ 3,922</u>

The below table summarizes our future minimum lease payments under our operating leases as of December 31, 2018:

<b>Year ended December 31, 2018</b>	<b>Operating Lease Minimum Payments</b>
2019	1,486
2020	1,441
2021	1,465
2022	828
2023 and thereafter	87
	<u>\$ 5,308</u>

As of March 31, 2019, we have an operating lease which has not yet commenced with total undiscounted lease obligations of \$0.7 million. This agreement was entered into during the first quarter of 2019 to lease office space for our principle executive office in Henderson, Nevada. The lessor is currently having tenant improvements constructed and we do not have access to the

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

building until construction is complete. The lease is expected to commence in the second quarter of 2019 when construction of the tenant improvements is completed.

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

**Overview**

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

**Impact of Commercial Product Portfolio Transaction on Rights and Obligations associated with the Product Portfolio**

On March 1, 2019, we completed the Commercial Product Portfolio Transaction and substantially all of the contractual rights and obligations associated with the Product Portfolio (as previously disclosed in *Note 17(b)* to our 2018 Annual Report on Form 10-K) were transferred to Acrotech at closing. These Condensed Consolidated Financial Statements are recast for all periods presented to reflect the sale of the assets and liabilities associated with our Product Portfolio, as well as the corresponding revenue-deriving activities and allocable expenses of this commercial business within "discontinued operations" - see *Notes 1 and 11*. Our most significant remaining agreements associated with our *continuing operations* are listed below, along with the key financial terms and our corresponding accounting and reporting conventions for each:

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

In October 2014, we exercised our option under a License Option and Research Collaboration Agreement dated January 2012 (as amended) with Hanmi Pharmaceutical Co. Ltd., or Hanmi, for ROLONTIS (formerly referred to as "LAPS-G-CSF" or "SPI-2012"), a drug based on Hanmi's proprietary LAPSCOVERY™ technology for the treatment of chemotherapy induced neutropenia. Under the terms of this agreement, as amended, we have primary financial responsibility for the ROLONTIS development plan and hold its worldwide rights (except for Korea, China, and Japan). We are contractually obligated to pay Hanmi tiered royalties that range from the low double-digits to mid-teen on our net sales of ROLONTIS.

In January 2016, the first patient was dosed with ROLONTIS as part of our clinical trial. This triggered our contractual milestone payment to Hanmi, and in April 2016, we issued 318,750 shares of our common stock to Hanmi. We are responsible for further contractual payments upon our achievement of regulatory and sales milestones of \$13 million and \$225 million maximum, respectively. We will record "cost of product sales" and "other accrued liabilities" in the earliest period that we determine the respective milestone achievement is probable or occurs.

**(ii) Pozitotinib: In-License Agreement with Hanmi and Exclusive Patent and Technology License Agreement with MD Anderson**

In February 2015, we executed an in-license agreement with Hanmi for pozitotinib, a pan-HER inhibitor in Phase 2 clinical trials, (which has also shown single agent activity in the treatment of various cancer types during Phase 1 studies, including breast, gastric, colorectal, and lung cancers), and made an upfront payment for these rights. We are contractually obligated to pay Hanmi royalties in the low to mid-teen digits on our net sales of pozitotinib.

Under the terms of this agreement, we received the exclusive rights to commercialize pozitotinib, excluding Korea and China. Hanmi and its development partners are fully responsible for the completion of on-going Phase 2 trials in Korea. We are financially responsible for all other clinical studies. We are contractually obligated to make payments to Hanmi upon our achievement of certain regulatory and sales milestones, aggregating \$33 million and \$325 million, respectively. We will record "cost of product sales" and "other accrued liabilities" in the earliest period that we determine the respective milestone achievement is probable or occurs. We will pay Hanmi royalties in the low to mid-teen digits on our net sales of pozitotinib, potentially reduced by royalties due to other third parties.

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

In April 2018, we executed an exclusive patent and technology agreement for the use of poziotinib in treating patients with EGFR and HER2 exon 20 mutations in cancer and HER2 exon 19 mutations in cancer with The University of Texas M.D. Anderson Cancer Center (“MD Anderson”) that had discovered its use in treating these patient-types (“Exon 19/20 Patients”).

We are contractually obligated to make fixed payments to MD Anderson upon our achievement of certain regulatory and sales milestones, aggregating \$11 million and \$23 million, respectively. We will record “cost of product sales” and “other accrued liabilities” in the earliest period that we determine the respective milestone achievement is probable or occurs.

**(c) Service Agreements for our Research and Development Activities**

We have entered into various contracts with numerous third party service providers for the execution of our research and development initiatives (to which we assign discreet project codes in order to compile and monitor such expenses). These vendors include raw material suppliers and contract manufacturers for drug products not yet FDA approved, clinical trial sites, clinical research organizations, and data monitoring centers, among others. The financial terms of these agreements are varied and generally obligate us to pay in stages, depending on the achievement of certain events specified in the agreements - such as contract execution, progress of service completion, delivery of drug supply, and the dosing of patients in clinical studies.

We recognize these “research and development” expenses and corresponding “accounts payable and other accrued liabilities” in the accompanying financial statements based on estimates of our vendors’ progress of performed services, patient enrollments and dosing, completion of clinical studies, and other events. Should we decide to discontinue and/or slow-down the work on any project, the associated costs for those projects would typically be limited to the extent of the work completed, as we are generally able to terminate these contracts with adequate notice.

**(d) Supply and Service Agreements for our Commercial Products**

We have entered into various supply and service agreements, and/or have issued purchase orders, which obligate us to complete agreed-upon raw material purchases from certain vendors for the production of our in-development drug products through designated contract manufacturers. These commitments do not exceed our planned commercial requirements, and the contracted prices do not exceed current fair market values.

**(e) Employment Agreements**

We entered into revised employment agreements with each of our named executive officers (chief executive officer, chief operating officer, chief financial officer, and chief legal officer) in April and June 2018, which supersede any prior Change in Control Severance Agreements with such individuals. These agreements provide for the payment of certain benefits to each executive upon his separation of employment under specified circumstances. These arrangements are designed to encourage each to act in the best interests of our stockholders at all times during the course of a change in control event or other significant transaction.

**(f) Deferred Compensation Plan**

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

The DC Plan is maintained to provide special benefits for a select group of our employees (the “DC Participants”). DC Participants make annual elections to defer a portion of their eligible cash compensation which is then placed into their DC Plan accounts. We match a fixed percentage of these deferrals, and may make additional discretionary contributions. At March 31, 2019 and December 31, 2018, the aggregate value of this DC Plan liability was \$7.2 million and \$6.2 million, respectively, and is included within “accounts payable and other accrued liabilities” and “other long-term liabilities” in the accompanying Condensed Consolidated Balance Sheets.

**(g) Litigation**

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

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

### ***Stockholder Litigation***

*Olutayo Ayeni v. Spectrum Pharmaceuticals, Inc., et al.* (Filed September 21, 2016 in the United States District Court, Central District of California; Case No. 2:16-cv-07074) (the “Ayeni Action”) and *Glen Hartsock v. Spectrum Pharmaceuticals, Inc., et al.* (Filed September 28, 2016 in the United States District Court, District Court of Nevada Case; No. 2:16-cv-02279-RFB-GWF) (the “Hartsock Action”). On November 15, 2016, the Ayeni Action was transferred to the United States District Court for the District of Nevada. The parties have stipulated to a consolidation of the Ayeni Action with the Hartsock Action. These class action lawsuits allege that we and certain of our executive officers made false or misleading statements and failed to disclose material facts about our business and the prospects of approval for our New Drug Application to the FDA for QAPZOLA in violation of Section 10(b) (and Rule 10b-5 promulgated thereunder) and 20(a) of the Securities Exchange Act of 1934, as amended. The plaintiffs seek damages, interest, costs, attorneys’ fees, and other unspecified equitable relief. We believe that these claims are without merit, and intend to vigorously defend against these claims. Furthermore, as of March 31, 2019, the value of a potential settlement cannot be reasonably estimated given its highly uncertain nature.

## **10. INCOME TAXES**

We apply an estimated annual effective tax rate (“ETR”) approach for calculating a tax provision for interim periods, as required under GAAP. We recorded a benefit for income taxes from continuing operations of \$8.2 million and \$1.1 million for the three months ended March 31, 2019 and 2018, respectively. Our ETR differs from the U.S. federal statutory tax rate of 21% primarily as a result of nondeductible expenses and the impact of the valuation allowance on our deferred tax assets.

Our provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for the expected future tax benefit to be derived from tax loss and credit carryforwards. Deferred tax assets and liabilities are determined using the enacted tax rates in effect for the years in which those tax assets are expected to be realized. A valuation allowance is established when it is more likely than not the future realization of all or some of the deferred tax assets will not be achieved. The evaluation of the need for a valuation allowance is performed on a jurisdiction by jurisdiction basis, and includes a review of all available positive and negative evidence. We recognize the impact of a tax position in our financial statements only if that position is more likely than not to be sustained upon examination by taxing authorities, based on the technical merits of the position. Any interest and penalties related to uncertain tax positions will be reflected in income tax expense.

The intraperiod tax allocation guidance require that we allocate income taxes between continuing operations and other categories of earnings. When we have a year-to-date pre-tax loss from continuing operations and year-to-date pre-tax income in discontinued operations, applicable GAAP (*ASC 740-20-45-7*) requires that we allocate the income tax provision to other categories of earnings (including discontinued operations), and then record a related tax benefit in continuing operations. For the three months ended March 31, 2019 and 2018, we recognized net income from discontinued operations while sustaining losses from continuing operations. Because of the required allocation, we recorded an income tax benefit of \$8.2 and \$1.1 million within “benefit for income taxes from continuing operations” and income tax expense of \$6.8 million and \$1.1 million within “income from discontinued operations, net of income taxes” on the Condensed Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018, respectively.

Our net tax benefit for the three months ended March 31, 2019, prior to the application of intraperiod tax allocation guidance was \$1.5 million. This tax benefit arose from the reversal of deferred tax liabilities recorded on our Condensed Consolidated Balance Sheet as of December 31, 2018 that were associated with indefinite-lived intangible assets that were sold as part of our Commercial Product Portfolio Transaction. The tax benefit for the three months ended March 31, 2018, prior to the application of intraperiod tax allocation guidance was zero.

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

**11. DISCONTINUED OPERATIONS****Overview**

On March 1, 2019, we completed the Commercial Product Portfolio Transaction -- see *Note 1(b)* (as we first announced on January 17, 2019 on Form 8-K, upon the signing of a definitive asset purchase agreement).

In accordance with applicable GAAP (*ASC 205-20, Presentation of Financial Statements*), the revenue-deriving activities and allocable expenses of our sold commercial operation, as well as the assets and liabilities connected to the Commercial Product Portfolio, are separately classified as “discontinued” for all periods presented within the accompanying Condensed Consolidated Statement of Operations and Condensed Consolidated Balance Sheet.

**Condensed Consolidated Statement of Operations**

The following table presents the various elements of “income from discontinued operations, net of income taxes” as reported in the accompanying Condensed Consolidated Statement of Operations for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
Product sales, net	\$ 14,183	\$ 28,111
License fees and service revenue	290	2,384
Total revenues	\$ 14,473	\$ 30,495
Operating costs and expenses:		
Cost of sales (excluding amortization of intangible assets)	3,168	6,813
Selling, general and administrative	5,951	7,488
Research and development	2,536	4,530
Amortization of intangible assets	1,248	6,947
Restructuring - employee severance ( <i>Note 12</i> )	6,297	—
Total operating costs and expenses	\$ 19,200	\$ 25,778
Loss from discontinued operations	\$ (4,727)	\$ 4,717
Other income (expense):		
Change in fair value of contingent consideration	(1,478)	(291)
Gain on sale of Commercial Product Portfolio*	33,644	—
Total other income (expense)	\$ 32,166	\$ (291)
Income from discontinued operations before income taxes	27,439	4,426
Provision for income taxes from discontinued operations**	(6,774)	(1,070)
Income from discontinued operations, net of income taxes	\$ 20,665	\$ 3,356

\*This pre-tax gain on sale represents the \$158.8 million proceeds from the Commercial Product Portfolio Transaction less our \$121.2 book value of transferred net assets (inclusive of assumed liabilities) to Acrotech on the March 1, 2019 closing date, less legal and banker fees for the three months ended March 31, 2019 aggregating \$3.9 million.

\*\*This income tax provision represents an allocation of taxes as required under intraperiod allocation guidance (see *Note 10*). Due to our aggregate net operating loss-carryforwards, no federal or state income tax payments are expected to be made relating to our current year activity, inclusive of our gain on sale of the Commercial Product Portfolio.

**Condensed Consolidated Balance Sheets**

Accounts receivable derived from our product sales on and prior to February 28, 2019 was not transferred to Acrotech as part of Commercial Product Portfolio Transaction, nor were our GTN liabilities and trade accounts payable assumed by Acrotech that were associated with our commercial activities on and prior to February 28, 2019 (see *Note 3(g)*). Accordingly, these specific assets and liabilities remain presented within “accounts receivable, net of allowance for doubtful accounts” and “accounts payable and other accrued liabilities” on the accompanying Condensed Consolidated Balance Sheets.

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

The following table presents a summary of our “discontinued operations, assets” and “discontinued operations, liabilities” as of December 31, 2018 within the accompanying Condensed Consolidated Balance Sheets (representing those assets and liabilities transferred to Acrotech as part of the Commercial Product Portfolio Transaction):

	<b>December 31, 2018</b>
Inventories	\$ 3,550
Prepaid expenses and other assets	2,005
Discontinued operations, current assets	\$ 5,555
Intangible assets, net of accumulated amortization	111,594
Goodwill	18,061
Other assets	2,970
Discontinued operations, non-current assets	\$ 132,625
FOLOTYN development liability	2,311
Discontinued operations, current liabilities	\$ 2,311
FOLOTYN development liability, less current portion	9,686
Acquisition-related contingent obligations	4,345
Discontinued operations, non-current liabilities	\$ 14,031

***Condensed Consolidated Statement of Cash Flows***

The following table presents significant non-cash items for our discontinued operations that are included as adjustments in the accompanying Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018:

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Depreciation and amortization	\$ 1,263	\$ 6,969
Stock-based compensation	\$ 3,405	\$ 1,593
Change in fair value of contingent consideration	\$ 1,478	\$ 291

**12. RESTRUCTURING COSTS RELATED TO SALE OF COMMERCIAL PRODUCT PORTFOLIO**

***Employee Severance***

On March 1, 2019, we completed the Commercial Product Portfolio Transaction (see *Note 1(b)*) and 88 of our employees were (1) terminated at closing or (2) given notice of their May 31, 2019 termination date and asked to provide transition services for the benefit of Acrotech (as provided by an agreement with Acrotech entered into contemporaneously with our sale). For the three months ended March 31, 2019, we recognized \$0.2 million of income for services rendered to Acrotech for this transition services agreement.

The employees in (1) above were entitled to cash severance payments and acceleration of their unvested restricted stock awards and stock options. For the three months ended March 31, 2019, we fully recognized the aggregate value of \$8.3 million for this severance benefit, of which \$6.3 million, \$1.5 million, and \$0.5 million is included on the accompanying Condensed Consolidated Statements of Operations within “income from discontinued operations, net of income taxes” (see *Note 11*), “selling, general, and administrative” expenses and “research and development” expenses, respectively.

The employees in (2) above are also entitled to cash severance payments and acceleration of their unvested restricted stock awards and stock options, though on May 31, 2019. The aggregate value of these one-time cash payments and stock-

**Notes to Condensed Consolidated Financial Statements**  
**(all tabular amounts presented in thousands, except share, per share, interest rate, and number of years)**  
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based award accelerations is \$0.6 million. Due to the ongoing service requirements of these employees, we are amortizing this value through expense on a ratable basis beginning March 1, 2019 through May 31, 2019. For the three months ended March 31, 2019, we recognized \$0.2 million for this severance benefit and is included within “selling, general, and administrative” expenses on the accompanying Condensed Consolidated Statements of Operations, and within “accrued payroll and benefits” and “additional paid-in capital” (for stock-based awards) on the accompanying Condensed Consolidated Balance Sheets. We will recognize the remaining \$0.4 million within “selling, general, and administrative” expense through May 31, 2019.

The unpaid cash severance for our former employees was \$1.1 million at March 31, 2019, of which \$0.4 million is reported within “discontinued operations, current liabilities” and \$0.7 million is recorded within “accrued payroll and benefits” on the accompanying Condensed Consolidated Balance Sheets.

### **13. SUBSEQUENT EVENT**

#### ***In-License Agreement with ImmunGene***

On April 15, 2019 we executed a license agreement with ImmunGene, Inc. (“ImmunGene”) for two innovative early stage drugs, and an exclusive license for the intellectual property related to the FIT antibody-interferon fusion technology drug delivery platform. The first drug is an antibody-interferon fusion molecule directed against CD20 (Anti-CD20-IFN $\alpha$ ), and is in Phase 1 development for treating relapsed or refractory non-Hodgkin lymphoma, including diffuse large b-cell lymphoma patients (representing a considerable unmet medical need). The second drug is an antibody-interferon fusion molecule directed against GRP94, a target for which currently there are no existing approved therapies, and has the potential for treating both solid and hematologic malignancies. Under the terms of this agreement, we received the exclusive rights to commercialize these drugs for any indication, and are financially responsible for the clinical and regulatory development programs.

We are contractually obligated to make an upfront payment of approximately \$3.0 million to ImmunGene, in addition to further contractual payments upon our achievement of certain regulatory and sales milestones, and royalties on our net sales of each drug.

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 (the “Exchange Act”), in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, statements regarding our future product development activities and costs, the revenue potential (licensing, royalty and sales) of our products and product candidates, the success, safety and efficacy of our drug products, revenues, development timelines, product acquisitions, accounting principles, litigation expenses, liquidity and capital resources and trends, and other statements containing forward-looking words, such as, “believes,” “may,” “could,” “will,” “expects,” “intends,” “estimates,” “anticipates,” “plans,” “seeks,” “continues,” or the negative thereof or variation thereon or similar terminology (although not all forward-looking statements contain these words). Such forward-looking statements are based on the reasonable beliefs of our management as well as assumptions made by and information currently available to our management. Readers should not put undue reliance on these forward-looking statements. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified; therefore, our actual results may differ materially from those described in any forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in our periodic reports filed with the U.S. Securities and Exchange Commission (the “SEC”), including our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as well as those discussed elsewhere in this Quarterly Report on Form 10-Q, and the following factors:

- our ability to successfully develop, obtain regulatory approval, and market our products;
- the approval, or timing of approval, of our products or new indications for our products by the U.S. Food and Drug Administration (the “FDA”) and other international regulatory agencies;
- the timing and/or results of pending or future clinical trials, and our reliance on contract research organizations;
- our ability to maintain sufficient cash resources to fund our business operations;
- our competitors’ progress with their drug development programs, which could adversely impact the perceived or actual value of our in-development drugs;
- the ability of our manufacturing partners to meet our product demands and timelines;
- our ability to identify and acquire new product candidates and to successfully integrate those product candidates into our operations;
- our ability to protect our intellectual property rights;
- the impact of legislative or regulatory reform on the pricing for pharmaceutical products;
- the impact of any litigation to which we are, or may become a party;
- our ability, and that of our suppliers, development partners, and manufacturing partners, to comply with laws, regulations and standards that govern or affect the pharmaceutical and biotechnology industries; and
- our ability to maintain the services of our key executives and other personnel.

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

**Company Overview**

Spectrum Pharmaceuticals, Inc. (“Spectrum”, the “Company”, “we”, “our”, or “us”) is a biopharma company, with a primary strategy comprised of acquiring, developing, and commercializing a broad and diverse pipeline of clinical and commercial products. We have an in-house clinical development organization with regulatory and data management capabilities, in addition to commercial and marketing capabilities upon product launch.

We have two drugs in late-stage and active development:

- Poziotinib, a novel pan-HER inhibitor used in the investigation for non-small cell lung cancer (“NSCLC”) tumors with either EGFR or HER2 exon 20 insertion mutations; and
- ROLONTIS, a novel long-acting granulocyte colony-stimulating analog for chemotherapy-induced neutropenia.

Our business strategy is to further the development of our late-stage assets through commercialization and acquire new assets through partnerships or acquisitions.

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

During the three months ended March 31, 2019, we made a strategic shift in our business through the sale of our legacy commercialized drug portfolio. We also continued to make meaningful progress in the advancement of our product pipeline, as summarized below:

#### **Sale of Our Commercial Product Portfolio:**

On March 1, 2019, we completed the sale of our seven then-commercialized drugs, including: FUSILEV, KHAPZORY, FOLOTYN, ZEVALIN, MARQIBO, BELEODAQ, and EVOMELA (the “Commercial Product Portfolio”) to Acrotech Biopharma LLC (“Acrotech”) (the “Commercial Product Portfolio Transaction”). Upon the closing of the Commercial Product Portfolio Transaction, we received \$158.8 million in an upfront cash payment (of which \$4 million is held in escrow). We are also entitled to receive up to an aggregate of \$140 million upon Acrotech’s achievement of certain regulatory and sales-based milestones relating to this Product Portfolio.

#### **Poziotinib, an irreversible tyrosine kinase inhibitor:**

In September 2018, we announced preliminary poziotinib data from the University of Texas, MD Anderson Cancer Center (“MD Anderson”) Phase 2 NSCLC study which were released during an oral presentation at the IASLC 19th World Conference on Lung Cancer. The MD Anderson study is the single largest data set of patients with an exon 20 mutation in EGFR or HER2. This Phase 2 study demonstrated high anti-tumor activity for poziotinib in metastatic, heavily pretreated EGFR exon 20 mutant NSCLC, a group for which no targeted agents have proved to be effective to date. This data is summarized below:

- In 44 evaluable patients with EGFR exon-20 mutations, the confirmed overall response rate was 43% and disease control rate was 90%. Median progression free survival was 5.5 months.
- In evaluable patients with HER2 exon-20 mutations, the confirmed overall response rate was 42% and disease control rate was 83%. Median progression free survival was 5.1 months.
- EGFR-related toxicities (including rash, diarrhea, and paronychia) were manageable and required dose reductions in 60% of patients. Discontinuation due to poor tolerance was rare (approximately 3% of patients).

On January 2, 2019, we announced full enrollment of cohort 1 (N=87) for previously treated NSCLC patients with EGFR exon 20 insertion mutations with sites across the U.S., Europe, and Canada. The EGFR previously treated cohort is part of the ZENITH20 trial - an open-label, multi-center, global Phase 2 trial evaluating NSCLC patients with EGFR or HER2 exon 20 insertion mutations. Top-line results from this cohort are expected to be released during the second half of 2019.

#### **ROLONTIS, a novel long-acting G-CSF:**

We submitted our Biologics License Application (“BLA”) with the FDA in December 2018. In March 2019, we voluntarily withdrew this BLA due to the FDA’s request for additional manufacturing-related information for ROLONTIS and the time required to complete this documentation. However, the FDA did not cite concerns related to the pre-clinical and clinical modules of the BLA or the need for additional clinical studies. We plan to resubmit a revised BLA as soon as possible.

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

See *Item 7. Characteristics of Our Revenue and Expenses* of our Annual Report on Form 10-K for the year ended December 31, 2018, for a discussion of the nature of our revenue and operating expense line items within our accompanying Condensed Consolidated Statements of Operations.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

See *Item 7. Critical Accounting Policies and Estimates* of our Annual Report on Form 10-K for the year ended December 31, 2018, for a discussion of significant estimates and assumptions as part of the preparation of our accompanying Condensed Consolidated Financial Statements. These critical accounting policies and estimates arise in conjunction with the following accounts in the preparation of this Form 10-Q:

- Revenue recognition;
- Income taxes;
- Stock-based compensation; and
- Litigation accruals (as required)

## RESULTS OF OPERATIONS

### Operations Overview – Three Months Ended March 31, 2019 and 2018

	Three Months Ended March 31,	
	2019	2018
	(\$ in thousands)	
Revenues ( <i>Note 1(b)</i> )	\$ —	\$ —
Operating costs and expenses:		
Selling, general and administrative	15,952	16,616
Research and development	21,886	13,365
Total operating costs and expenses	37,838	29,981
Loss from continuing operations	(37,838)	(29,981)
Interest expense, net	1,061	(230)
Other (expense) income, net	(11,285)	9,972
Loss before income taxes from continuing operations	(48,062)	(20,239)
Benefit for income taxes from continuing operations	8,242	1,067
Loss from continuing operations	(39,820)	(19,172)
Income from discontinued operations, net of income taxes	20,665	3,356
Net loss	\$ (19,155)	\$ (15,816)

### THREE MONTHS ENDED MARCH 31, 2019 AND 2018

#### Operating Expenses

	Three months ended March 31,		\$ Change	% Change
	2019	2018		
	(\$ in millions)			
Operating costs and expenses:				
Selling, general and administrative	\$ 16.0	\$ 16.6	\$ (0.6)	(3.6)%
Research and development	21.9	13.4	8.5	63.4 %
Total operating costs and expenses	\$ 37.9	\$ 30.0	\$ 7.9	26.3 %

**Selling, General and Administrative.** Selling, general and administrative expenses decreased \$0.6 million, primarily due to \$2.4 million decrease in legal fees (substantially related to non-recurring legal expense associated with the termination of our former chief executive officer), partially offset by \$1.5 million of personnel severance expense in the current period related to the Commercial Product Portfolio sale (see *Note 12* to the accompanying Condensed Consolidated Financial Statements).

**Research and Development.** Research and development expenses increased by \$8.5 million in the current period primarily due to \$9.1 million of additional manufacturing, development, and consulting costs associated with ROLONTIS, and \$3.2 million increase of clinical and development initiatives for poziotinib. These increases were partially offset by a (i) \$2.6 million decrease in ROLONTIS clinical trial expenses with the completion of the ADVANCE and RECOVER clinical studies

in the first-half of 2018 and (ii) \$1.9 million pending refund of FDA filing fees for our voluntary withdrawal of the ROLONTIS BLA in March 2019.

### Total Other (Expense) Income

	Three months ended March 31,		\$ Change	% Change
	2019	2018		
	(\$ in millions)			
Total other (expense) income	\$ (10.2)	\$ 9.7	\$ (19.9)	205.2%

**Total Other (Expense) Income.** Total other expense increased by \$19.9 million primarily due to (i) \$12.2 million unrealized loss for the mark-to-market of our CASI equity securities in the current period (see *Note 3(a)* to the accompanying Condensed Consolidated Financial Statements), as compared to a \$10.2 million unrealized gain in the prior year period. The recognized expense from this decline in CASI stock value was partially offset in the current period by (i) \$0.9 million decrease in interest expense due to the December 2018 maturity of our 2013 Convertible Notes (see *Note 8*), (ii) \$0.4 million increase in interest income on our money-market account (see *Note 3(a)*), (iii) \$0.7 million increase in other income due to an increase in the value of deferred compensation plan assets (see *Notes 3(e) and 3(i)*), and (iv) \$0.2 million of income for services rendered to Acrotech as part of a transition services agreement (see *Note 12*).

### Income Taxes

	Three months ended March 31,		\$ Change	% Change
	2019	2018		
	(\$ in millions)			
Benefit for income taxes from continuing operations	\$ 8.2	\$ 1.1	\$ 7.1	645.5%

For the three months ended March 31, 2019 and 2018, we reported pre-tax income from discontinued operations and pre-tax losses from continuing operations. This requires the application of intraperiod tax allocation guidance (see *Note 10* to the accompanying Condensed Consolidated Financial Statements). The resulting presentation is a “benefit from income taxes from continuing operations” and “provision for income taxes from discontinued operations” (see *Note 11*) for the three months ended March 31, 2019 and 2018.

### LIQUIDITY AND CAPITAL RESOURCES

	March 31, 2019	December 31, 2018	March 31, 2018
	(in thousands, except financial metrics data)		
Cash, cash equivalents, marketable securities, and restricted cash	\$ 309,881	\$ 203,988	\$ 231,916
Accounts receivable, net	\$ 14,936	\$ 29,873	\$ 33,375
Total current assets	\$ 340,238	\$ 250,688	\$ 277,028
Total current liabilities	\$ 70,320	\$ 86,474	\$ 93,422
Working capital surplus (a)	\$ 269,918	\$ 164,214	\$ 183,606
Current ratio (b)	4.8	2.9	3.0

(a) Total current assets at period end *minus* total current liabilities at period end.

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

### Net Cash Used In Operating Activities

Net cash used in operating activities was \$40.1 million for the three months ended March 31, 2019, as compared to \$26.7 million in the prior year period. For the three months ended March 31, 2019 and 2018, our cash collections from customers totaled \$27.2 million and \$32.4 million, respectively. For the three months ended March 31, 2019 and 2018, our cash payments for products, services, chargebacks, and rebates to our employees, vendors, and product end-users totaled \$72.6 million and \$60.4 million, respectively.

### Net Cash Provided by Investing Activities

Net cash provided by investing activities was \$158.5 million for the three months ended March 31, 2019, as compared to \$4.1 million during the prior year period. The cash provided by investing activities for the three months of 2019 substantially relates to \$158.8 million of proceeds received from the sale of our Commercial Product Portfolio (see *Note 11* to the accompanying Condensed Consolidated Financial Statements).

### **Net Cash Provided by (Used In) Financing Activities**

Net cash provided by financing activities was \$0.8 million for the three months ended March 31, 2019, as compared to net cash used in financing activities of \$21.1 million in the prior year period. Our cash provided by financing activities during the first three months of 2019 relates to \$0.8 million of proceeds from the issuance of common stock because of the exercise of employee stock options. In the prior year, we operated as the counterparty when our employees exercised stock options or had RSA vesting, concurrently retired such shares, and made tax remittances on behalf of these employees.

### **Future Capital Requirements**

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

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

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

We believe that our \$310 million in aggregate cash and equivalents, marketable securities, and restricted cash as of March 31, 2019 will allow us to fund our current and planned operations into 2020. However, we may seek additional capital through the sale of debt or equity securities, if necessary, especially in conjunction with opportunistic acquisitions or licensing arrangements. We may be unable to obtain such additional capital on terms favorable to us or our current stockholders, if at all.

### **Proceeds From the Commercial Product Portfolio Transaction**

On March 1, 2019, we completed the sale of our commercialized Product Portfolio to Acrotech (See *Note 1(b)*) to the accompanying Condensed Consolidated Financial Statements). Upon the closing of the Commercial Product Portfolio Transaction, we received \$158.8 million in an upfront cash payment (of which \$4 million is held in escrow). We are also entitled to receive up to an aggregate of \$140 million upon Acrotech's achievement of certain regulatory and sales-based milestones relating to the Commercial Product Portfolio.

We are using the proceeds from the Commercial Product Portfolio Transaction to advance our in-development drug pipeline, as well as providing for our general working capital requirements.

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

We have no off-balance sheet arrangements that provide financing, liquidity, market or credit risk support, or involve derivatives (except for a certain forward-sale contract for our equity holdings in CASI -- see *Note 7*). In addition, we have no arrangements that may expose us to liability that are not expressly reflected in the accompanying Condensed Consolidated Financial Statements and/or notes thereto.

As of March 31, 2019, we did not have any relationships with unconsolidated entities or financial partnerships, often referred to as "structured finance" or "special purpose entities," established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not subject to any material financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

On March 1, 2019, we completed the Commercial Product Portfolio Transaction and substantially all of the contractual rights and obligations associated with the Product Portfolio (as previously disclosed in *Note 17(b)*) and our *Contractual Obligations* table (for applicable "purchase orders" and "contingent milestone obligations" and "drug development liability") within *Item 7* to our 2018 Annual Report on Form 10-K) were transferred to Acrotech at closing.

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

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

The primary objective of our investment activities is to preserve principal, while at the same time maximizing yields without significantly increasing risk. Because of our ability to generally redeem these investments at par at short notice and without penalty, changes in interest rates would have an immaterial effect on the fair value of these investments. If a 10% change in interest rates were to have occurred on March 31, 2019, any decline in the fair value of our investments would not be material in the context of our accompanying Condensed Consolidated Financial Statements. In addition, we are exposed to certain market risks associated with credit ratings of corporations whose corporate bonds we may purchase from time-to-time. If these companies were to experience a significant detrimental change in their credit ratings, the fair market value of such corporate bonds may significantly decrease. If these companies were to default on these corporate bonds, we may lose part or all of our principal. We believe that we effectively manage this market risk by diversifying our investments, and investing in highly-rated securities.

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

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

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

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2019. The term “disclosure controls and procedures,” as defined in *Rules 13a-15(e) and 15d-15(e)* under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. These include controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Based on the evaluation of our disclosure controls and procedures as of March 31, 2019, our chief executive officer and chief financial officer concluded that, as of that date, our disclosure controls and procedures were effective.

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

There has been no change in our internal control over financial reporting (as defined in *Rules 13a-15(f) and 15d-15(f)* under the Exchange Act) during the first fiscal quarter of 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

An internal control system, no matter how well conceived and operated, can provide only reasonable assurance that its objectives are met. Because of inherent limitations in any control system, no evaluation can provide absolute assurance that all control issues within a company have been detected. We continuously seek to improve the efficiency and effectiveness of our business operations and accompanying internal controls.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

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

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

Certain of the legal proceedings in which we are involved are discussed in *Note 9(g)*, “Financial Commitments & Contingencies and Key License Agreements,” to our accompanying Condensed Consolidated Financial Statements, and are hereby incorporated by reference.

#### **ITEM 1A. RISK FACTORS**

As of the date of this filing, there have been no material changes to the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC on February 28, 2019, except as included below:

***We currently generate no revenue from commercial sales and the proceeds from our recent asset sale may not be sufficient to sustain our business operations.***

We recently completed the sale of our seven FDA-approved hematology/oncology products in the Commercial Product Portfolio Transaction. These product sales and royalties represented all of our revenue from commercial operations. We will not generate any further revenue until our pipeline products, including the late-stage development products pozotinib and ROLONTIS, are approved for commercial sale by the FDA and/or other regulatory agencies. There is no guarantee as to when, if ever, our pipeline products will be approved for commercial sale. Accordingly, while we have significant capital resources from this recent sale, we may need to raise additional capital to fund our business operations. To the extent that additional capital is raised through the sale of equity or convertible debt securities, it could result in further dilution to our stockholders and adversely impact our stock price.

ITEM 6. EXHIBITS

Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	Form No.	Exhibit	Filing Date	
1.2	<a href="#">At Market Issuance Sales Agreement, dated April 5, 2019, between Spectrum Pharmaceuticals, Inc., Cantor Fitzgerald &amp; Co., H.C. Wainwright &amp; Co. LLC, and B. Riley FBR, Inc.</a>	S-3ASR	333-230821	1.2	4/5/2019	
2.1	<a href="#">Asset Purchase Agreement, dated January 17, 2019, by and among Spectrum Pharmaceuticals, Inc., Acrotech Biopharma LLC and Aurobino Pharma USA, Inc.</a>	8-K	001-35006	10.1	1/17/2019	
3.1	<a href="#">Restated Certificate of Incorporation.</a>	8-K	001-35006	3.1	6/18/18	
3.2	<a href="#">Third Amended and Restated Bylaws</a>	8-K	001-35006	3.1	3/29/2018	
4.1	<a href="#">Rights Agreement, dated as of December 13, 2010, between the Registrant and Computershare Trust Company, N.A. (formerly U.S. Stock Transfer Corporation), as Rights Agent</a>	8-K	001-35006	4.1	12/13/2010	
4.2	<a href="#">First Amendment to Rights Agreement, dated as of October 13, 2017, between Registrant and Computershare Trust Company, N.A., as Rights Agent</a>	8-K	001-35006	4.1	10/13/2017	
4.3	<a href="#">Second Amendment to Rights Agreement, dated as of March 27, 2018, between Registrant and Computershare Trust Company, N.A., as Rights Agent</a>	8-K	001-35006	4.1	3/29/2018	
31.1	<a href="#">Certification of Principal Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a).promulgated under the Securities Exchange Act of 1934.</a>					X
31.2	<a href="#">Certification of Principal Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a).promulgated under the Securities Exchange Act of 1934.</a>					X
32.1	<a href="#">Certification of Principal Executive Officer pursuant to Rule 13a-14(b)/15d-14(b).promulgated under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.</a>					X
32.2	<a href="#">Certification of Principal Financial Officer pursuant to Rule 13a-14(b)/15d-14(b).promulgated under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.</a>					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPECTRUM PHARMACEUTICALS, INC.

Date: May 9, 2019

By: /s/ Kurt A. Gustafson

Kurt A. Gustafson

Executive Vice President and Chief Financial Officer

(Authorized Signatory and Principal Financial and Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Joseph W. Turgeon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Spectrum Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 9, 2019

/s/ JOSEPH W. TURGEON

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Joseph W. Turgeon

President and Chief Executive Officer

(Chief Executive Officer)

## CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Kurt A. Gustafson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Spectrum Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 9, 2019

/s/ Kurt A. Gustafson

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Kurt A. Gustafson

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Joseph W. Turgeon, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report of Spectrum Pharmaceuticals, Inc. on Form 10-Q for the quarterly period ended March 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents in all material respects the financial condition and results of operations of Spectrum Pharmaceuticals, Inc.

Date: May 9, 2019

By: /s/ JOSEPH W. TURGEON

Name: Joseph W. Turgeon

Title: Chief Executive Officer and President

This certification accompanies the Report pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities and Exchange Act of 1934, or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, or, the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporated by reference.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, Kurt A. Gustafson, certify, pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that, to my knowledge, the Quarterly Report of Spectrum Pharmaceuticals, Inc. on Form 10-Q for the quarterly period ended March 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents in all material respects the financial condition and results of operations of Spectrum Pharmaceuticals, Inc.

Date: May 9, 2019

By: /s/ Kurt A. Gustafson

Name: Kurt A. Gustafson

Title: Executive Vice President and Chief Financial Officer

This certification accompanies the Report pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities and Exchange Act of 1934, or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, or, the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporated by reference.