FIRST INTERSTATE BANCSYSTEM INC
Form 4
November 10, 2014

FORM 4

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

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
GARDING ED

(Last) (First) (Middle)

PO BOX 30918

(Street)

BILLINGS, MT 59116-0918

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
FIRST INTERSTATE BANCSYSTEM INC [FIBK]

3. Date of Earliest Transaction (Month/Day/Year)
11/06/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Pres. & CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/07/2015		A		958 (1)	A	$ 0	4,166	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Holder Julie Fasone 200 SOUTH WILCOX KINGSPORT, TN 37660	X			

Signatures

Brian L. Henry, by Power of Attorney	05/11/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Restricted shares, with restrictions generally lapsing on May 7, 2018, subject to certain conditions related to continued service as a director.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 14.211/06/2014 M 10,48902/14/201202/14/2021 Class A Common Stock 10,489 $ 14.2 0 D

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GARDING ED PO BOX 30918 BILLINGS, MT 59116-0918			Pres. & CEO	

Signatures

/s/ CAROL DONALDSON, Attorney-in-Fact for Reporting Person	11/10/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The price reported in column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $28.82 to $29.06. The reporting person undertakes to provide to First Interstate BancSystem, Inc., any security holder of First Interstate BancSystem, Inc., or the staff of the Securities and Exchange Commission, upon, request, the full information regarding the number of shares sold at each separate price within the ranges set forth above.

(2) Simultaneous with exercise of stock options, Reporting Person elected to immediately convert Class B commons shares received pursuant to option exercise to Class A common shares.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. al controls. Ernst & Young LLP, the independent registered public accounting firm, is responsible for performing an audit of Spectrum s consolidated financial statements and internal control over financial reporting, and expressing an opinion as to the conformity of such financial statements with generally accepted accounting principles and the effectiveness of Spectrum s internal control over financial reporting.

In this context, the Audit Committee has reviewed and discussed the audited consolidated financial statements of Spectrum as of and for the year ended December 31, 2010 with Spectrum s management and the independent registered public accounting firm. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board, or PCAOB, in Rule 3200T. The Audit Committee has also received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB (Rule 3526) regarding the independent accountants communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm the accounting firm s independence.

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Based on the foregoing, the Audit Committee has recommended to our board of directors the inclusion of the audited consolidated financial statements in Spectrum s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Anthony E. Maida, III, M.A., M.B.A., Ph.D., Chair
Stuart M. Krassner, Sc.D., Psy.D.
Krishan K. Arora, Ph.D.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive summary

In 2010, we established aggressive plans for future growth, including strategic business milestones maximizing the growth potential of our marketed drugs, Zevalin® and Fusilev®, managing multiple large, late-stage clinical trials for apaziquone and belinostat, as well as developing a pipeline of anti-cancer drugs. In addition, we targeted to grow our Zevalin revenues by 25% to approximately $20 million and continue to create stockholder value.

Our results in 2010 reflect achievement of certain key strategic and financial objectives:

- Record product revenues of both of our marketed, proprietary anticancer drugs ZEVALIN® and FUSILEV®;
- Overall revenue grew by almost 95% to $74 million from $38 million in 2009;
- Closed the year with $104 million in cash, cash equivalents and investments during difficult economic times and market conditions;
- Strengthened the leadership and streamlined operations at each of our functions; and
- Grew our market capitalization by approximately 40% to levels which greatly exceeded our board of director s expectations and peer company performance.

As a result, we are transforming from a small drug development company to a biotechnology company with fully integrated commercial and drug development operations.

These accomplishments are testaments to our Chairman and Chief Executive Officer, Dr. Rajesh Shrotriya s consistently demonstrated clear vision and leadership in directing our affairs through the past eight years. In alignment with its compensation philosophy, the Compensation Committee determined that Dr. Shrotriya s reward for this performance would be in the form of an increased equity incentive opportunity, the details of which are provided within the Compensation Discussion and Analysis, or CD&A, and the accompanying compensation table disclosures.

In addition, our transformation necessitated that we add three newly appointed executive officers to our leadership team in 2010 to lead our sales, research and development, and finance functions in the future. The specific compensation programs that we established for each of these executive officers are provided within the CD&A and accompanying compensation table disclosures.

Compensation Philosophy and Objectives

The Compensation Committee s executive compensation philosophy is to attract and retain professionals of the highest caliber, capable of leading us to fulfillment of our ambitious business objectives, by offering competitive compensation opportunities that reward executives for their individual contributions towards both our long-term and short-term goals. Competition for attracting the best talent in the pharmaceutical industry is very intense, and such competition is national in scope. Accordingly, in light of the intense competition for highly qualified executives, our executive officers are eligible for competitive salary adjustments, cash bonuses and equity

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compensation based upon periodic evaluations of individual and company performance, relative to goals established at the start of the year.

The Compensation Committee believes that three principal compensation elements base salary, annual bonus, and equity incentive awards in combination effectively support our overall compensation objectives of attracting top talent for executive positions, incentivizing such executive officers, rewarding them for achievement of individual and company goals, and aligning the interests of executive officers with those of our stockholders. The Compensation Committee has not established specific competitive market levels to target for each element, but has strived to position the total compensation delivered to the named executive officers listed in the table below, or NEOs, by the three elements as follows:

Chairman and CEO shall be between the 75th and 90th percentile of the peer group and industry in general.

Other NEOs shall be between the median and 75th percentile of the peer group and industry in general.

The different positioning strategies reflect the contributions made since 2002 by our current Chairman and CEO, as well as his significant impact on our current and future business success. In contrast, three of the four other NEOs were hired into their current roles in 2010. Finally, executive officer total compensation is delivered primarily through the annual bonus and equity incentive awards, hence actual achievement of our desired compensation positioning versus market is largely dependent upon pay-for-performance.

The Compensation Committee believes that its compensation philosophy aligns the interests of our executive officers with those of our stockholders, and is necessary to incentivize individual executives to peak performance in advancing our short-term and long-term business objectives. It is designed to reward hard work, dedication and the achievement of both individual and company goals.

Named Executive Officers

For 2010, our NEOs were as follows:

Executive Name	**Title**
Rajesh C. Shrotriya, M.D.	Chairman of the Board, Chief Executive Officer and President
George F. Tidmarsh, M.D., Ph.D.	Senior Vice President, Chief Scientific Officer and Head of Research and Development Operations
James E. Shields	Senior Vice President, Chief Commercial Officer
Brett L. Scott	Senior Vice President, Acting Chief Financial Officer
Shyam Kumaria	Senior Vice President, Finance, Special Assistant to the CEO

Determining Competitive Practices

Peer Group for Compensation Benchmarking

In 2010, as part of our business transformation, we worked with Grant Thornton LLP to develop a revised peer group consisting of 22 companies used for evaluating competitive total compensation levels. This peer group represents a mix of companies in which we would likely compete for business and talent, with revenues and market capitalization similar to that of Spectrum. Specifically, for 2009 (the most recent year in which compensation benchmarking data is available) the peer group companies had median revenue of approximately $63 million and a market capitalization of $564 million compared to Spectrum s revenue of $74 million and market capitalization of approximately $354 million as of December 31, 2010. We used this peer group specifically to review the level of base salaries, mix and size of annual and long-term incentives, and other benefits and perquisites provided to executives of similar-sized companies.

The compensation peer group included the following companies:

Affymax Inc	Immunomedics Inc
Allos Therapeutics Inc	Intermune Inc
Amicus Therapeutics Inc	Isis Pharmaceuticals Inc
Arena Pharmaceuticals Inc	Mannkind Corp
Biocryst Pharmaceuticals Inc	Medivation Inc
Biomarin Pharmaceutical Inc	Onyx Pharmaceuticals Inc
Cell Therapeutics Inc	Sangamo Biosciences Inc
Cytokinetics Inc	Seattle Genetics Inc
Dendreon Corp	Supergen Inc
Enzon Pharmaceuticals Inc	Theravance Inc
Exelixis Inc	Vertex Pharmaceuticals Inc

Other Competitive Benchmarks

To supplement compensation data gathered from our peer group companies, compensation for our NEOs is also compared to broad-based third party surveys including BioWorld s Executive Compensation report, as compiled by Salary.com, which contains financial information on public biotechnology companies, and the Radford Global Life Sciences U.S. Executive Survey. These surveys include data from various companies within the same industry and of similar size to Spectrum and provide a general understanding of current compensation practices.

Key Elements of Executive Compensation

The principal elements of compensation for our executive officers are:

Base salary;

Annual bonuses; and

Equity incentive awards.

Base Salary. The base salaries of our executive officers are established as part of an annual compensation adjustment cycle. Base salaries for the year are established either at the end of the prior year or the beginning of the current year, i.e. the base salary for 2010 was set at the end of 2009. In establishing those salaries, the Compensation Committee considers the executive s level of responsibility, experience and individual performance, impact on company results, and company performance, as well as information regarding salary levels paid to executives with comparable duties in companies at a similar stage as ours.

Annual Bonuses. The Compensation Committee typically awards cash bonuses to executives as part of their annual overall compensation at the beginning of the next year for prior year performance, i.e. the cash bonus for 2010 performance was set in early 2011. Such cash bonuses are a reward for company results, individual achievement of goals, as well as achievement of key milestones. We have not established formal bonus target levels for our executive officers; however, the actual bonus awarded is determined based upon the Committee s evaluation of each executive s performance along with a review of bonus opportunities and actual bonuses paid to executives with similar duties and impact on results working in comparable companies.

Equity Incentive Awards. Cash compensation is viewed as a reward for annual performance versus goals, Equity incentive awards are important long-term compensation tools for employee retention as well as incentivizing future performance. In addition, equity incentive awards are an important compensation tool to utilize in attracting and retaining high caliber executive talent. The Compensation Committee believes that granting equity incentive awards, including stock options and restricted stock, to our executive officers is very beneficial to stockholders because it aligns management s interests in the enhancement of stockholder value. An executive officer receives value from these grants only if he or she remains employed by us during the vesting period, and, with regard to stock options, only if our common stock appreciates from the fair market value of our common stock on the date of the

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grant. In determining the number of shares subject to an equity incentive award, the Compensation Committee takes into account the executive officer s position and level of responsibility, the executive officer s past performance and potential future contribution, the executive officer s existing stock and unvested restricted stock holdings, the competitiveness of the executive officer s total compensation, including equity awards, and with reference to equity award levels of executives with comparable duties in comparable companies.

Typically, the Compensation Committee grants a lesser grant value of restricted stock than stock options because when restricted stock vests, it provides immediate value to the recipient, with less risk than stock options. In deciding whether to grant stock options or restricted stock, the Compensation Committee will review market factors such as our stock price, the different benefits offered by each type of award, past equity grants and the desired balance between performance and retention. Typically, the Compensation Committee grants equity incentive awards once annually; however, it may make additional grants based upon a number of factors, including company results and individual achievements.

Benefits and Perquisites

The NEOs are eligible for benefits that are generally available to all Spectrum employees and are subject to favorable tax treatment by the IRS under the current tax code. Such benefits include health insurance, life insurance, vacation, and 401(k) retirement savings. NEOs and employees are required to contribute to offset a portion of the cost of certain plans.

We maintain a 401(k) Plan and an Employee Stock Purchase Plan, each available to all employees, to encourage employees to save for retirement and to provide incentives for our employees to exert maximum effort for our success. The 401(k) Plan provides matching employee contributions in shares of our common stock and the Employee Stock Purchase Plan provides employees with the opportunity to purchase common stock through accumulated payroll deductions, each in order to, among other things, align employees interests with our stockholders.

Fiscal 2010 Compensation

Our achievement of the strategic, financial and share value objectives in 2010 shaped the Compensation Committee s decisions with respect to 2010 base salary changes, annual bonuses and equity incentive awards. Additionally, with respect to Dr. Shrotriya s compensation, the Compensation Committee considers the terms of his employment agreement described under the heading Executive Employment Agreements, Termination of Employment and Change-in-Control Arrangements.

Base Salaries

We provide base salaries to compensate executives for the services rendered during the fiscal year. In setting base salaries for the CEO and other named executive officers, the Compensation Committee considers various factors including competitive market data, the experience, skills and impact of the individual, the compensation of the individual relative to other members of the executive team; and performance of the executive and Spectrum in the prior year.

Based on these factors, the Compensation Committee determined that the base salaries for our NEOs in 2009 and 2010 were as follows:

Executive	**2009**	**2010**

Rajesh C. Shrotriya, M.D.	$ 600,000	$ 650,000
George F. Tidmarsh, M.D., Ph.D.		$ 400,000
James E. Shields		$ 240,000
Brett L. Scott		$ 225,000
Shyam Kumaria	$ 275,000	$ 290,000

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Annual Bonus

The board of directors set stretch goals for Spectrum at the start of 2010, which constitute the performance objectives for the Chief Executive Officer and our other executive officers. In January 2011, the Compensation Committee determined that our executive officers met or exceeded each of the below-listed business objectives, as follows:

Goals For 2010	Results For 2010
Marketed Products	
ZEVALIN: Grow sales 25% over 2009 sales of $15.7 million; Submit data to FDA for bioscan removal; Arrange alternate back-up supplier for Yttrium; Reduce cost of goods; Secure reimbursement in HOPPs and community setting.	All of the Zevalin goals have been accomplished, including, but not limited to, sales of $29 million representing an 84% increase, compared to a target growth of 25%, for a drug that had experienced a declining sales trend prior to our acquisition of rights to the drug in 2009. Zevalin cost of goods was reduced significantly in 2010.
FUSILEV: Maximize FUSILEV sales, with a goal of $4 million for 2010; while advancing an sNDA for its use in the treatment of colorectal cancer.	All of the Fusilev goals have been accomplished: Sales of $32 million represent an increase of over 150% compared 2009 sales; and the FDA has established a PDUFA date of April 29, 2011 for a decision on our sNDA for colorectal cancer. Achieved profitability in the fourth quarter of 2010. Fourth quarter 2010 product revenues in excess of $30 million, up 500% as compared to approximately $5 million in the fourth quarter of 2009. Fiscal year 2010 product revenues in excess of $60 million, up 114% as compared to approximately $28 million in fiscal year 2009.
Development Pipeline	
Acquire a late stage (in Phase II or III/pivotal trial) or marketed drug.	We in-licensed rights to belinostat, a HDAC inhibitor from TopoTarget Inc. and have accelerated the clinical trial timeline in a difficult to enroll study, with the objective of filing an NDA in 2011, or early 2012.
Continue active monitoring of apaziquone clinical trials.	The apaziquone clinical trials are on track for NDA submission in 2012.
Active management of alliances with drug development partners.	We have continued to maintain excellent relations with our alliance partners.
Financial Resources	
Maintain tight control over our expenses.	We continued to exercise tight control over cash used in operations. In spite of the approximately $30 million paid for the licensing of belinostat, we closed 2010 with $104 million in cash, cash equivalents and investments, compared to $125 million at the start of the year; a net decrease of $21 million.
Continue to manage expenses and capital such that we close 2010 with at least $50M in the bank (assuming an asset acquisition for about $30 million cash).	During the fourth quarter, cash, cash equivalents and investments increased from $92 million as of September 30, 2010 to approximately $104 million as of December 31, 2010, reflecting a net increase of approximately $12

million.

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Goals For 2010	Results For 2010
Human Resources	
Enhance leadership capabilities of personnel.	Maintained the companywide training and employee development to enhance corporate communication and teamwork; and also one-on-one training for key individuals in leadership roles to enable desired levels of performance to advance corporate objectives.
Hire appropriate personnel to support ZEVALIN sales growth; and personnel to support development of belinostat and other pipeline drugs.	During 2010, we reviewed our staffing and strengthened the leadership in all functions -- Commercial, Development, Legal and Compliance, Finance, and Business Development; at the same time reduced headcount by approximately 20 personnel compared to the start of the year.
Investor Relations	
Continue to present at strategic healthcare and partnership conferences.	We presented at several strategic healthcare and partnership conferences and continued to build on our investor base.
Continue to build a base of strategic investors while maintaining relationships with NASDAQ and current investors.	During 2010, we experienced an increase in our market capitalization of approximately 40%.

The determination of individual performance does not involve quantitative measures using a mathematical calculation in which each individual performance objective is given a numerical weight. Instead, the Compensation Committee s determination of individual performance is a subjective determination as to whether the executive officer substantially achieved the stated objectives or over performed or under performed with respect to corporate objectives that were deemed to be important to Spectrum s success.

Based upon results versus established goals, for fiscal 2010, the Compensation Committee determined that the individual performance of Dr. Shrotriya, our Chairman, President and Chief Executive Officer, exceeded expectations in a number of key strategic areas, including in-licensing belinostat, a late-stage drug, increasing product sales revenue from Zevalin and Fusilev to over $60 million, managing expenses and capital to end 2010 with over $100 million in cash, cash equivalents and investments, and increasing market capitalization by approximately 40% during difficult economic times and market conditions.

In making its determination regarding Dr. Shrotriya s total compensation in 2010, the Compensation Committee took into account the fact that Dr. Shrotriya had the principal authority and executive decision-making ability required to execute, or to oversee the execution of, our goals and objectives and to lead our transformation from a small drug development company to our current status as a biotechnology company with fully integrated commercial and drug development operations by, among other things, building our research and development, sales and marketing and managerial infrastructure, and attracting and retaining key management talent. In addition, the Compensation Committee acknowledged Dr. Shrotriya s success in continuing to build a base of strategic investors, who have expressed interest and desire to invest additional capital to spur our future growth. For these accomplishments, the Compensation Committee reasoned, and the board of directors endorsed, that the level of Dr. Shrotriya s achievements was far in excess of the achievements of principal executive officers of peer companies and thus merited a superior bonus commensurate with preceding years. Accordingly, the Compensation Committee awarded Dr. Shrotriya a cash bonus of $950,000.

In making decisions related to the annual bonus for the other NEOs, the Compensation Committee, based primarily on Dr. Shrotriya s recommendations, concluded as follows:

Shyam Kumaria Mr. Kumaria s 2010 goals were aligned with Spectrum s overall objectives, with an emphasis on supporting attainment of the financial objectives. Based upon results achieved, Dr. Shrotriya determined that Mr. Kumaria s individual performance exceeded expectations as follows: financial management and reporting achievements, with a focus on cost containment; completing value-added corporate projects such as successfully obtaining approximately $1 million in government grant funds, gross margin

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improvements on Zevalin, and optimizing tax planning. Based on Dr. Shrotriya s recommendations, the Compensation Committee determined that Mr. Kumaria s contributions to the achievement of our goals merited a cash bonus of $100,000 based on 2010 performance.

George F. Tidmarsh, M.D., Ph.D. Mr. Tidmarsh joined us in July 2010 and, in the short period that he has been with us, has made contributions to the achievement of Spectrum s strategic milestones. The Compensation Committee determined that Mr. Tidmarsh s contributions to the achievement of our goals merited a cash bonus of $50,000 based on 2010 performance.

James E. Shields Mr. Shields joined us in May 2010. As Chief Commercial Officer, he participates in Spectrum s established sales incentive plan; and earned a commission of $51,975 from such participation. In addition, the Compensation Committee determined that Mr. Shields s contributions to the achievement of our goals merited a cash bonus of $35,000 based on 2010 performance.

Brett L. Scott Mr. Scott joined us in October 2010. In view of the limited service period in 2010, the Compensation Committee determined that Mr. Scott would not receive a cash bonus for 2010.

Equity Incentive Opportunities

The Compensation Committee reviews the mix of the equity-based awards, which primarily consist of stock options and restricted stock awards, each year to ensure that the optimal balance on performance and retention is met for each executive officer. The Compensation Committee considers the performance of Spectrum and each executive in determining the appropriate level of equity incentive opportunity granted to each executive officer in 2010, which is summarized in the Grants of Plan-Based Awards table on page 42.

In addition, based on the factors previously discussed, the Compensation Committee approved stock option and restricted awards to each NEO on January 3, 2011 as follows:

	Stock Options			Restricted Stock		
Executive	**# Granted**		**Exercise price**	**# Granted**		**Fair Market Value**
Rajesh C. Shrotriya, M.D.	1,000,000	$	6.87	250,000	$	6.87
George F. Tidmarsh, M.D., Ph.D.	50,000	$	6.87	20,000	$	6.87
James E. Shields	50,000	$	6.87	20,000	$	6.87
Brett L. Scott(1)						
Shyam Kumaria	50,000	$	6.87	20,000	$	6.87

(1) Mr. Scott was not awarded stock options or restricted stock due to his limited tenure with us.

Payments upon Termination of Employment or Change-in-Control

Dr. Shrotriya has an employment agreement that provides for certain payments and benefits upon separation from Spectrum. The payments and benefits as provided within the agreement are designed to achieve the following objectives: protect earned benefits in the case that Dr. Shrotriya is terminated without cause or as may result from a change in control of Spectrum, and to act in the best interests of the stockholders at all times. The level of benefits provided under Dr. Shrotriya s agreement reflects the Compensation Committee s assessment of market conditions to provide a competitive level of compensation if he is impacted by a termination without cause or a change of control of Spectrum as well as a recognition of the results achieved by Dr. Shrotriya over his time of service to us.

Dr. Shrotriya would receive certain severance benefits if he is terminated by Spectrum at the expiration of the term of the agreement (if not renewed), if his employment is terminated by us without cause, if his employment is terminated as a result of a change in control or his position is adversely affected due to a change in control and he resigns, or if he voluntarily terminates from Spectrum. The benefits are described in greater detail in this proxy statement under the heading Executive Employment Agreements, Termination of Employment and Change-in-Control Arrangements.

We currently do not provide any severance benefits to the other NEOs, other than would be provided under general policies that apply to all of our other employees.

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Impact of Accounting and Tax Considerations on Compensation

Stock Based compensation

The fair value of stock-based compensation, which includes equity incentives such as stock options and restricted stock, is measured in accordance with authoritative guidance. We measure compensation cost for all stock-based awards at fair value on the date of grant and recognize compensation expense over the service period over which the awards are expected to vest.

162(m)

Section 162(m) of the Internal Revenue Code limits our ability to deduct compensation paid in any given year to a NEO in excess of $1.0 million. Performance-based compensation plans are not subject to this restriction. In the event the proposed compensation for any of our NEOs is expected to exceed the $1.0 million limitation, the Compensation Committee will, in making a decision, balance the benefits of tax deductibility with its responsibility to hire, retain and motivate executive officers with competitive compensation programs. In light of our significant net operating losses, Section 162(m) is not considered a significant factor in executive officer compensation decisions at this time.

280G and 4999

Sections 280G and 4999 of the Internal Revenue Code relate to a 20% excise tax that may be levied on a payment made to an executive as a result of a change-in-control if the payment exceeds 2.99 times the executive s base earnings (as defined by the applicable Section). Dr. Shrotriya s employment agreement provides that we will compensate him for any excise taxes as might arise upon a change-in-control of Spectrum. The decision to provide Dr. Shrotriya with this tax gross-up reflects the relatively low cash compensation Dr, Shrotriya received in prior years (which increases his potential 280G tax liability should a change in control occur), and to encourage Dr. Shrotriya to hold his stock options awarded in prior years for an extended period (which he has done). We do not currently provide similar tax protection to our other NEOs, should a change-in-control occur.

Risk Assessment of Compensation Policies and Practices

Our Compensation Committee has considered the concept of risk as it relates to our compensation program, and based on such consideration, the Compensation Committee does not believe our compensation program encourages excessive or inappropriate risk-taking based on our fixed and variable compensation structure.

The fixed (or salary) portion of compensation is designed, in part, to provide a steady income regardless of stock price performance so that executives do not feel pressured to focus exclusively on stock price performance to the detriment of other important business metrics. The variable (cash bonus and equity) portions of compensation are designed to reward both short and long-term corporate performance. For short-term performance, a cash bonus is awarded based on the achievement of the performance criteria established for us and/or each executive officer based on performance criteria that the Compensation Committee believes to be challenging, yet does not encourage risk-taking, such as the achievement of product development and regulatory milestones, the acquisition of new products and the continuation of strategic corporate collaborations. For long-term performance, our stock option awards generally vest over four years and are only valuable if our stock price increases over time, which further aligns the interests of our executives with those of our stockholders. The Compensation Committee believes that these variable elements of overall compensation are a sufficient percentage of overall compensation to motivate executive officers to produce superior short and long-term corporate results, while the fixed element is also sufficiently high such that the executive officers are not encouraged to take unnecessary or excessive risks. In addition, our internal controls and ethics code also help mitigate risks associated with our compensation program.

Based on the foregoing, the Compensation Committee concluded that risks arising from our compensation program are not reasonably likely to have a material adverse effect on us and do not encourage or incentivize excessive or inappropriate risk-taking by our employees.

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Role of Executives in Setting Compensation

Our CEO makes recommendations on changes to compensation to the Compensation Committee for all executive officers except himself. Executives are not involved in decisions regarding their own compensation. The Compensation Committee has overall responsibility for the compensation programs for the CEO and other NEOs.

Role of the Compensation Consultant

In 2010, management engaged Grant Thornton LLP to develop our compensation peer group, perform total compensation benchmarking analysis and make recommendations on potential annual and equity incentive opportunity levels for each NEO. Grant Thornton also assisted us in complying with the SEC proxy disclosure requirements as it relates to the preparation of the CD&A and related tabular calculations. Grant Thornton is independent and all work performed by Grant Thornton is subject to review and approval of the Compensation Committee.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is currently comprised of Drs. Krassner, Maida and Arora. None of the members of our Compensation Committee is or has been an officer or employee of Spectrum. None of our executive officers has served as a director or member or the compensation committee of any other entity, any of whose executive officers served on our board of directors or our Compensation Committee.

Equity Compensation Plan Information

The following table summarizes all equity compensation plans including those approved by security holders and those not approved by security holders, as of December 31, 2010.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants or Rights	Weighted-average Exercise Price of Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(1)	8,756,594	$ 4.16	10,816,185
Equity compensation plans not approved by security holders(2)	445,000	5.04	
Employee Stock Purchase Plan approved by security holders	N/A	N/A	4,766,002
Total	9,201,594	$ 4.20	15,582,187

(1) We have three stock incentive plans: the 1997 Stock Incentive Plan, or the 1997 Plan, the 2003 Amended and Restated Incentive Award Plan, or the 2003 Plan, and the 2009 Incentive Award Plan, or the 2009 Plan, which was approved by our stockholders in June 2009. Subsequent to the adoption of the 2009 Plan, no new options have been granted pursuant the 2003 Plan or 1997 Plan. The board and the stockholders initially approved 10,000,000 shares of common stock available for issuance under the 2009 Plan. Beginning on January 1, 2010, and each January 1st thereafter, the number of shares of common stock available for issuance under the 2009 Plan shall increase by the greater of (i) 2,500,000 and (ii) a number of shares such that the total number of shares of common stock available for issuance under the 2009 Plan shall equal 30% of the then number of shares of common stock issued and outstanding. Thus, the authorized and available shares may fluctuate over time. As of December 31, 2010, incentive awards for up to approximately 10.8 million shares of common stock were available for grant under the 2009 Plan.

(2) The number represents 445,000 shares of common stock issuable upon exercise of warrants issued to our non-employees under plans approved by our board of directors that we believe are not required to be approved by our stockholders pursuant to the rules of the NASDAQ Stock Market. We issued these warrants in

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circumstances that enable us to adequately compensate, without the payment in cash, for outside consultant services, in order to conserve our cash for operating activities. The number of securities remaining available for future issuance under these types of equity compensation plans is zero; however, our board of directors may approve additional issuances of warrants under circumstances that it decides are appropriate.

The above table does not include warrants issued to investors in connection with financing transactions. As of December 31, 2010, there were outstanding investor warrants to purchase up to an aggregate of 3,747,312 shares of our common stock, with a weighted average exercise price of $6.62 per share, which are scheduled to expire on September 15, 2011, if not exercised.

Further details regarding warrants issued by us are included in footnote 10 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as filed with the SEC on March 10, 2011.

REPORT OF THE COMPENSATION COMMITTEE

The following Compensation Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other company filing under the Securities Act of 1933 or the Exchange Act, except to the extent we specifically incorporate it by reference therein.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on its review and discussions with management, the Compensation Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in our 2011 proxy statement and the 2010 Annual Report on Form 10-K.

Stuart M. Krassner, Sc.D., Psy.D, Chair.
Anthony E. Maida, III, M.A., M.B.A., Ph.D
Krishan K. Arora, Ph.D.

Summary Compensation Table

The following information sets forth summary information concerning the compensation we awarded or accrued during 2010, 2009 and 2008 to our Chief Executive Officer, Chief Scientific Officer, Senior Vice President of Finance, Chief Commercial Officer and Acting Chief Financial Officer.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(1)	All Other Compensation ($)	Total ($)
Rajesh C. Shrotriya, M.D.	2010	650,000	950,000	930,000	2,530,000	454,195(2,4)	5,514,195
Chairman, Chief Executive	2009	600,000	1,000,000		2,159,000	33,956(2)	3,792,956
Officer and President	2008	600,000	1,000,000	388,000	839,500	34,694(2)	2,862,194
George F.							
Tidmarsh, M.D., Ph.D.(5)	2010	181,258	50,000	60,300	472,000	6,276	769,835
Senior Vice President, Chief Scientific Officer and Head of Research and Development Operations							

Shyam Kumaria	2010	290,000	100,000	46,500	394,000	97,524(3,4)	928,024
Senior Vice President,	2009	275,000	60,000		429,900	21,449(3)	786,349
Finance	2008	250,000	50,000	65,850	113,000	22,113(3)	500,963
James E. Shields(6)	2010	138,433	86,975		288,234	17,566	531,208
Senior Vice President and							
Chief Commercial Officer							
Brett L. Scott(7)	2010	49,959			247,000	2,374	299,333
Senior Vice President and							
Acting Chief Financial Officer							

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(1) The amounts reflect the aggregate grant date fair value of awards made to such named executive officers. For additional information, refer to note 12 of our financial statements that are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as filed with the SEC on March 10, 2011.

(2) Amounts include: (a) annual 401(k) matching contribution made by us in shares of our common stock and healthcare premiums, which is a benefit offered to all our employees, (b) premiums paid on life insurance policies covering his life and having as beneficiary his estate or other beneficiaries, (c) amounts related to the personal use of a leased company car, gas and repairs, and (d) legal fees related to negotiations of his employment agreement. No individual component of this amount exceeds $25,000.

(3) Amounts include annual 401(k) matching contribution made by us in shares of our common stock, and premiums paid on healthcare and life insurance policies, which are benefits that are offered to all of our employees.

(4) In early 2010, in conjunction with tax planning strategies and in order to reduce our accumulated balance sheet obligations, we offered all employees a payout of accumulated vacation. Pursuant to this program, Dr. Shrotriya was paid $410,423 and Mr. Kumaria $73,496.

(5) Dr. Tidmarsh was named Senior Vice President, Chief Scientific Officer and Head of Research and Development Operations in July 2010.

(6) Mr. Shields was named Senior Vice President and Chief Commercial Officer in May 2010.

(7) Mr. Scott was named Senior Vice President and Acting Chief Financial Officer in October 2010.

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Grants of Plan-Based Awards in 2010

The following table provides information about equity awards granted to the NEOs in 2010. There can be no assurance that the grant date fair value of stock and option awards will be realized by the NEOs.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	Exercise or Base Price of Option Awards ($)	Grant Date Fair Value of Stock and Option Awards ($)(1)
Rajesh C. Shrotriya, M.D.	1/8/2010	500,000		4.65	$ 1,380,000
	7/1/2010	500,000		3.92	$ 1,150,000
	1/8/2010		200,000		$ 930,000
George F. Tidmarsh, M.D., Ph.D.	7/15/2010	200,000		4.02	$ 472,000
	7/15/2010		15,000		$ 60,300
Shyam Kumaria	1/8/2010	50,000		4.65	$ 138,000
	2/5/2010	10,000		4.39	$ 26,000
	7/1/2010	100,000		3.92	$ 230,000
	1/8/2010		10,000		$ 46,500
James E. Shields	5/10/2010	100,000		4.65	$ 275,000
	6/30/2010	1,080		3.90	$ 2,473
	7/1/2010	1,000		3.92	$ 2,300
	9/30/2010	3,570		4.09	$ 8,461
Brett L. Scott	10/11/2010	100,000		4.28	$ 247,000

The exercise price of all the option awards listed above is equal to the fair market value on the dates of grant in accordance with the terms of our equity incentive plans. All the awards listed above vest annually in equal 25% increments with 25% immediately vested on the date of grant.

(1) The amounts reflect the grant date fair value dollar amount for financial statement reporting purposes. Fair value assumptions can be found in note 11 to our financial statements in the Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC on March 10, 2011.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

See Compensation Discussion and Analysis for further discussion of compensation arrangements pursuant to which the amounts listed under the Summary Compensation Table were paid or awarded and the criteria for such payment or award. With respect to the Grants of Plan-Based Awards table above, the general terms of the equity awards are set forth below such table.

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Outstanding Equity Awards at Fiscal Year-End 2010

The following table provides information regarding the outstanding option and stock awards as of December 31, 2010.

	Option Awards				Stock Awards	
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**	**Equity Incentive Plan Awards: Number of Shares of Stock Not Vested (#)**	**Equity Incentive Plan Awards: Market Value of Shares of Stock Not Vested ($)(7)**
Rajesh C. Shrotriya, M.D.	12,000		4.75	06/17/12		
	75,000		1.06	09/25/12		
	225,000		1.99	09/05/13		
	215,000		4.90	09/12/13		
	200,000		4.23	01/01/16		
	150,000		5.08	09/26/16		
	350,000		5.53	01/01/17		
	100,000		3.15	12/06/17		
	500,000		2.55	03/25/18		
	112,500	37,500(1)	1.43	12/06/18		
					50,000(4)	343,500
	175,000	175,000(1)	1.47	01/16/19		
	250,000	250,000(1)	6.09	06/26/19		
	125,000	375,000(1)	4.65	01/08/20		
	125,000	375,000(1)	3.92	07/01/20		
					150,000(5)	1,030,500
George F. Tidmarsh, M.D., Ph.D.		200,000(3)	4.02	07/15/20		
					15,000(6)	103,050
Shyam Kumaria	40,000		4.26	12/06/15		
	20,000		3.15	12/06/17		
	50,000		2.55	03/25/18		
	37,500	12,500(1)	1.43	12/06/18		
					7,500(4)	51,525
	25,000	25,000(1)	1.47	01/16/19		
	2,500	2,500(1)	4.89	05/21/19		
	50,000	50,000(1)	6.09	06/26/19		
	12,500	37,500(1)	4.65	01/08/20		
	10,000	(2)	4.39	02/05/20		
	25,000	75,000(1)	3.92	07/01/20		
					7,500(5)	51,525
James E. Shields		100,000(3)	4.65	05/10/20		

	250	750(1)	3.92	07/01/20
	1,080	(2)	3.90	06/30/20
	3,570	(2)	4.09	09/30/20
Brett L. Scott		100,000(3)	4.28	10/11/20

(1) Option shares vest annually in equal 25% increments, with 25% immediately vested on the grant date.

(2) Option shares vest immediately.

(3) Option shares vest 25% on anniversary date, and in 36 equal monthly increments thereafter.

(4) Shares granted on December 6, 2008 with 25% vesting on the grant date, and continuing to vest in equal 25% increments every December 6th thereafter until fully-vested.

(5) Shares granted on January 8, 2010 with 25% vesting on the grant date, and continuing to vest in equal 25% increments every January 8th thereafter until fully-vested.

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(6) Shares granted on July 15, 2010, and vesting in equal 25% increments every July 15th thereafter until fully-vested.

(7) Calculation based on the closing price of the common stock on December 31, 2010 of $6.87 per share.

Stock Vested Table in Fiscal Year 2010

The following table provides information regarding the number of shares acquired upon vesting of restricted stock in 2010 and the value realized by the NEOs. There were no option exercises by NEOs in 2010.

	Stock Awards	
Name	**Number of Shares acquired on Vesting (#)**	**Value realized on Vesting ($)(1)**
Rajesh C. Shrotriya, M.D.	125,000	602,250
George F. Tidmarsh, M.D., Ph.D.	0	0
Shyam Kumaria	15,000	71,975
James E. Shields	0	0
Brett L. Scott	0	0

(1) The value realized on vesting in the above table was calculated based on the price of the common stock on the vesting date.

Executive Employment Agreements, Termination of Employment and Change-in-Control Arrangements

On June 20, 2008, we entered into an employment agreement with Dr. Shrotriya, our President and Chief Executive Officer, which became effective as of January 2, 2008 and replaced his previous employment agreement. The employment agreement expires on January 2, 2012, unless terminated earlier, and automatically renews for a one-year term unless either party gives written notice of such party s intent not to renew the agreement at least 90 days prior to the commencement of the next year. The employment agreement requires Dr. Shrotriya to devote his full working time and effort to our business and affairs of us during the term of the agreement. The employment agreement provides for a minimum annual base salary with annual increases, periodic bonuses and option grants as determined by the Compensation Committee.

Compensation and Benefits

Dr. Shrotriya shall receive an annual base salary of $600,000, as adjusted annually based upon the performance of Dr. Shrotriya and Spectrum, as determined by the Compensation Committee.

Dr. Shrotriya shall also be paid an annual performance bonus in cash and/or equity based awards, no later than January 31 of the year following, in an amount to be determined by the Compensation Committee according to Dr. Shrotriya s achievement of annual performance objectives mutually agreed upon by Dr. Shrotriya and our board of directors.

Under the agreement, Dr. Shrotriya is entitled to receive additional employment benefits, including the right to participate in any incentive plans and to receive life, medical, dental, paid vacation, estate planning services, a leased vehicle and reimbursements for automobile related expenses, and other benefits.

Termination

Dr. Shrotriya s employment may be terminated due to non-renewal of the agreement by us, by mutual agreement of the parties, by us for cause (as that term is defined in the agreement) or without cause, on grounds of disability or death of Dr. Shrotriya, by Dr. Shrotriya for no reason or for good reason (as those terms are defined in the agreement), or by Dr. Shrotriya s non-renewal of the agreement.

If (i) the agreement is not renewed by us, (ii) Dr. Shrotriya is terminated without cause, or (iii) Dr. Shrotriya resigns for good reason, then Dr. Shrotriya s guaranteed severance payments include the right to receive (a) a lump

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sum payment equivalent to the aggregate of two years cash compensation; (b) company-paid continued coverage for Dr. Shrotriya and his eligible dependents under our existing health and benefit plans for two years; and (c) immediate vesting of all options, restricted stock and other equity based awards granted to Dr. Shrotriya. Dr. Shrotriya shall have three years to exercise all vested equity based awards. Since options issued to Dr. Shrotriya pursuant to our 1997 Plan can only be exercised for ninety days after termination, a replacement option shall be granted to Dr. Shrotriya at termination to allow for three years of exercisability.

In the event Dr. Shrotriya voluntarily resigns for good reason, or is terminated by us without cause, we will pay or reimburse Dr. Shrotriya for reasonable relocation expenses up to a certain amount.

If Dr. Shrotriya s employment is terminated without cause prior to the end of a calendar year, then our board of directors shall determine the amount of any bonus that would have been paid to Dr. Shrotriya had his employment continued through the end of the calendar year and we shall pay Dr. Shrotriya the pro rata amount of the bonus.

If the agreement is terminated due to death or disability of Dr. Shrotriya, a lump sum equal to three months of base salary, at the time of his termination, shall be paid to Dr. Shrotriya, his legal representative or estate, as applicable. All equity based awards, such as options and restricted stock, shall immediately vest and shall remain exercisable in accordance with the terms of the respective equity plan and individual agreement(s) governing such options and as otherwise set forth in the agreement.

If Dr. Shrotriya voluntarily resigns his employment for no reason, any stock options or other equity based awards (except for restricted stock) shall immediately become fully vested upon the effective date of Dr. Shrotriya s resignation, and he shall have three years to exercise all such vested equity based awards. Dr. Shrotriya shall receive the same benefits for any unexpired options issued pursuant to our 1997 Plan as if he had been terminated without cause by us.

If during the term of the agreement, Dr. Shrotriya resigns for good reason (as defined in the agreement) other than pursuant to the circumstances of a change in control and the board has not cured the condition(s) that constitute good reason, then Dr. Shrotriya shall receive all of the severance benefits he would receive if he had been terminated without cause by us. Upon a change of control of Spectrum, if (i) Dr. Shrotriya s employment is terminated (other than by Dr. Shrotriya) without cause within twelve months thereafter; or (ii) Dr. Shrotriya is adversely affected in certain terms outlined in the agreement, and Dr. Shrotriya, within twelve months after an event constituting a change of control, elects to resign his employment with us, then in either case, Dr. Shrotriya shall be provided with company-paid senior executive outplacement and shall receive the same severance benefits as he would receive if he was terminated by us without cause. However, instead of two years cash compensation, Dr. Shrotriya shall receive three years cash compensation. In addition, upon a change of control, we shall pay Dr. Shrotriya a one-time payment of $600,000.

If the agreement is terminated due to mutual agreement, Dr. Shrotriya s non-renewal of the agreement, or by us for cause, he shall not be entitled to any severance.

Other

If any payment or distribution by us to or for the benefit of Dr. Shrotriya is subject to the excise tax imposed by Section 4999 of the IRC or any interest or penalties are incurred by the Dr. Shrotriya with respect to such excise tax, then Dr. Shrotriya shall be entitled to receive an additional payment in an amount such that after payment by Dr. Shrotriya of all taxes (including any interest and penalties imposed with respect thereto) and excise tax imposed upon such payment, Dr. Shrotriya retains an amount of the payment equal to the excise tax imposed upon the payment.

If we determine that any payments to Dr. Shrotriya under the agreement fail to satisfy the distribution requirement of Section 409A(a)(2)(A) of the Internal Revenue Code of 1986, as amended, the payment schedule of that benefit shall be revised to the extent necessary so that the benefit is not subject to the provisions of Section 409A(a)(1) of the Code. We may attach conditions to or adjust the amounts so paid to preserve, as closely as possible, the economic consequences that would have applied in the absence of this adjustment; provided, however, that no such condition or adjustment shall result in the payments being subject to Section 409A(a)(1) of the Code.

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Potential Payments Upon Termination or Following a Change in Control

The tables below reflect the amount of compensation to each of our NEOs in the event of termination of such executive s employment or following a change in control of Spectrum. The amount of compensation payable to each NEO upon voluntary termination without cause, retirement, involuntary termination without cause, involuntary termination for cause or termination following a change of control, in the event of disability or death of the executive, and following a change in control of Spectrum is shown below. Where applicable, the amounts shown assume that termination was effective as of December 31, 2010 and use the closing price of our common stock on such date of $6.87, and are estimates of the amounts which would be paid out to the executives upon their termination. In the case of payments upon termination, the actual amounts to be paid out can only be determined at the time of such executive s separation from Spectrum.

Rajesh C. Shrotriya, M.D.	**Voluntary Termination Without Cause ($)**	**Retirement**	**Death ($)**	**Disability ($)**	**Involuntary Termination Without Cause ($)**	**Involuntary Termination For Cause**	**Change in Control (Qualifying Termination) ($)**	**Change in Control ($)**
Cash Severance payments			162,500	162,500	3,200,000		4,800,000	
Cash payments								600,000
Benefit payments					173,690		263,036	
Vesting Acceleration Options	3,282,750		3,282,750	3,282,750	3,282,750		3,282,750	
Vesting Acceleration Restricted Stock			1,374,000	1,374,000	1,374,000		1,374,000	
280 G gross up							2,251,286	
Total	3,282,750		4,819,250	4,819,250	8,030,440		11,971,072	600,000
George F. Tidmarsh, M.D., Ph.D.								
Cash Severance payments								
Benefits payments								
Vesting Acceleration Options							570,000	
Vesting Acceleration Restricted Stock							103,050	
Total							673,050	
Shyam Kumaria								
Cash Severance payments								
Benefits payments								
Vesting Acceleration Options							551,450	
							103,050	

Vesting Acceleration Restricted Stock	
Total	654,500

James E. Shields	
Cash Severance payments	
Benefits payments	
Vesting Acceleration Options	224,213
Vesting Acceleration Restricted Stock	
Total	224,213

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	Voluntary Termination Without Cause ($)	Retirement	Death ($)	Disability ($)	Involuntary Termination Without Cause ($)	Involuntary Termination For Cause	Change in Control (Qualifying Termination) ($)	Change in Control ($)
Brett L. Scott								
Cash Severance payments								
Benefits payments								
Vesting Acceleration Options							259,000	
Vesting Acceleration Restricted Stock							0	
Total							259,000	

Cash severance payments: Includes base salary, bonus and auto allowance payable, pursuant to terms of the employment agreement described above. Excludes any additional tax payments by us relating to Section 4999 of the Internal Revenue Code of 1986, as amended, as provided for in the employment agreement described above.

Cash payments: Consists of a one-time payment upon a change in control of our Company pursuant to terms of the employment agreement described above. Excludes any additional tax payments by us relating to Section 4999 of the Internal Revenue Code of 1986, as amended, as provided for in the employment agreement described above.

Benefit payments: Includes COBRA insurance payments for healthcare insurance premiums payable, pursuant to terms of the employment agreements described above, for two years unless the lump-sum option is elected. Under the Change in Control scenario, an estimated cost for outplacement services is also included, pursuant to terms of the employment agreement described above.

Vesting Acceleration Options: Includes the aggregate intrinsic value of those stock options whose vesting is accelerated upon termination, either pursuant to terms of the employment agreements described above, or pursuant to terms of our equity incentive plans. The calculation of such fair value is based on the difference between the last closing price of our common stock, on or before December 31, 2010, and the exercise price of the options.

Vesting Acceleration Restricted Stock: Includes the aggregate fair market value of restricted stock whose vesting is accelerated upon termination pursuant to terms of our equity incentive plans. The calculation of such fair value is based on the last closing price of our common stock, on or before December 31, 2010.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who beneficially own more than ten percent of our common stock, to file initial reports of ownership and reports of changes in ownership with the SEC and NASDAQ. Executive officers, directors and persons who beneficially own more than ten percent of our common stock are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely upon our review of the copies of reporting forms furnished to us, and written representations that no other reports were required, we believe that all filing requirements under Section 16(a) of the Exchange Act applicable to our directors, officers and any persons holding 10% or more of our common stock with respect to our fiscal year ended December 31, 2010 were satisfied on a timely basis with the exception of Dr. Tidmarsh, our Chief Scientific Officer, who filed a Form 5 on February 14, 2011 to report an earlier acquisition of 1,125 shares of our common stock in connection with an asset purchase transaction that closed in July 2010.

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OTHER MATTERS

Our board of directors knows of no other business to be acted upon at the annual meeting. However, if any other business properly comes before the annual meeting, the persons named in the enclosed proxy will have the discretion to vote on such matters in accordance with their best judgment.

This proxy statement and the accompanying proxy card, together with a copy of our 2010 annual report, are being mailed to our stockholders on or about May 13, 2011. You may also obtain a complete copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, with all exhibits filed therewith, from the SEC s web site at www.sec.gov under EDGAR filings. We will provide to you a copy of our Form 10-K by writing us at 11500 S. Eastern Avenue, Suite 240, Henderson, Nevada 89052, Attn: Investor Relations. Exhibits filed with our Form 10-K will be provided upon written request, in the same manner noted above, at a nominal per page charge. Information on our website, other than our proxy statement and form of proxy, is not part of the proxy soliciting material and is not incorporated herein by reference.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON JUNE 13, 2011

The proxy statement and annual report to our stockholders for the year ended December 31, 2010 are available at our Investor Relations page of our Internet website under the heading Annual Meeting and Proxy Information. Our web page is http://www.sppirx.com.

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ADDITIONAL INFORMATION

Stockholder Proposals for the 2012 Annual Meeting. Under Rule 14a-8 of the Exchange Act, any stockholder desiring to include a proposal in our proxy statement with respect to the 2012 annual meeting should arrange for such proposal to be delivered to us at our principal place of business no later than January 14, 2012, in order to be considered for inclusion in our proxy statement relating to such annual meeting. Matters pertaining to such proposals, including the number and length thereof, and the eligibility of persons entitled to have such proposals included, are regulated by the Exchange Act, the Rules and Regulations of the SEC and other laws and regulations to which interested persons should refer.

In addition, pursuant to our bylaws, any stockholder desiring to submit a proposal for action or nominate one or more persons for election as directors at the 2012 annual meeting of stockholders must submit a notice of the proposal or nomination including the information required by our bylaws to us between March 15, 2012 and April 14, 2012, or else it will be considered untimely and ineligible to be properly brought before the meeting. However, if our 2012 annual meeting of stockholders is not held between May 14, 2012 and August 12, 2012 under our bylaws, this notice must be provided not earlier than the ninetieth day prior to the 2012 annual meeting of stockholders and not later than the close of business on the later of (a) the sixtieth day prior to the 2012 annual meeting or (b) the tenth day following the date on which notice of the date of the 2012 annual meeting is first mailed to stockholders or otherwise publicly disclosed, whichever first occurs.

All such notices should be directed to our Secretary at our principal executive offices at Spectrum Pharmaceuticals, Inc., 11500 S. Eastern Avenue, Suite 240, Henderson, Nevada 89052.

Proxy Solicitation Costs. The proxies being solicited hereby are being solicited by us, and the cost of soliciting proxies in the enclosed form will be borne by us. We have also retained Eagle Rock Proxy Advisors, to aid in the solicitation. For these services, we will pay Eagle Rock Proxy Advisors a fee of $6,000 and reimburse them for certain out-of-pocket disbursements and expenses. Our officers and regular employees may, but without compensation other than their regular compensation, solicit proxies by further mailings or personal conversations, or by telephone, telex, facsimile or electronic means. We will, upon request, reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to the beneficial owners of stock.

By Order of the Board of Directors

Brett L. Scott
Acting Chief Financial Officer

May 13, 2011

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SPECTRUM PHARMACEUTICALS, INC.
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 13, 2011
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned, a Stockholder of SPECTRUM PHARMACEUTICALS, INC., a Delaware corporation, hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders, the Annual Report to Stockholders and the accompanying Proxy Statement for the Annual Meeting to be held on June 13, 2011, at 10:30 a.m. Pacific Time, at our California office located at 157 Technology Drive, Irvine, California 92618, and, revoking any proxy previously given, hereby appoints Dr. Rajesh C. Shrotriya and Brett L. Scott, and each of them individually, proxies and attorneys-in-fact, each with full power of substitution and revocation, and each with all power that the undersigned would possess if personally present, to vote SPECTRUM PHARMACEUTICALS, INC. capital stock held by the undersigned at such meeting and any postponements or adjournments of such meeting, as set forth on the reverse, and in their discretion upon any other business that may properly come before the meeting.

IMPORTANT: SIGNATURE REQUIRED ON REVERSE SIDE

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ANNUAL MEETING OF STOCKHOLDERS OF
SPECTRUM PHARMACEUTICALS, INC.
JUNE 13, 2011
Please date, sign and mail
your proxy card in the
envelope provided as soon
as possible.
Ú **DETACH PROXY CARD HERE** Ú

1. To elect six directors to serve on the Board of Directors.	¨ FOR ALL NOMINEES	¨WITHHOLD AUTHORITY FOR ALL NOMINEES	¨ FOR ALL EXCEPT (see Instructions below)

Nominees: Krishan K. Arora, Ph.D., Stuart M. Krassner, Sc.D., Psy.D, Luigi Lenaz, M.D., Anthony E. Maida, III, M.A., M.B.A., Ph.D., Dilip J. Mehta, M.D., Ph.D. and Rajesh C. Shrotriya, M.D.
(INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark the FOR ALL EXCEPT box and write that nominee s name on the space below.)

EXCEPTIONS:

2. To approve the appointment of Ernst & Young LLP as Spectrum s independent registered public accounting firm for the fiscal year ending December 31, 2011.	FOR o	AGAINST o		ABSTAIN o
3. Advisory vote on executive compensation.	FOR o	AGAINST o		ABSTAIN o
4. Advisory vote on the frequency of the advisory vote on executive compensation.	1YR o	2YRS o	3YRS o	ABSTAIN o
5. To approve an amendment to Spectrum s Certificate of Incorporation to increase the authorized number of shares of common stock from 100,000,000 to 175,000,000.	FOR o	AGAINST o		ABSTAIN o

Unless otherwise specified, this proxy will be voted **FOR** the election of each nominee for director listed on this proxy card in Proposal 1, **FOR** Proposals 2, 3 and 5, and **3 YRS** on Proposal 4, and in the discretion of the proxy holders on all other business that comes before the meeting.

To change the address on your account, please check the box at right and indicate your new address in the address space below. Please note that changes to the registered name(s) on the account may not be submitted via this method. o

o I/we plan to attend the Annual Meeting.

Signature of Stockholder

Date:

Signature of Stockholder

Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.