SPECTRUM PHARMACEUTICALS INC
Form 10-K
March 14, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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Form 10-K

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x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number: 001-35006

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SPECTRUM PHARMACEUTICALS, INC.
(Exact Name of Registrant as Specified in its Charter)

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| Delaware<br>(State or other jurisdiction of<br>incorporation or organization) | 93-0979187<br>(I.R.S. Employer<br>Identification No.) |
| 11500 South Eastern Avenue, Suite 240<br>Henderson, Nevada 89052<br>(Address of principal executive offices) | |
| (702) 835-6300<br>(Registrant's telephone number, including area code) | |

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

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|---|
| Common Stock, $0.001 par value | The NASDAQ Stock Market, LLC |
| Rights to Purchase Series B Junior Participating Preferred Stock | |

Securities registered pursuant to Section 12(g) of the Act:
None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K x

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

| | |
|---|---|
| Large accelerated filer ¨ | Accelerated filer x |
| Non-accelerated filer ¨ (Do not check if a smaller reporting company) | Smaller reporting company ¨ |

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

As of June 30, 2015, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was $459,959,918 (based upon the $6.84 per share closing sale price for shares of the Registrant's Common Stock as reported by the NASDAQ Global Select Market on June 30, 2015, the last trading date of the Registrant's most recently completed second fiscal quarter).

As of February 29, 2016, approximately 68,163,483 shares of the Registrant's Common Stock, $0.001 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the registrant's 2016 Annual Meeting of Stockholders, to be filed on or before April 29, 2016, are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K.

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Cautionary Note Concerning Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), 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, 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 ne 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 elsewhere in this Annual Report on Form 10-K, and the following factors:

- our ability to successfully develop, obtain regulatory approval for and market our products;
- our ability to continue to grow sales revenue of our marketed products;
- risks associated with doing business internationally;
- our ability to generate and maintain sufficient cash resources to fund our business;
- our ability to enter into strategic alliances with partners for manufacturing, development and commercialization;
- efforts of our development partners;
- the ability of our manufacturing partners to meet our timelines;
- the ability to timely deliver product supplies to our customers;
- our ability to identify new product candidates and to successfully integrate those product candidates into our operations;
- the timing and/or results of pending or future clinical trials, and our reliance on contract research organizations;
- our ability to protect our intellectual property rights;
- competition in the marketplace for our drugs;
- delay in approval of our products or new indications for our products by the U.S. Food and Drug Administration, or the "FDA";
- actions by the FDA and other regulatory agencies, including international agencies;
- securing positive reimbursement for our products;
- the impact of any product liability, or other litigation to which we are, or may become a party;
- the impact of legislative or regulatory reform of the healthcare industry and the impact of recently enacted healthcare reform legislation;
- the availability and price of acceptable raw materials and components from third-party suppliers, and their ability to meet our demands;
- our ability, and that of our suppliers, development partners, and manufacturing partners, to comply with laws, regulations and standards, and the application and interpretation of those laws, regulations and standards, that govern or affect the pharmaceutical and biotechnology industries, the non-compliance with which may delay or prevent the development, manufacturing, regulatory approvals and sale of our products;
- defending against claims relating to improper handling, storage or disposal of hazardous chemical, radioactive or biological materials which could be time consuming and expensive;
- our ability to maintain the services of our key executives and technical and sales and marketing personnel;

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- the difficulty in predicting the timing or outcome of product development efforts and regulatory approvals; and
- demand and market acceptance for our approved products.

All subsequent written and oral forward-looking statements attributable to us or by persons acting on our behalf are expressly qualified in their entirety by these cautionary statements.

In addition, past financial or operating performance is not necessarily a reliable indicator of future performance, and you should not use our historical performance to anticipate results or future period trends. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. Except as required by law, we do not undertake to update any such forward-looking statements and expressly disclaim any duty to update the information contained in this Annual Report on Form 10-K.

Unless the context otherwise requires, all references in this Annual Report on Form 10-K to the “Company”, “we,” “us,” “our,” “Spectrum” and “Spectrum Pharmaceuticals” refer to Spectrum Pharmaceuticals, Inc. and its subsidiaries and other consolidated entities, as a consolidated entity. We primarily conduct our business activities as Spectrum Pharmaceuticals.

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PART I

ITEM 1. BUSINESS

Company Overview and Business Strategy

Our primary strategy is comprised of acquiring, developing, and commercializing a broad and diverse pipeline of late-stage clinical and commercial products. In addition to an efficient in-house clinical development organization with regulatory and data management capabilities, we have established a commercial infrastructure for our marketed products. Currently, we have six approved oncology/hematology products that target different types of non-Hodgkin's lymphoma ("NHL"), advanced metastatic colorectal cancer, acute lymphoblastic leukemia ("ALL"), and multiple myeloma ("MM").

We also have two drugs in late stage development:

- SPI-2012, is being developed for chemotherapy-induced neutropenia in patients with breast cancer.
- EOQUIN® (previously referred to as APAZIQUONE for intravesical instillation), is being developed for immediate intravesical instillation post-transurethral resection of bladder tumors in patients with non-muscle invasive bladder cancer.

Our passion to identify, develop and deliver important options for patients suffering from cancer is behind every action we take. We are committed to excellence and strive to make a difference in the lives of patients every day.

Cancer Background and Market Size

Cancer is a group of diseases characterized by the uncontrolled growth and spread of abnormal cells, which can result in death. The development of cancer is multi-factorial and includes both external factors (tobacco, infectious organisms, chemicals, and radiation) and internal factors (inherited mutations, hormones, immune conditions, and mutations that occur from exposure to environmental factors or errors in making DNA (deoxyribonucleic acid) during normal cell division). These causal factors may act together or in sequence to initiate or promote the development of cancer. Ten or more years often pass between exposure to these factors and the development of detectable cancer. Cancer is treated through surgery, radiation, chemotherapy, hormone therapy, immune therapy, and/or targeted drug therapy.

According to the American Cancer Society’s publication Cancer Facts & Figures 2015, cancer is the second leading cause of death in the U.S. (only behind heart disease). In the U.S., approximately 1.7 million new cancer cases were

expected to be diagnosed in 2015 and over 589,000 persons were expected to die from the disease. Anyone can develop cancer. Since the

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risk of being diagnosed with cancer increases with age, most cases occur in adults who are middle aged or older. About 77% of all cancers are diagnosed in people 55 years of age and older. In the U.S., men have slightly less than a 1 in 2 lifetime risk of developing cancer; for women, the risk is a little more than 1 in 3. These probabilities are estimated based on the overall experience of the general population. Individuals within the population may have higher or lower risk because of differences in exposures (e.g., smoking), and/or genetic susceptibility. In addition, currently available treatments are variably effective in the different cancers and individual patients. Together these patients' risks and the treatment limitations suggest a significant current and long-term demand for improved and novel cancer treatments.

Product Portfolio

We have a product portfolio consisting of both commercial stage and development stage products that address various cancer types (see "Research & Development" section below for our pipeline of cancer therapeutics that are in various development stages). We remain committed to growing the sales of our currently marketed products, as we strive to maintain a robust development pipeline.

Commercialized Products

Our commercialized drug products (or pending commercial launch in the case of EVOMELA), and their approved indications, are summarized in the following table:

FUSILEV

FUSILEV (levoleucovorin), a novel folate analog and the pharmacologically active isomer (the levo-isomer) of the racemic compound, calcium leucovorin. Leucovorin is a mixture of equal part of both isomers: the pharmacologically active levo-isomer and the inactive dextro-isomer. Preclinical studies have demonstrated that the inactive dextro-isomer may compete with the active levo-isomer for uptake at the cellular level. By removing the inactive dextro form, the dosage of FUSILEV is one-half that of leucovorin and patients are spared the administration of an inactive substance. FUSILEV is approved as a ready-to-use solution, and as freeze-dried powder. FUSILEV has the following indications for use:

- in combination chemotherapy with 5-fluorouracil in the palliative treatment of patients with advanced metastatic colorectal cancer, or mCRC.
- for rescue after high-dose methotrexate therapy in osteosarcoma; and
- to diminish the toxicity and counteract the effects of impaired methotrexate elimination and of inadvertent over dosage of folic acid antagonists.

FOLOTYN

FOLOTYN (pralatrexate injection), a folate analogue metabolic inhibitor, was discovered by Memorial Sloan-Kettering Cancer Center, SRI International and Southern Research Institute and developed by Allos Therapeutics, Inc. ("Allos"). In September 2009, the FDA granted accelerated approval for FOLOTYN for use as a single agent for the treatment of patients

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with relapsed or refractory PTCL. FOLOTYN was the first chemotherapy approved by the FDA, under its accelerated approval program, for the treatment of relapsed or refractory PTCL and has been available to patients in the U.S. since October 2009.

According to the Lymphoma Research Foundation, lymphoma is the most common blood cancer. Hodgkin's lymphoma and non-Hodgkin's lymphoma ("NHL") are the two main forms of lymphoma. Lymphoma occurs when lymphocytes, a type of white blood cell, grow abnormally and accumulate in one or more lymph nodes or lymphoid tissues. The body has two main types of lymphocytes that can develop into lymphomas: B-lymphocytes (B-cells) and T-lymphocytes (T-cells). PTCL comprises a group of rare and aggressive NHLs that develop from mature T-cells. PTCL accounts for approximately 5 to 15% of all NHL cases in the U.S and Europe.

Based on preclinical studies, we believe that FOLOTYN selectively enters cells expressing reduced folate carrier ("RFC"), a protein that is frequently over expressed on cancer cells compared to normal cells. Once inside cancer cells, FOLOTYN is efficiently polyglutamylated, which makes it less susceptible to efflux-based drug resistance and leads to high intracellular drug retention compared to other antifolates. Inside the cell, FOLOTYN targets the inhibition of dihydrofolate reductase ("DHFR"), an enzyme critical in the folate pathway, thereby interfering with DNA and RNA synthesis and triggering cancer cell death.

We are exploring additional settings for FOLOTYN where methotrexate ("MTX"), a drug in the same category as FOLOTYN, has been successfully used for decades in the treatment of breast cancer, bladder cancer, and lung cancer. We plan to test FOLOTYN's benefits in these settings because FOLOTYN is designed to provide greater activity than MTX. In addition to its use alone as a single agent, we are evaluating FOLOTYN as part of different chemotherapy combinations.

ZEVALIN

ZEVALIN (ibritumomab tiuxetan) injection for intravenous use is a prescription medication that is part of a three step treatment regimen consisting of: two treatments of rituximab and one treatment of Yttrium-90 (Y-90) ZEVALIN. The National Cancer Institute ("NCI") estimated 72,000 new cases of NHL in the U.S. in 2015. Rituximab is used to reduce the number of B-cells in the blood and Y-90 ZEVALIN is then given to treat NHL. It is currently approved in the U.S. and more than 40 countries outside the U.S. including countries in Europe, Latin America and Asia for (i) treatment of patients with recurring, low-grade or follicular B-cell NHL, after other anticancer drugs are no longer working, and (ii) newly diagnosed follicular NHL following a response to initial anticancer therapy.

MARQIBO

MARQIBO is a novel, sphingomyelin/cholesterol liposome-encapsulated formulation of the FDA-approved anticancer drug vincristine. MARQIBO's approved indication is for the treatment of adult patients with ALL in second or greater relapse or whose disease has progressed following two or more lines of anti-leukemia therapy. In the U.S., approximately 6,000 patients per year are diagnosed with ALL, of which approximately 1,600 can be categorized as ALL in second or greater relapse.

MARQIBO is also currently being explored for the treatment of the broader ALL indication as well as in NHL in addition to its approved treatment for Philadelphia chromosome-negative ALL.

BELEODAQ

BELEODAQ (belinostat) is a histone deacytelase, ("HDAC") inhibitor for the treatment of patients with relapsed or refractory PTCL. This indication was FDA approved in July 2014 under its accelerated approval program, based on tumor response rate and duration of response. BELEODAQ's anticancer effect is thought to be mediated through multiple mechanisms of action, including the inhibition of cell proliferation, induction of apoptosis (programmed cell death), inhibition of angiogenesis, induction of differentiation, and the activity in tumors that had become resistant to anticancer agents such as the platinums, taxanes and topoisomerase II inhibitors.

BELEODAQ is differentiated from other HDAC inhibitors that selectively inhibit a single class of HDAC enzymes because it inhibits all three classes of the zinc-dependent HDAC enzymes (Class I, Class II and Class IV); this leads to different alterations in histone and non-histone protein acetylation that, in turn, could importantly influence chromatin accessibility, gene transcription, and activity in different cancer patients, including those who develop drug resistant

disease.

BELEODAQ has many attributes that separate it from other currently marketed HDACs, including efficacy when used alone and in combination, less toxicities (when compared to the reported rates of some adverse events with the other currently-

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marketed HDACs), including less bone marrow toxicity, and a lack of other severe side effects, such as mucositis, that may enable full dose combinations of this drug with several other cytotoxic agents.

EVOMELA (previously referred to as Captisol-Enabled® MELPHALAN)

EVOMELA is intended for use as a conditioning treatment prior to autologous stem cell transplant for patients with MM. MM is a cancer of plasma cells, a type of white blood cell present mainly in the bone marrow that produces antibodies. In MM, a group of plasma cells (myeloma cells) become cancerous and multiply, raising the number of plasma cells to a higher-than-normal level, which can crowd out normal blood cells and lead to abnormally high proteins in the blood or urine. The NCI estimated 27,000 new cases of MM in the U.S. in 2015, with the incidence of new cases increasing by approximately 1.6% per year. The current intravenous Melphalan market is approximately $100 million annually, with predominant use in stem cell transplants.

The EVOMELA formulation avoids the use of propylene glycol (“PG”), which is required as a co-solvent in the currently-available formulation of this product. PG has been reported to cause adverse renal and cardiac side-effects that limit the ability to deliver higher quantities of intended therapeutic compounds. The use of Captisol technology to reformulate EVOMELA is anticipated to allow for longer administration durations and slower infusion rates, potentially enabling clinicians to avoid reductions, and safely achieve a higher dose intensity for pre-transplant chemotherapy.

EVOMELA was granted Orphan Drug status by the FDA for use as a high-dose conditioning regimen prior to hematopoietic progenitor (stem) cell transplantation. In December 2014, we filed our new drug application (“NDA”) for EVOMELA with the FDA. On October 23, 2015, we received a Complete Response Letter (“CRL”) from the FDA for this NDA that did not identify any clinical deficiencies, and we subsequently resubmitted our NDA. On March 10, 2016, the FDA communicated its approval of our NDA for EVOMELA as a high-dose conditioning treatment prior to hematopoietic progenitor (stem) cell transplantation in patients with MM, and for the palliative treatment of patients with MM for whom oral therapy is not appropriate. We plan to commercially launch EVOMELA as soon as possible.

Product Pipeline

SPI-2012

SPI-2012 is being investigated for the treatment of chemotherapy-induced neutropenia. In January 2012, we entered into a co-development and commercialization agreement for worldwide rights, except for Korea, China, and Japan, with Hanmi Pharmaceutical Co., Ltd. ("Hanmi"), for SPI-2012 based on Hanmi’s proprietary LAPSCOVERY Technology. Chemotherapy can cause myelosuppression and unacceptably low levels of white blood cells, making patients prone to infections, hospitalizations, and interruption of additional chemotherapy treatments.

Granulocyte colony-stimulating factor, or GCSF, stimulates the production of white blood cells by the bone marrow. A recombinant form of GCSF is used in appropriate cancer patients to accelerate recovery from neutropenia after chemotherapy, allowing higher-intensity treatment regimens to be given at full-dose and on schedule. We believe the worldwide annual market opportunity for GCSF-related drugs is over $6 billion.

In September 2014, we announced our decision to advance SPI-2012 to Phase 3 trials due to positive Phase 2 results in our collaboration program with Hanmi, and began discussions with the FDA and the European Medicines Agency (“EMA”) to discuss our Phase 3 design. In December 2015, we reached agreement with the FDA regarding our Phase 3 SPA for SPI-2012. We have designated more than 100 sites for this clinical trial, and initiated this Phase 3 clinical study beginning in January 2016. This trial will evaluate the safety and efficacy of SPI-2012 as a treatment for chemotherapy-induced neutropenia in patients with breast cancer, and will serve as the basis for our Biologics License Application ("BLA") filing.

POZIOTINIB

POZIOTINIB is a novel, oral pan-HER inhibitor that irreversibly blocks signaling through the Epidermal Growth Factor Receptor (EGFR, HER) Family of tyrosine-kinase receptors, including HER1 (erbB1; EGFR), HER2 (erbB2), HER4 (erbB4), and HER receptor mutations. This, in turn, leads to the inhibition of the proliferation of tumor cells that over-express these receptors. Mutations or over-expression/amplification of EGFR family receptors have been associated with a number of different cancers, including non-small cell lung cancer ("NSCLC"), breast cancer, and

gastric cancer. POZIOTINIB has shown single agent activity in the treatment of various cancer types, including breast, gastric, colorectal and lung cancers. POZIOTINIB has shown promising early clinical activity in Phase 1 trials in patients who had failed multiple lines of treatment

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including the HER2-directed therapies, trastuzumab and lapatinib. POZIOTINIB is currently being investigated by Hanmi in several mid-stage trials in different solid tumor indications including EGFR-mutant NSCLC, gastric cancer, head and neck cancer and HER2 positive breast cancer.

In November 2015, we submitted an Investigational New Drug ("IND") application with the FDA. In March 2016 we initiated our Phase 2 Breast Cancer Trial. The Phase 2 study is an open-label study that will enroll approximately 70 patients with HER-2 positive metastatic breast cancer, who have failed at least two HER-2 directed therapies. The dose and schedule of oral POZIOTINIB will be based on clinical experience from the studies in Korea, and in addition include the use of prophylactic therapies to help minimize known side-effects of HER-2 directed therapies.

In February 2015, we executed a global in-license agreement (excluding Korea and China) with Hanmi Pharmaceutical Co., Ltd for POZIOTINIB, a pan-HER inhibitor in Phase 2 clinical trials in return for our upfront payment and future regulatory and sales-dependent milestone payments. POZIOTINIB has shown single agent activity in the treatment of various cancer types, including breast, gastric, colorectal and lung cancers. In the Phase 1 study for this drug, 6 of 10 breast cancer patients demonstrated partial responses; we also believe the safety profile was consistent with similar drug classes, with four patients having a grade 3 diarrhea response.

EOQUIN (previously referred to as APAZIQUONE)

EOQUIN is a bio-reductive alkylating indoloquinone that is enzymatically activated by enzymes that are over expressed by bladder tumors that is being tested in non-muscle invasive bladder ("NMIBC").

The NCI estimates that the 2015 incidence and prevalence of bladder cancer in the U.S. was approximately 74,000 cases. The global presence of bladder cancer is estimated at 2.7 million cases. According to Botteman et al., (PharmacoEconomics 2003), bladder cancer is the most expensive cancer to treat on a lifetime basis. The overall cost of bladder cancer treatment in the U.S. is approximately $3.4 billion annually, most of which is related to the direct treatment of this disease.

The initial treatment of bladder cancer is to attempt a complete surgical removal of the tumor. However, bladder cancer is a highly recurrent disease with approximately 80% of patients recurring within five years, and a majority of patients recurring within two years. This high recurrence rate is attributed to:

- the highly implantable nature of cancer cells that are dispersed during surgery;
- incomplete tumor resection; and
- tumors present in multiple locations in the bladder which may be missed or too small to visualize at the time of resection.

Despite evidence in the published literature and guidance from the American and European Urology Associations, instillation of a chemotherapeutic agent immediately following surgery is not a standard clinical practice. Currently, there are no FDA approved drugs for this indication which may, in part, explain the difference between the literature and urology guidelines and actual clinical management of this disease. For more than 30 years, no new drugs have been introduced in the market for treatment of NMIBC. EOQUIN represents much needed therapy for patients and may provide a meaningful opportunity to reduce overall medical costs.

Pharmacokinetic studies have verified that EOQUIN is rarely detectable in the bloodstream of patients when it is administered either after surgical resection or as a part of a delayed multi-instillation protocol. EOQUIN is inactivated in the systemic circulation by the red blood cell fraction. The proposed dose therefore carries a minimal risk of systemic toxicity that could arise from absorption of a drug through the bladder wall into the bloodstream. These features of EOQUIN are distinct from other intravesical agents currently in use for the treatment of recurrent bladder cancer. An immediate instillation of EOQUIN may help by:

- reducing tumor recurrence by destroying dispersed cancer cells that would otherwise re-implant onto the inner lining of the bladder;
- destroying remaining cancer cells at the site of tumor resection (also known as chemo-resection); and
- destroying tumors not observed during resection (also known as chemo-ablation).

In August 2015, we reached agreement with the FDA on the Special Protocol Assessment ("SPA") of the planned Phase 3 clinical trial of EOQUIN. This trial commenced with its first patient dosing in October 2015, and is designed to evaluate the intravesical use of this drug for the treatment of patients with NMIBC as one or two instillations, immediately following

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transurethral resection of bladder tumor ("TURBT"). In December 2015, we submitted our NDA for EOQUIN with the FDA, based on the pooled results of a previous Phase 3 program. In February 2016, the FDA accepted the EOQUIN NDA for review and indicated that it plans to hold an advisory committee meeting regarding the NDA and set a target decision date of December 11, 2016.

Manufacturing

We currently do not have internal manufacturing capabilities; therefore, all of our products are manufactured on a contract basis. We expect to continue to contract with third-party providers for manufacturing and packaging services, including active pharmaceutical ingredients (“API”) and finished-dosage products. We believe that our current agreements with third-party manufacturers provide for sufficient operating capacity to support the anticipated commercial demand and clinical requirements for our products. However, we are actively seeking multiple supplier sources for all our drug products in order to mitigate the risk of over-reliance on any one supplier. We attempt to prevent supply disruption through supply agreements, appropriate forecasting, and maintaining base stock levels. We believe that we could quickly enter into another supply or manufacturing agreement on substantially similar terms if we were required to do so.

Sales and Marketing

We presently market and sell our pharmaceutical products through a direct sales force in the U.S., and through distributors in Europe (and previously in Japan). Our U.S. sales team is divided between “corporate accounts” and “oncology accounts.” The primary decision makers for our products are oncologists and hematologists. As of December 31, 2015, our U.S. sales force (management, representatives, and direct support) numbered 100 employees.

Customers

Our product sales are concentrated to large pharmaceutical distributors (that ship and bill to hospitals and clinics). The customers that represent 10% or more of our total gross product sales in 2015, 2014 and 2013 are as follows:

| | Product Sales | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Oncology Supply, a division of ASD Specialty Healthcare, Inc., and its affiliates (excluding ICS) | 36.7 % | 40.4 % | 35.4 % |
| McKesson Corporation and its affiliates | 34.2 % | 32.9 % | 19.8 % |
| Cardinal Health, Inc. and its affiliates | 17.4 % | * | * |
| Integrated Commercialization Solutions, Inc. (“ICS”) | * | * | 15.8 % |

* Less than 10%

We are exposed to credit risk associated with trade receivables that result from these product sales. We do not require collateral or deposits from our customers due to our assessment of their creditworthiness and our long-standing relationship with them. We maintain reserves for potential bad debt, though credit losses have historically been nominal and within management’s expectations. A summary of our customers that represent 10% or more of our accounts receivables, net, as of December 31, 2015 and 2014 are as follows:

| | Accounts Receivable, net December 31, 2015 |
|---|---|