

SPECTRUM PHARMACEUTICALS INC
Form 8-K/A
August 06, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 16, 2013

SPECTRUM PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction)

001-35006
(Commission)

93-0979187
(IRS Employer)

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of Incorporation)

File Number)

Identification No.)

11500 S. Eastern Ave., Ste. 240,

Henderson, NV
(Address of Principal Executive Offices)

89052
(Zip Code)

Registrant's telephone number, including area code: (702) 835-6300

Not Applicable

(Former name or former address if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

EXPLANATORY NOTE

This Current Report on Form 8-K/A amends and supplements Item 9.01 of the Current Report on Form 8-K filed by Spectrum Pharmaceuticals, Inc. (Spectrum) with the Securities and Exchange Commission (the SEC) on July 19, 2013 (the Initial Form 8-K) to include the financial statements and pro forma financial information required by parts (a) and (b) of Item 9.01 of Form 8-K that were not available at the time of the filing of the Initial Form 8-K and filed by amendment no later than 71 calendar days after the Initial Form 8-K was required to be filed with the SEC. Such financial statements and pro forma financial information are required as a result of Spectrum's July 17, 2013 acquisition of Talon Therapeutics, Inc. (Talon) by a short form merger of Eagle Acquisition Merger Sub, Inc., a wholly-owned subsidiary of Spectrum (Purchaser), with and into Talon pursuant to the terms of that certain Stock Purchase Agreement, dated as of July 16, 2013, by and among Spectrum, Purchaser and Talon (the Purchase Agreement).

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired

The historical audited financial statements of Talon and related notes for the years ended December 31, 2012 and December 31, 2011 contained in its Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC on April 1, 2013 (File No. 001-32626) are incorporated herein by reference. Talon's financial statements for the year ended December 31, 2010 have been omitted pursuant to Rule 3-05(b) of Regulation S-X because Talon's net revenues in its most recent fiscal year were less than \$50 million.

The historical unaudited financial statements of Talon and related notes for the three months ended March 31, 2013 contained in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed with the SEC on May 15, 2013 (File No. 001-32626) are incorporated herein by reference.

(b) Unaudited Pro Forma Condensed Combined Financial Information

On July 17, 2013, Spectrum completed the acquisition of Talon pursuant to the terms of the Purchase Agreement.

The unaudited pro forma condensed combined financial statements presented below are based on, and should be read in conjunction with the:

Spectrum's historical financial statements and related notes thereto contained in its Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC on February 28, 2013;

Spectrum's historical financial statements and related notes thereto contained in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed with the SEC on May 9, 2013;

Talon's historical financial statements and related notes contained in its Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC on April 1, 2013; and

Talon's historical financial statements and related notes contained in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed with the SEC on May 15, 2013.

The following unaudited pro forma condensed combined financial statements for the year ended December 31, 2012 and for the three months ended March 31, 2013 included in this report have been prepared as if the acquisition occurred on January 1, 2012. The unaudited pro forma condensed combined balance sheet as of March 31, 2013 has been prepared as if the acquisition occurred on March 31, 2013. The historical financial information is adjusted in the unaudited pro forma condensed combined financial statements to only give effect to pro forma events that are (1) directly attributable to the acquisition; (2) factually supportable; and (3) with respect to the statement of operations,

expected to have a continuing impact on the combined results of Spectrum and Talon. The unaudited pro forma condensed combined financial statements should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial statements presented below and with the separate historical financial statements of Spectrum and Talon.

The unaudited pro forma condensed combined financial statements are based on estimates and assumptions and are presented for illustrative purposes only and are not necessarily indicative of what the combined company's results of operations actually would have been had the acquisition been completed as of the dates indicated. Additionally, the unaudited pro forma condensed combined financial information are not necessarily indicative of the condensed combined financial position or results of operations in future periods or the results that actually would have been realized if the acquisition had been completed as of the dates indicated.

The unaudited pro forma adjustments related to the acquisition have been prepared using the acquisition method of accounting under existing U.S. generally accepted accounting principles, which are subject to change and interpretation and are based on a preliminary purchase price allocation. The allocation of purchase price for acquisitions requires extensive use of accounting estimates, assumptions and judgments to allocate the purchase price to the identifiable tangible and intangible assets acquired and liabilities assumed, based on their respective estimated fair values. The purchase price for Talon was allocated to tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. Spectrum engaged an independent third-party valuation firm to assist in determining the estimated fair values of in-process research and development, identifiable intangible assets and certain tangible assets and contingent value right liability. Such valuations require significant estimates and assumptions including but not limited to: determining the timing and estimated costs to complete the in-process projects, projecting regulatory approvals, estimating future cash flows, and developing appropriate discount rates. Spectrum believes the preliminarily estimated fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions. Actual adjustments will be based on analyses of fair values of identifiable tangible and intangible assets, deferred tax assets and liabilities and estimates of the useful lives of tangible and amortizable intangible assets, which will be completed after Spectrum obtains a final third-party valuation, performs its own assessments and reviews all available data. The final purchase price allocation will be performed using estimated fair values as of the acquisition. The fair value estimates for the purchase price allocation may change if additional information becomes available. Differences between these purchase price allocations and any changes thereto could have a material impact on the unaudited pro forma condensed combined financial statements and Spectrum's future results of operations and financial position.

The unaudited pro forma condensed combined financial statements do not reflect the realization of any potential operating synergies or savings or other operational improvements, if any, that the combined company may achieve as a result of the acquisition, the costs to integrate the operations of Spectrum and Talon or the costs necessary to achieve potential operating synergies and revenue enhancements. No assurance can be given that cost saving synergies will be realized.

Pro forma adjustments are necessary to reflect the estimated purchase price, including the new equity structure, and to adjust Talon's net tangible and intangible assets and liabilities to estimated fair values. Pro forma adjustments are also necessary to reflect the amortization expense related to amortizable intangible assets related to the pro forma adjustments.

The pro forma adjustments to Talon's assets and liabilities and allocation of purchase price are based on Spectrum management's preliminary estimates of the fair value of the assets to be acquired and liabilities to be assumed. Spectrum made estimates of fair value of the Talon assets acquired and liabilities assumed using reasonable assumptions based on historical experience and information obtained from Talon management.

SPECTRUM PHARMACEUTICALS, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED

STATEMENT OF OPERATIONS

For the year ended December 31, 2012

	Historical		Pro Forma Adjustments (Note 5)	Pro Forma Combined
	Spectrum	Talon		
(in thousands, except share and per share data)				
Revenues:				
Net product sales	\$ 254,992	\$	\$	\$ 254,992
License and contract revenue	12,715			12,715
Total revenues	267,707			267,707
Operating costs and expenses:				
Cost of sales (excludes amortization of purchased intangible assets)	46,633			46,633
Cost of license and other revenue				
Selling, general and administrative	91,965	7,901		99,866
Research and development	42,544	12,899		55,443
Amortization of purchased intangible assets	6,741			6,741
Total operating costs and expenses	187,883	20,800		208,683
Income (loss) from operations	79,824	(20,800)		59,024
Non-operating income (expense):				
Change in fair value of common stock warrant liability		(73)		(73)
Change in fair value of preferred stock purchase rights		(19,079)	19,079 (e)	
Other (loss) income, net	(844)	(3,748)	3,522 (b), (a)	(1,070)
Income (loss) before income taxes	78,980	(43,700)	22,601	57,881
Benefit (provision) for income taxes	15,565		(7,526) (f)	8,039
Net income (loss)	94,545	(43,700)	15,075	65,920
Deemed dividends attributable to preferred stock		(21,084)	21,084 (l)	
Net income (loss) applicable to common stock	\$ 94,545	\$ (64,784)	\$ 36,159	\$ 65,920
Net income (loss) per share:				
Basic	\$ 1.61	\$ (2.95)	\$	\$ 1.07
Diluted	\$ 1.46	\$ (2.95)	\$	\$ 0.97
Weighted average shares outstanding:				
Basic	58,588,916	21,925,200	3,000,000 (h)	61,588,916
Diluted	64,637,256	21,925,200	3,000,000 (h)	67,637,256

See accompanying notes to unaudited pro forma condensed combined financial statements.

SPECTRUM PHARMACEUTICALS, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED

STATEMENT OF OPERATIONS

For the three months ended March 31, 2013

	Historical		Pro Forma Adjustments (Note 5)	Pro Forma Combined
	Spectrum	Talon		
(in thousands, except share and per share data)				
Revenues:				
Net product sales	\$ 29,346	\$	\$	\$ 29,346
License and contract revenue	9,321			9,321
Total revenues	38,667			38,667
Operating costs and expenses:				
Cost of sales (excludes amortization of purchased intangible assets)	6,782			6,782
Cost of license and other revenue				
Selling, general and administrative	22,347	1,945		24,292
Research and development	11,981	2,809		14,790
Amortization of purchased intangible assets	2,368			2,368
Total operating costs and expenses	43,478	4,754		48,232
Loss from operations	(4,811)	(4,754)		(9,565)
Non-operating income (expense):				
Change in fair value of common stock warrant liability		(142)		(142)
Change in fair value of preferred stock purchase rights		(11,636)	11,636 (e)	
Other (expense) income, net	(1,318)	(944)	809 (b), (a)	(1,453)
Loss before income taxes	(6,129)	(17,476)	12,445	(11,160)
Benefit (provision) for income taxes	3,340		(4,144) (f)	(804)
Net loss	(2,789)	(17,476)	8,301	(11,964)
Deemed dividends attributable to preferred stock		(5,110)	5,110 (l)	
Net loss applicable to common stock	\$ (2,789)	\$ (22,586)	\$ 13,411	\$ (11,964)
Net loss per share:				
Basic	\$ (0.05)	\$ (1.03)		\$ (0.19)
Diluted	\$ (0.05)	\$ (1.03)		\$ (0.19)
Weighted average shares outstanding:				
Basic	59,181,380	22,011,000	3,000,000 (h)	62,181,380
Diluted	59,181,380	22,011,000	3,000,000 (h)	62,181,380

See accompanying notes to unaudited pro forma condensed combined financial statements.

SPECTRUM PHARMACEUTICALS, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED

BALANCE SHEET

As of March 31, 2013