PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
February 26, 2018

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of February, 2018

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. PETROBRAS

(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation PETROBRAS

(Translation of Registrant s name into English)

Avenida República do Chile, 65

20031-912 - Rio de Janeiro, RJ

Federative Republic of Brazil

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

Petrobras and Ibama sign a Term of Commitment

Rio de Janeiro, February 23, 2018 - Petróleo Brasileiro SA - Petrobras informs that it signed today, with the Brazilian federal Environmental Agency (Ibama), Term of Commitment that establishes the necessary actions and measures, during the transition period of two years, to adjust the water disposal process produced from some of Petrobras offshore production platforms to the recent requirements of Ibama.

The Term of Commitment reaffirms the company s compromise with the continuous improvement of its production processes, in accordance with the technical requirements of Ibama, as well as its care and respect for the environment.

www.petrobras.com.br/ir

Contacts:

PETRÓLEO BRASILEIRO S.A. PETROBRAS | Investor Relations Department | e-mail: petroinvest@petrobras.com.br

Av. República do Chile, 65 10th floor, 1002 B 20031-912 Rio de Janeiro, RJ | Phone: 55 (21) 3224-1510 / 3224-9947

FORWARD-LOOKING STATEMENTS

This release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are subject to risks and uncertainties. The forward-looking statements, which address the Company s expected business and financial performance, among other matters, contain words such as believe, expect, estimate, anticipate, optimistic, intend, plan, aim, will, may, should, could, would, likely, and similar expressions cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. There is no assurance that the expected events, trends or results will actually occur. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

The Company s actual results could differ materially from those expressed or forecast in any forward-looking statements as a result of a variety of assumptions and factors. These factors include, but are not limited to, the following: (i) failure to comply with laws or regulations, including fraudulent activity, corruption, and bribery; (ii) the outcome of ongoing corruption investigations and any new facts or information that may arise in relation to the Lava Jato Operation ; (iii) the effectiveness of the Company s risk management policies and procedures, including operational risk; and (iv) litigation, such as class actions or proceedings brought by governmental and regulatory agencies. A description of other factors can be found in the Company s Annual Report on Form 20-F for the year ended December 31, 2016, and the Company s other filings with the U.S. Securities and Exchange Commission.

SIGNATURES

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

Date: February 23, 2018.

PETRÓLEO BRASILEIRO S.A PETROBRAS

By: /s/ Ivan de Souza Monteiro
Ivan de Souza Monteiro
Chief Financial Officer and Investor Relations Officer

pt;page-break-after:avoid;">

2,857,143

11.31

%

7.64

%

c/o OrbiMed Advisors LLC

767 Third Avenue, 30th Floor

New York, NY 10017

SDS Capital Group SPC, Ltd.(5)(7)(9)(13)

49

11.70

%

1,914,030

7.41

%

2.23

%

c/o SDS Management, LLC

53 Forest Avenue, Suite 201

Old Greenwich, CT 06870

---

(1) The amount includes the combined number of shares of both our Series D Preferred Stock and our Series E Preferred Stock owned by the entity as of May 8, 2006. There are no outstanding shares of any other series of our Preferred Stock.

(2) Represents the percentage of the combined number of outstanding shares of both our Series D and Series E Preferred Stock.

(3) Shares of Common Stock owned as of May 8, 2006 and shares of Common Stock subject to Preferred Stock, warrants currently convertible or exercisable, or convertible or exercisable within 60 days of

May 8, 2006, are deemed beneficially owned and outstanding for computing the percentage of the person holding such securities, but are not considered outstanding for computing the percentage of any other person. Share numbers and percentages for each stockholder include all such shares of common stock that may be acquired through the conversion or exercise of convertible preferred stock, warrants or options held by such stockholder without regard to the limitations described in footnotes (4), (5), (7), (8) and (9) below, and therefore may not represent the number of shares or percentage of shares the stockholder is deemed to beneficially owned under applicable securities laws. On May 8, 2006, each share of Series D Preferred Stock was convertible into approximately 4,255 shares of our Common Stock and each share of Series E Preferred Stock was convertible into approximately 2,000 shares of our Common Stock.

(4) Reflects actual voting percentage. Each holder of Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such shares of Preferred Stock could be converted on the record date at the then current conversion value as determined pursuant to the Certificates of Designations, Rights and Preferences of the Preferred Stock. However, pursuant to the terms of the Certificates of Designations, the maximum number of votes that each holder of shares of Preferred Stock shall be entitled to shall not exceed 4.95% of the total number of shares of Common Stock then outstanding or 276,192 votes for the Series D Preferred Stock and 342,000 votes for the Series E Preferred Stock.

(5) This entity owns warrants which provide that the number of shares of our Common Stock that may be acquired by any holder of the warrants upon exercise of the warrants is limited to the extent necessary to ensure that, following such exercise, the number of shares of our Common Stock then beneficially owned by such holder and any other persons or entities whose beneficial ownership of Common Stock would be aggregated with the holder s for purposes of the Exchange Act, does not exceed 9.99% of the total number of shares of our Common Stock then outstanding.

(6) Based on information provided to us by the holder, Dorset Management Corporation provides investment management services to certain entities that own shares of common stock and warrants totaling 1,098,300 shares of common stock and 500,000 warrants. David M. Knott is the natural person who exercises voting and investment control over the securities beneficially owned by Dorset Management Corporation. Knott Partners, LP owns 335,800 shares and 179,500 warrants, Matterhorn Offshore Fund Ltd owns 483,200 shares and 196,700 warrants, CommonFund Hedged Equity Co. owns 40,300 shares and 22,550 warrants, Good Steward Trading Co. owns 12,600 shares and 6,400 warrants, Shoshone Partners, LP owns 210,100 shares and 89,250 warrants, Mulsanne Partners owns 2,700 shares, and Finderne LLC owns 13,600 shares and 5,600 warrants.

(7) The entity owns warrants which provide that the number of shares of our Common Stock that may be acquired by any holder of the warrants upon exercise of the warrants is limited to the extent necessary to ensure that, following such exercise, the number of shares of our Common Stock then beneficially owned by such holder and any other persons or entities whose beneficial ownership of Common Stock would be aggregated with the holder s for purposes of the Exchange Act, does not exceed 4.95% of the total number of shares of our Common Stock then outstanding.

(8) This entity owns warrants which provide that the number of shares of our Common Stock that may be acquired by any holder of the warrants upon exercise of the warrants is limited to the extent necessary to ensure that, following such exercise, the number of shares of our Common Stock then beneficially owned by such holder and any other persons or entities whose beneficial ownership of Common Stock

would be aggregated with the holder s for purposes of the Exchange Act, does not exceed 9.95% of the total number of shares of our Common Stock then outstanding.

(9) This entity owns warrants which provide that the number of shares of our Common Stock that may be acquired by any holder of the warrants upon exercise of the warrants is limited to the extent necessary to ensure that, following such exercise, the number of shares of our Common Stock then beneficially owned by such holder and any other persons or entities whose beneficial ownership of Common Stock would be aggregated with the holder s for purposes of the Exchange Act, does not exceed 4.99% of the total number of shares of our Common Stock then outstanding.

(10) Based on information provided to us by the holder, North Sound Capital LLC (North Sound) may be deemed the beneficial owner of the securities described herein in its capacity as the managing member of North Sound Legacy Institutional Fund LLC and the investment advisor of North Sound Legacy International Ltd. (the Funds), who are the holders of such securities. As the managing member or investment advisor, respectively, of the Funds, North Sound has voting and investment control with respect to the securities held by the Funds. The ultimate managing member of North Sound is Thomas McAuley. North Sound s beneficial ownership as presented above includes 1,991,186 shares of Common Stock issuable upon exercise of warrants; the effect of converting the 78 shares of Series D Preferred Stock into 331,915 shares of Common Stock; and the effect of converting the 120 shares of Series E Preferred Stock into 240,000 shares of Common Stock, although North Sound may not be deemed to beneficially own certain of such securities under applicable securities laws. Each of North Sound and Mr. McAuley disclaims beneficial ownership of any shares held by the Funds except to the extent of their respective economic interests in each Fund.

(11) Based on information provided to us by the holder, Omicron Capital, L.P. is a related entity to Omicron Master Trust, and therefore, their holdings have been aggregated for purposes of this table. Omicron s beneficial ownership includes 206,314 shares of Common Stock issuable upon exercise of warrants and the effect of converting the 150 shares of Series E Preferred Stock into 300,000 shares of Common Stock. Omicron Capital, L.P., a Delaware limited partnership (Omicron Capital), serves as investment manager to Omicron Master Trust, a trust formed under the laws of Bermuda (Omicron), Omicron Capital, Inc., a Delaware corporation (OCI), serves as general partner of Omicron Capital, and Winchester Global Trust Company Limited (Winchester) serves as the trustee of Omicron. By reason of such relationships, Omicron Capital and OCI may be deemed to share dispositive power over the shares of our Common Stock owned by Omicron, and Winchester may be deemed to share voting and dispositive power over the shares of our Common Stock owned by Omicron. Omicron Capital, OCI and Winchester disclaim beneficial ownership of such shares of our Common Stock. Omicron Capital has delegated authority from the board of directors of Winchester regarding the portfolio management decisions with respect to the shares of Common Stock owned by Omicron and, as of May 8, 2006, Mr. Olivier H. Morali and Mr. Bruce T. Bernstein, officers of OCI, have delegated authority from the board of directors of OCI regarding the portfolio management decisions of Omicron Capital with respect to the shares of Common Stock owned by Omicron. By reason of such delegated authority, Messrs. Morali and Bernstein may be deemed to share dispositive power over the shares of our Common Stock owned by Omicron. Messrs. Morali and Bernstein disclaim beneficial ownership of such shares of our Common Stock and neither of such persons has any legal right to maintain such delegated authority. No other person has sole or shared voting or dispositive power with respect to the shares of our Common Stock owned by Omicron, as those terms are used for purposes under Regulation 13D-G of the Exchange Act, as amended. Omicron and

Winchester are not affiliates of one another, as that term is used for purposes of the Securities Exchange Act of 1934, as amended, or of any other person named in this Proxy Statement as a stockholder. No person or group (as that term is used in Section 13(d) of the Securities Exchange Act of 1934, as amended, or the SEC s Regulation 13D-G) controls Omicron and Winchester.

(12) Based on information provided to us by the holder, OrbiMed Advisors LLC and OrbiMed Capital LLC are registered investment advisers under the Investment Advisers Act of 1940, as amended, that act as investment advisers or general partners to certain clients which hold shares of our Common Stock, as more particularly described above. OrbiMed Advisors LLC and OrbiMed Capital LLC are related entities under common ownership and control. Samuel D. Isaly is the managing member of OrbiMed Advisors LLC and OrbiMed Capital LLC and as such maintains voting control of the shares in the Company. OrbiMed Advisors LLC and OrbiMed Capital LLC hold shares on behalf of Caduceus Capital Master Fund Limited (589,062 shares and 294,531 warrants), Caduceus Capital II, L.P. (306,000 shares and 153,000 warrants), UBS Eucalyptus Fund, LLC (500,000 shares and 250,000 warrants), PW Eucalyptus Fund, Ltd. (50,000 shares and 25,000 warrants), HFR SHC Aggressive Trust (117,000 shares and 58,500 warrants), Knightsbridge Post Venture IV L.P. (71,000 shares and 35,500 warrants), Knightsbridge Integrated Holdings, V, LP (79,000 shares and 39,500 warrants), Knightsbridge Netherlands II, LP (20,000 shares and 10,000 warrants), Knightsbridge Integrated Holdings IV Post Venture, LP (30,000 shares and 15,000 warrants), Knightsbridge Post Venture III, LP (19,500 shares and 9,750 warrants), Knightsbridge Netherlands I LP (18,800 shares and 9,400 warrants), Knightsbridge Netherlands III LP (19,300 shares and 9,650 warrants), Knightsbridge Integrated Holdings II Limited (24,500 shares and 12,250 warrants), Knightsbridge Venture Completion 2005 LP (7,500 shares and 3,750 warrants), and Knightsbridge Venture Capital VI LP (20,300 shares and 10,150 warrants), Knightsbridge Venture Capital IV LP (19,200 shares and 9,600 warrants), and Knightsbridge Venture Capital III LP (13,600 shares and 6,800 warrants).

(13) Based on information provided to us by the holder, SDS Capital Group SPC, Ltd. s beneficial ownership includes 1,304,256 shares of Common Stock issuable upon exercise of warrants and the effect of converting the 49 shares of Series D Preferred Stock into 207,957 shares of Common Stock. SDS Management, LLC is the Investment Manager of SDS Capital Group SPC, Ltd. Steve Derby is the sole Managing Member of SDS Management, LLC, and is the natural person who exercises voting and investment control over the securities beneficially owned by SDS Capital Group SPC, Ltd.

8

The following table sets forth information about our shares of Common Stock that are or may be beneficially owned on May 8, 2006 (unless otherwise indicated) by (i) each Named Executive Officer (as defined on page 28); (ii) each of our directors and director nominees; and (iii) our directors and executive officers as a group. Unless otherwise noted, each stockholder has sole voting power and sole investment power with respect to the securities shown in the table below.

Name of Beneficial Owner	Shares Owned(1)	Percent of Shares Outstanding
Named Executive Officers		
Shrotriya, Rajesh(2)	1,378,562	5.4 %
Lenaz, Luigi(3)	509,684	2.1 %
Shyam Kumaria(4)	153,486	*
Directors/Director Nominees		
Fulmer, Richard(5)	18,750	*
Krassner, Stuart(5)	19,500	*
Maida, Anthony(6)	43,750	*
Mehta, Dilip(7)	50,750	*
Vida, Julius(7)	50,750	*
All Executive Officers and Directors as a group (8 persons)(8)	2,225,232	8.5 %

* less than 1%

(1) Shares of Common Stock owned as of May 8, 2006 and shares of Common Stock subject to options and warrants currently exercisable or exercisable within 60 days of May 8, 2006, are deemed beneficially owned and outstanding for computing the percentage of the person holding such securities, but are not considered outstanding for computing the percentage of any other person.

(2) Includes 1,255,100 shares of our Common Stock subject to stock options held by Dr. Shrotriya, which are currently exercisable or exercisable within 60 days of May 8, 2006. The number does not include 200 shares of our Common Stock beneficially owned by Rick Shrotriya, Dr. Shrotriya s adult son, for which Dr. Shrotriya disclaims beneficial ownership. In addition, includes 60,000 unvested restricted shares of our Common Stock subject to future vesting. The holders of restricted stock are entitled to vote and receive dividends, if declared, on the shares of Common Stock covered by the restricted stock grant.

(3) Includes 404,150 shares of our Common Stock subject to stock options held by Dr. Luigi Lenaz, and 30,000 shares of our Common Stock subject to a currently exercisable option held by his wife, M. Dianne DeFuria, which are currently exercisable or exercisable within 60 days of May 8, 2006. In addition, includes 22,500 unvested restricted shares of our Common Stock subject to future vesting. The holders of restricted stock are entitled to vote and receive dividends, if declared, on the shares of Common Stock covered by the restricted stock grant.

(4) Includes 127,500 shares of our Common Stock subject to stock options held by Mr. Kumaria, which are currently exercisable or exercisable within 60 days of May 8, 2006. In addition, includes 15,000 unvested restricted shares of our Common Stock subject to future vesting. The holders of restricted stock are entitled to vote and receive dividends, if declared, on the shares of Common Stock covered by the restricted stock grant.

(5) Includes 13,750 shares of our Common Stock subject to stock options, which are currently exercisable or exercisable within 60 days of May 8, 2006, and 3,750 unvested restricted shares of our Common Stock subject to future vesting. The holders of restricted stock are entitled to vote and receive dividends, if declared, on the shares of Common Stock covered by the restricted stock grant.

(6) Includes 38,750 shares of our Common Stock subject to stock options, which are currently exercisable or exercisable within 60 days of May 8, 2006, and 3,750 unvested restricted shares of our Common Stock subject to future vesting. The holders of restricted stock are entitled to vote and receive dividends, if declared, on the shares of Common Stock covered by the restricted stock grant.

(7) Includes 45,750 shares of our Common Stock subject to stock options, which are currently exercisable or exercisable within 60 days of May 8, 2006, and 3,750 unvested restricted shares of our Common Stock subject to future vesting. The holders of restricted stock are entitled to vote and receive dividends, if declared, on the shares of Common Stock covered by the restricted stock grant.

(8) Includes 1,974,500 shares of our Common Stock subject to stock options which are current exercisable or exercisable within 60 days of May 8, 2006 and 116,250 unvested restricted shares held as a group.

EXECUTIVE OFFICERS

The following table provides information regarding our executive officers, their ages, the year in which each first became an officer of the Company and descriptions of their backgrounds.

Name and Age

Rajesh C. Shrotriya, M.D. (62) Chairman of the Board, Chief Executive Officer and President	Information regarding Dr. Shrotriya is provided under Proposal 1 Election of Directors on page 12 of this report.
Luigi Lenaz, M.D. (65) Chief Scientific Officer	*Dr. Lenaz* has served as Chief Scientific Officer since February 2005. From November 2000 until February 2005, Dr. Lenaz served as the President of Spectrum s Oncology Division. Prior to joining Spectrum Pharmaceuticals, Inc., from October 1997 to June 2000 he was Senior Vice President of Clinical Research and Medical Affairs of SuperGen, Inc., a NASDAQ listed pharmaceutical company dedicated to battling cancer. Previously, he was Senior Medical Director, Oncology Franchise Management for Bristol-Myers Squibb, a NYSE listed pharmaceutical company, from 1990 to 1997 and was Director, Scientific Affairs, Anti-Cancer for Bristol-Myers Squibb from 1978 to 1990. Dr. Lenaz was a Post Doctoral Fellow at both the Memorial Sloan-Kettering Cancer Center in New York and the National Cancer Institute in Milan, Italy. He received his medical training at the University of Bologna Medical School in Bologna, Italy.

10

Shyam Kumaria (56) Vice President Finance	*Mr. Kumaria,* has served as Vice President Finance since December 2003. From 1996 to 2003, he provided financial and management consulting services to private companies. From 1984 to 1996, he served in senior executive and management positions for several companies including Deloitte & Touche. Mr. Kumaria became a Chartered Accountant in London, England in 1973 and a Certified Public Accountant in 1978. He received an Executive MBA from Columbia University in 1984.

11

PROPOSAL 1 ELECTION OF DIRECTORS

Our Board of Directors consists of six annually elected directors. The Nominating and Corporate Governance Committee nominated Richard D. Fulmer, Stuart M. Krassner, Anthony E. Maida, Dilip J. Mehta, Rajesh C. Shrotriya and Julius A. Vida for election to the Board.

On September 20, 2005, Mr. Fulmer was appointed to the Board. Under Delaware law, a director elected by the Board of Directors to fill a vacancy serves until the next annual meeting of stockholders and until his successor is elected and qualified.

Unless you specifically withhold authority in the attached proxy for the election of any of these directors, the persons named in the attached proxy will vote FOR the election of Drs. Krassner, Mehta, Shrotriya and Vida, and Messrs. Fulmer and Maida. Each director will be elected to serve a one-year term expiring at the annual meeting in 2007 and until his or her successor has been duly elected and qualified, or until his or her earlier resignation or removal.

Each of the nominees has consented to serve if elected. If any of them becomes unavailable to serve as a director, the Board may designate a substitute nominee. In that case, the proxy holders will vote for the substitute nominee designated by the Board. The Board of Directors has no reason to believe that any of the nominees will be unable to serve.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE ***FOR*** THE SIX NOMINEES.

The following provides information regarding our nominees to the Board of Directors, their ages, the year in which each first became a director of the Company, their principal occupations or employment during the past five years and any family relationship with any other director or executive officer of the Company:

Richard D. Fulmer, M.B.A.

Mr. Fulmer, 60, has been a director of Spectrum since September 2005. His career spans over thirty years, including twenty-four years spent at Pfizer, Inc., where he held senior positions in marketing, business development, and general management. Mr. Fulmer retired from Pfizer in 2001 and since that time has served as a self-employed consultant and advisor to healthcare companies. He is an Advisory Board Member of Avaan Therapeutics, Inc. From 1998 until his retirement, Mr. Fulmer was Vice President and General Manager of Pfizer s US Veterinary healthcare business, with accountability for the management of sales, marketing and medical operations. Prior to that assignment, Mr. Fulmer served as Pfizer s Vice President for Licensing and Development from 1993 to 1997, with responsibility for corporate licensing and business development activity, which included the acquisition of new drugs and technology for the global pharmaceutical business. Chief among his accomplishments was the formation of a strategic alliance with Eisai for the Alzheimer s drug Aricept. He also led the effort to license the cholesterol reduction product Lipitor, and was also responsible for creating a multi-company alliance for the commercialization of Exubera, a pulmonary insulin product. During his tenure in licensing,

he became a prominent speaker at industry conferences and a

	member of the Licensing Executive Society. Mr. Fulmer was also a Vice President of Marketing for Pfizer where he played a key role in the introduction and commercial success of several market leading drugs, including Diflucan, Zoloft, and Glucotrol. Prior to joining Pfizer, Mr. Fulmer was a Senior Financial Analyst for the Ford Motor Company and served as a Captain in the United States Marine Corps. He received a MBA in Finance from George Washington University in 1973. He also holds a B.S. in Economics from the University in Oregon (1967) and a Diploma in International Business from the Netherlands School of Business, Nijenrode University.
Stuart M. Krassner, Sc.D., Psy.D.	Dr. Krassner, 70, has been a director of Spectrum Pharmaceuticals, Inc. since December 2004 and was previously a member of our Scientific Advisory Board from 1996 to 2001. Dr. Krassner s career spans four decades of experience in various positions at the University of California, Irvine (UCI), most recently as Professor Emeritus of Developmental and Cell Biology at the School of Biological Sciences. While at UCI, he developed and reinforced FDA and NIH compliance procedures for UCI-sponsored human clinical trials, established UCI s first Institutional Review Board, and at one time headed all contract and grant activities. Dr. Krassner has also been retained by a number of public and private pharmaceutical, medical device and other companies to provide scientific and regulatory advisory services, including FDA compliance. Dr. Krassner s work has been published in numerous peer-reviewed U.S. journals. Dr. Krassner has been awarded grants from the National Institute of Health, the National Science Foundation and the World Health Organization. Dr. Krassner has been a member of the American Society of Protozoology, the American Society of Tropical Medicine and Hygiene, the Corporation of the Marine Biological Laboratories, Woods Hole, MA, and Sigma Xi, among others. Dr. Krassner received his Sc.D. from the Bloomberg School of Public Health at Johns Hopkins University. He holds a B.S. in Biology from Brooklyn College.
Anthony E. Maida, III, MA, MBA	Mr. Maida, 54, has been a director of Spectrum since December 2003. Mr. Maida has been the Acting Chairman of Dendri Therapeutics, Inc., a startup company focused on the clinical development of therapeutic vaccines for patients with cancer, since 2003. Additionally, Mr. Maida has been serving as Chairman, Founder and Director of BioConsul Drug Development Corporation since 1999, providing consulting services to large and small biopharmaceutical firms in the clinical development of oncology products and product acquisitions and to venture capital firms evaluating life science investment opportunities. Mr. Maida served as

the President and Chief Executive Officer of Replicon NeuroTherapeutics, Inc., a biopharmaceutical company focused on the therapy of patients with tumors (both primary and metastatic) of the central nervous system (CNS) where he successfully raised financing from both venture capital and strategic investors and was responsible for all financial and operational aspects of the company, from June 2001 to July 2003. From 1999 to 2001, Mr. Maida held positions as Interim Chief Executive Officer for Trellis Bioscience, Inc., a private biotechnology company that addresses high clinical stage failure rates in pharmaceutical development, and CancerVax Corporation, a biotechnology company dedicated to the treatment of cancer. From 1992 until 1999, Mr. Maida served as President and CEO of Jenner Biotherapies, Inc., a biopharmaceutical company. From 1980 to 1992, Mr. Maida served in senior management positions with various companies including President and Chief Executive Officer of Cell Path, Inc., a biosciences company specializing in drug discovery and development, and Vice President Finance and Chief Financial Officer of Data Plan, Inc., a wholly owned subsidiary of Lockheed Corporation. Additionally, Mr. Maida currently works in the laboratory of Kit S. Lam, M.D., Ph.D., University of California, Medical Center, Department of Hematology and Oncology, where he is completing his doctoral work in immunology (advanced to Doctoral Candidacy). Mr. Maida serves on the Advisory Boards of EndPoint BioCapital, Sdn Bhd (Kuala Lumpur, Malaysia) and Innovera Life Science Fund and serves as a consultant and technical analyst for North Sound Capital, one of our large stockholders, and vFinance, both financial services companies. Additionally, Mr. Maida has been retained by Takeda Chemical Industries, Ltd. (Osaka, Japan) and Novel Bioventures to conduct corporate and technical due diligence on investment opportunities. Mr. Maida is a speaker at industry conferences and is a member of the American Society of Clinical Oncology, the American Association for Cancer Research, the Society of Neuro-Oncology, the International Society for Biological Therapy of Cancer, the American Association of Immunologists and the Society of Toxicology. Mr. Maida received a B.A. Degree in History from University of Santa Clara 1975, received a B.A. degree in Biology from San Jose State University 1977, a MBA from the University of Santa Clara 1978, and received a MA in toxicology from San Jose University 1986.

Dilip J. Mehta, M.D., Ph.D.	Dr. Mehta, 73, has been a director of Spectrum since June 2003 and member of our Scientific Advisory Board since 2001. Dr. Mehta has been self-employed as a pharmaceutical consultant since 1998. Dr. Mehta is a venture partner at Radius Ventures, LLC in New York. Dr. Mehta is a current member of the Psychopharmacology Advisory Committee to the U.S. Food and Drug Administration. From 1982 until he retired in 1997, Dr. Mehta held a number of executive management positions with Pfizer Inc., a pharmaceutical company, including Senior Vice President, U.S. Clinical Research, with responsibility for clinical research (Phases 1, 2 and 3) including data processing and statistical analysis for Pfizer Inc. s drugs in the U.S., as well as supervised submissions of NDA s for Cardura, Norvasc, Zoloft, Zithromax, Diflucan, Unasyn, Trovan, Viagra, Geodon, and a number of other drugs/supplements. Dr. Mehta serves as a member of the Board of Directors of Esvee Pharmaceuticals, Pvt. Ltd. (Pune, India), and Bharat Serums & Vaccines Limited (Mumbai, India). From 1993 until 1997, Dr. Mehta served as Chair, Efficacy Section for the Pharmaceutical Research and Manufacturers of America (PhRMA) in the International Conference on Harmonization and was a PhRMA topic leader for one of the Expert Working Group in Efficacy. From 1966 until 1982, Dr. Mehta held the position of Group Director, Clinical Research in the U.S. for Hoechst AG with supervision of Internal Medicine, Metabolic and Infectious Diseases and Cardiovascular groups. Dr. Mehta graduated from the University of Bombay, India, and holds an M.D., and received a Ph.D. in Pharmacology. Dr. Mehta was a Research Fellow in Clinical Pharmacology at Cornell University Medical College.
Rajesh C. Shrotriya, M.D.	Dr. Shrotriya, 62, has been Chairman of the Board, Chief Executive Officer and President since August 2002 and a director of Spectrum since June 2001. From September 2000 to August 2002, Dr. Shrotriya served as President and Chief Operating Officer of Spectrum. Dr. Shrotriya also serves as a member of the Board of Directors of Antares Pharma, Inc., a drug delivery systems company. Prior to joining Spectrum Pharmaceuticals, Inc., Dr. Shrotriya held the position of Executive Vice President and Chief Scientific Officer from November 1996 until August 2000, and as Senior Vice President and Special Assistant to the President from November 1996 until May 1997, for SuperGen, Inc., a publicly-held pharmaceutical company focused on drugs for life-threatening diseases, particularly cancer. From August 1994 to October 1996, Dr. Shrotriya held the positions of Vice President, Medical Affairs and Vice President, Chief Medical Officer of MGI Pharma, Inc., an oncology-focused biopharmaceutical company. Dr. Shrotriya spent 18 years at Bristol-Myers Squibb Company in a variety of positions most recently as

	Executive Director, Worldwide CNS Clinical Research. Previously, Dr. Shrotriya held various positions at Hoechst Pharmaceuticals, most recently as Medical Advisor. Dr. Shrotriya was an attending physician and held a courtesy appointment at St. Joseph Hospital in Stamford, Connecticut. In addition, he received a certificate for Advanced Biomedical Research Management from Harvard University. Dr. Shrotriya received his M.D. degree from Grant Medical College, Bombay, India, in 1974; his D.T.C.D. (Post Graduate Diploma in Chest Diseases) degree from Delhi University, V.P. Chest Institute, Delhi, India, in 1971; M.B.B.S. (Bachelor of Medicine and Bachelor of Surgery equivalent to an M.D. degree in the U.S.) from the Armed Forces Medical College, Poona, India, in 1967; and a B.S. with Chemistry degree from Agra University, Aligarh, India, in 1962.
Julius A. Vida, Ph.D.	Dr. Vida, 77, has been a director of Spectrum since April 2003. Dr. Vida serves as a member of the Board of Directors of Medarex, Inc., a NASDAQ listed company focused on the discovery and development of human antibody-based therapeutic products, CSS Albachem Ltd., (UK), a biotechnology company which produces chemically synthesized custom peptides and proteins, FibroGen, Inc., a pharmaceutical company, Osteo Screen, Inc., a pharmaceutical company which attempts to find new drugs to slow bone loss, and YM Biosciences, Inc. (Canada), a pharmaceutical development company that focuses on cancer therapeutics. Since 1993, Dr. Vida has been a self-employed pharmaceutical consultant with VIDA International Pharmaceutical Consultants. From 1975 until his retirement in 1993, Dr. Vida held various positions at Bristol-Myers Squibb and its predecessors. From 1991 to 1993, Dr. Vida was Vice President, Business Development, Licensing and Strategic Planning, and from 1985 to 1991, he was Vice President, Licensing. Dr. Vida graduated from Pazmany Peter University, Budapest, Hungary, holds an M.S. and a Ph.D. in Organic Chemistry from Carnegie Institute of Technology, was a Postdoctoral Fellow at Harvard University, and holds an M.B.A. from Columbia University.

Director Compensation

The following sets forth information concerning total compensation during the 2005 fiscal year for services rendered to the Company earned or paid to members of the Board of Directors.

Cash Compensation. Each non-employee director receives an annual retainer of $20,000, $2,000 for each in-person Board of Directors meeting attended, $1,000 for each additional in-person Board of Director Meetings held on the day following an in-person Board Meeting and $1,000 for each telephonic Board of Director s meeting attended. In addition, the lead director receives an annual retainer of $1, the amount the lead director requested.

16

The Chairperson of our Audit Committee receives $3,000 for each committee meeting attended (whether in-person or telephonically) while the other committee members of the Audit Committee receive $1,000 for each committee meeting attended. The Chairperson of our Compensation Committee receives $1,000 for each committee meeting attended (whether in-person or telephonically) while the other committee members of the Compensation Committee receive $500 for each committee meeting attended. Each non-employee director serving as a member of our Placement Committee receives $250 per committee meeting (whether in-person or telephonically) or action by Unanimous Written Consent. Each non-employee director serving as member of our Product Acquisition Committee receives $2,000 per full day committee meeting attended and $1,000 per half day committee meeting attended. Our directors are also reimbursed for certain expenses incurred in connection with attendance at Board meetings. Directors who are also employees of the Company receive no compensation for service as directors.

Stock Grants. On December 6, 2005, we granted to each non-employee director 5,000 restricted shares of our Common Stock. These shares vest in installments of 25% annually beginning January 1, 2006, subject to continued service on the Board through the vesting date. The total value of the aggregate of the 25,000 restricted shares granted, based on the closing price of our Common Stock on the date of grant, was $106,500.

Stock Options. On January 3, 2005, we granted to each non-employee director an option to purchase up to 20,000 shares of our Common Stock at $6.66 per share. These options vest in installments of 25% annually as of the date of grant. On March 14, 2005, we granted each of Dr. Ann and Mr. Armin Kessler, directors at that time who did not stand for re-election to the Board at the annual stockholders meeting on June 10, 2005, an option to purchase 10,000 shares of our Common Stock at $6.92 per share, which options vested in their entirety on June 10, 2005. On April 12, 2005, the Compensation Committee accelerated the vesting of all previously granted options to Dr. and Mr. Kessler that had not yet vested. This resulted in the acceleration of vesting of options to purchase up to an aggregate of 60,000 share of our Common Stock; the exercise prices of all of the options were greater than the closing sale price of our Common Stock on the date of acceleration. On September 20, 2005, in connection with his initial appointment to the Board, we granted Mr. Fulmer an option to purchase 10,000 shares of our Common Stock at $5.13 per share. This option vests in installments of 25% every three months beginning on the date of grant. On December 6, 2005, we granted to each non-employee director an option to purchase 15,000 shares of our Common Stock at $4.26 per share. These options vest in installments of 25% annually beginning January 1, 2006. All of the above described options have a ten year term and their vesting is conditioned upon continued service on the Board through the vesting date. All vested options are exercisable for five years following termination of service as a Board member, other than terminations for cause or terminations prior to the end of the director s term. The exercise price of all of the above options was the fair market value based upon the closing sale price of the Company s Common Stock on the date prior to the grant.

Board Meeting Attendance

Our Board of Directors met 10 times and acted 3 times by Unanimous Written Consent during 2005. During the year, overall attendance by directors averaged 94% at Board meetings and 100% at Committee meetings. Our policy is that every director is expected to attend in person the annual meeting of stockholders of the Company. If a director is unable to attend a meeting, he or she shall notify the Board and attempt to participate in the meeting telephonically, if possible. All of our Board members who were up for re-election attended the 2005 Annual Stockholder Meeting.

Board Independence

The Board has determined that each of Drs. Krassner, Mehta and Vida, and Messrs. Fulmer and Maida are independent within the meaning of the NASDAQ Stock Market, Inc. (NASDAQ) director independence standards, as currently in effect. The Board further determined that Dr. Shrotriya is not independent due to his current employment as an executive officer of Spectrum.

BOARD COMMITTEES

Our Board of Directors has standing Audit, Compensation, Placement, Product Acquisition and Nominating and Corporate Governance Committees.

Board Committee Membership
as of May 2006

Name	Audit Committee	Compensation Committee	Placement Committee	Nominating and Corporate Governance Committee	Product Acquisition Committee
Richard D. Fulmer	*			*	*
Stuart M. Krassner	*	*	*	*	*
Anthony E. Maida, III	**		*	*	*
Dilip J. Mehta	*	*	*	***	*
Rajesh C. Shrotriya			**		*
Julius A. Vida		**		*	*

* Member.

** Chair.

*** Lead Director.

Audit Committee. The Audit Committee is currently comprised of Messrs. Maida (Chair) and Fulmer, and Drs. Krassner and Mehta, each of whom satisfies the NASDAQ and SEC rules for Audit Committee membership. The Audit Committee held 7 meetings during 2005. It acts pursuant to a written charter which is posted on the Company s website at www.spectrumpharm.com. The Board of Directors has determined that Mr. Maida is an Audit Committee financial expert within the meaning of the SEC rules and satisfies the financial sophistication requirements of the NASDAQ Listing Standards. Principal responsibilities of the Audit Committee include but are not limited to:

- Appointing, compensating, retaining and overseeing the work of the independent auditor;
- Reviewing independence qualifications and quality controls of the independent auditor;
- Overseeing and monitoring internal controls, procedures, the audit function, accounting procedures and financial reporting process; and
- Reading and discussing with management and the independent auditor the annual audited, and quarterly audited, financial statements.

Compensation Committee. The Compensation Committee is comprised of Drs. Vida (Chair), Krassner and Mehta. The Compensation Committee s responsibilities include, but are not limited to:

18

reviewing and evaluating the Company s compensation arrangements, reviewing the compensation philosophy of the Company, determining the compensation of the chief executive officer and other executive officers of the Company, and reviewing and approving bonus compensation plans, including stock option and employee stock purchase plans. The Compensation Committee held 6 meetings during 2005. It acts pursuant to a written charter which is posted on the Company s website at www.spectrumpharm.com.

Placement Committee. The Placement Committee is comprised of Drs. Shrotriya (Chair), Krassner and Mehta, and Mr. Maida. The Placement Committee has the delegated authority to act on behalf of the Board for approving and evaluating all issuances of securities of the Company, including the authority to set the terms of each security being issued, including, without limitation, Common Stock, warrants, preferred stock or other securities convertible into Common Stock. The Placement Committee met 1 time and took action by Unanimous Written Consent 4 times during 2005.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is comprised of Drs. Krassner, Mehta and Vida, and Messrs. Fulmer and Maida. All members of the Nominating and Corporate Governance Committee are non-employee directors and satisfy the current NASDAQ Stock Market listing standards. The Nominating and Corporate Governance Committee s responsibilities include, but are not limited to: the identification and recommendation of nominees for election as directors by the stockholders, the identification and recommendation of candidates to fill any vacancies on the Board, and the recommendation to the Board of a set of corporate governance guidelines and principles applicable to the Company. The Nominating and Corporate Governance Committee met 4 times in 2005. It acts pursuant to a written charter which is posted on the Company s website at www.spectrumpharm.com.

In selecting and making recommendations to the Board for director nominees, the Nominating and Corporate Governance Committee may consider suggestions from many sources, including the Company s stockholders. Any such director nominations, together with appropriate biographical information and qualifications, should be submitted by the stockholder(s) to the Chairman of the Nominating and Corporate Governance Committee of the Board of Directors, c/o Spectrum Pharmaceuticals, Inc., 157 Technology Drive, Irvine, CA 92618. Director nominees submitted by stockholders are subject to the same review process as director nominees submitted from other sources such as other Board members or senior management.

The Nominating and Corporate Governance Committee will consider a number of factors when reviewing potential nominees for the Board. The factors which are considered by the Committee include, but are not limited to the following: the candidate s ability and willingness to commit adequate time to Board and committee matters, the fit of the candidate s skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company, the candidate s personal and professional integrity, ethics and values, the candidate s experience in corporate management, such as serving as an officer or former officer of a publicly held company, the candidate s experience in the Company s industry and with relevant social policy concerns, the candidate s experience as a board member of another publicly held company, whether the candidate would be independent under applicable standards, whether the candidate has practical and mature business judgment, and the candidate s academic expertise in an area of the Company s operations.

In identifying, evaluating and selecting future potential director nominees for election at each annual meeting of stockholders and nominees for directors to be elected by the Board to fill vacancies and newly created directorships, the Nominating and Corporate Governance Committee engages in a selection process. The Committee will consider as potential director nominees candidates recommended by various sources, including any member of the Board, any stockholder of the Company or senior management. The Committee may also hire a search firm if deemed appropriate. All potential new director nominees will be initially reviewed by the Chairman of the Committee, or in the Chairman s absence, any other member of the Committee delegated to initially review director candidates. The reviewing Committee member will make an initial determination in his or her own independent business judgment as to the qualifications and fit of such director candidates based on the criteria set forth above. If the reviewing member determines that it is appropriate to proceed, the Chief Executive Officer and at least one member of the Committee will interview the prospective director candidate(s). The full Committee may interview the candidates as well. The Committee will provide informal progress updates to the Board and will meet to consider and recommend final director candidates to the entire Board. The Board determines which candidates are nominated or elected to fill a vacancy.

Mr. Fulmer was initially identified to the Nominating and Corporate Governance Committee by Dr. Mehta as a potential candidate for the Board. Upon the recommendation of the Nominating and Corporate Governance Committee, the Board elected Mr. Fulmer as a director to fill a newly created position on the Board in September 2005.

Product Acquisition Committee. *The Product Acquisition Committee is comprised of Drs. Shrotriya, Mehta, Vida and Krassner, and Messrs. Fulmer and Maida. The Product Acquisition Committee is responsible for evaluating the Company s product acquisition opportunities. The Product Acquisition Committee did not meet or take action by Unanimous Written Consent during 2005.*

Communications with the Board

Stockholders who wish to contact members of the Board may send email correspondence to: ir@spectrumpharm.com. If a stockholder would like to write to the Board, they may also send written correspondence to the following address: Spectrum Pharmaceuticals, Inc., Board of Directors, 157 Technology Drive, Irvine, CA 92618. Stockholders should provide proof of share ownership with their correspondence. It is suggested that stockholders also include contact information. All communications will be received and processed by the Investor Relations Office, and then directed to the appropriate member(s) of the Board. In general, correspondence relating to accounting, internal accounting controls or auditing matters will be referred to the Chairperson of the Audit Committee, with a copy to the Nominating and Corporate Governance Committee. All other correspondence will be referred to the Chairperson of the Nominating and Corporate Governance Committee. To the extent correspondence is addressed to a specific director or requires a specific director s attention, it will be directed to that director.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On September 15, 2005, we completed the sale in a registered transaction to select institutional and other investors of 8,000,000 shares of our Common Stock at a purchase price of $5.25 per share, and six-year warrants, which were immediately exercisable, to purchase up to 4,000,000 shares of our Common Stock at an exercise price of $6.62 per share, for aggregate proceeds of approximately $42 million. Pursuant to the purchase agreements with the investors, we have filed a registration statement covering the Common Stock and the Common Stock issuable upon exercise of the warrants.

Among the investors in this financing were the following entities that are current beneficial owners of more than 5% of the total number of outstanding shares of our Preferred Stock or Common Stock. Entities related to OrbiMed Advisors, LLC acquired 1,904,762 shares of our Common Stock and warrants to purchase up to 952,381 shares of our Common Stock for an aggregate purchase price of $10,000,000. Entities related to David M. Knott acquired 1,000,000 shares of our Common Stock and warrants to purchase up to 500,000 shares of our Common Stock for an aggregate purchase price of $5,250,000. SDS Capital Group, SPC, Ltd. acquired 550,000 shares of our Common Stock and warrants to purchase up to 275,000 shares of our Common Stock for an aggregate purchase price of $2,887,500. Please see the table above under the Section titled Stock Ownership for more information on the above entities and their current holdings.

In 2001, prior to his election to our Board of Directors in April 2003, Dr. Vida had participated as a consultant in the in-licensing of satraplatin from Johnson Matthey. Pursuant to his Consulting Agreement, which terminated in September 2001, Dr. Vida was paid an aggregate of $7,500 in success fees. He may become eligible for additional success fees equal to 3% of amounts paid by us under the license agreements, other than royalties, in the event the contingent milestone obligations to Johnson Matthey become payable. Such fees are unrelated to his services as our director.

CODE OF BUSINESS CONDUCT AND ETHICS

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees, including the principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions as required by the Sarbanes-Oxley Act of 2002. A copy of the Code of Business Conduct and Ethics will be provided to any person, without charge, upon oral request to (949) 788-6700 or upon written request to Investor Relations, Spectrum Pharmaceuticals, Inc., 157 Technology Drive, Irvine, CA 92618. Waivers from, and amendments to, if any, the Code of Business Conduct and Ethics that apply to our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions, if any, will be posted on our website at www.spectrumpharm.com.

REPORT OF THE AUDIT COMMITTEE

The following Report of the Audit Committee 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 Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

The Audit Committee of the Board of Directors operates pursuant to a written charter, a copy of which is posted on our website at www.spectrumpharm.com. The Committee met 7 times during fiscal 2005 to fulfill its responsibilities. To ensure independence, the Audit Committee meets separately with the Company s independent public accountants and members of management. All members of the Audit Committee are non-employee directors and satisfy the current NASDAQ Stock Market listing standards and SEC requirements with respect to independence, financial literacy and experience.

The role of the Audit Committee is to oversee the Company s financial reporting process on behalf of the Board of Directors. Management of the Company has the primary responsibility for the Company s consolidated financial statements as well as the Company s financial reporting process, principles and internal controls. The independent auditor is responsible for performing an audit of the Company s financial statements and expressing an opinion as to the conformity of such consolidated financial statements with generally accepted accounting principles.

In this context, the Audit Committee has reviewed and discussed the audited financial statements of the Company as of and for the year ended December 31, 2005 with management and the independent auditors. These reviews included discussion with the outside auditors of matters required to be discussed pursuant to Statement on Auditing Standards No. 61 (Communication with Audit Committees). In addition, the Audit Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as currently in effect, and it has discussed with the auditors their independence from the Company.

Based on the reviews and discussions described above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2005, for filing with the Securities and Exchange Commission.

Anthony E. Maida, III, MA, MBA, Chair
Richard D. Fulmer, M.B.A.
Stuart M. Krassner, Sc.D., Psy.D.
Dilip J. Mehta, M.D., Ph.D.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following summarizes audit and non-audit fees for the years ended December 31, 2005 and 2004.

	2005	**2004**
Audit Fees	$ 222,366	$ 239,533
Audit Related Fees	28,309	28,955
Tax Fees	8,015	6,400
All Other Fees	0	0
Total	$ 258,690	$ 274,888

Kelly & Company. The fees billed (including estimations for services rendered but not yet billed) by Kelly & Company, our current independent public accountant, during or related to 2005 and 2004 were as follows:

- *Audit Fees.* The aggregate fees billed for professional services rendered by Kelly & Company for the audit of the Company s annual financial statements and the review of the financial statements included in the Company s Quarterly Reports on Forms 10-Q for the year ended December 31, 2005 were $222,366, and for the year ended December 31, 2004 were $239,533.

- *Audit Related Fees.* The aggregate fees billed for professional services rendered by Kelly & Company for assurance and related services that are reasonably related to the performance of the audit for the 2005 fiscal year were $28,309, and for the 2004 fiscal year were $28,955. Such fees primarily related to reviews of registration statements filed in connection with equity financings secured in 2005 and 2004.

- *Tax Fees.* The aggregate fees billed for professional services rendered by Kelly & Company for tax returns and compliance for 2005 was $8,015, and was approximately $6,400 for 2004.

- *All Other Fees.* The aggregate fees billed for services rendered by Kelly & Company, other than fees for the services referenced under the foregoing captions for both the 2005 and 2004 fiscal years were $0.

All audit and permissible non-audit services by our independent accountant were pre-approved by our Audit Committee. Pursuant to its charter, the Audit Committee may establish pre-approval policies and procedures, subject to SEC and NASDAQ rules and regulations, to approve audit and permissible non-audit services, however, it has not yet done so. There will be representatives from Kelly & Company present at the 2006 Annual Meeting of Stockholders to make a statement if they desire to do so and to answer appropriate questions from stockholders.

REPORT OF THE COMPENSATION COMMITTEE

The following Report of the Compensation Committee 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 Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

About the Compensation Committee

The Compensation Committee is comprised of three directors each of whom is independent within the meaning of the NASDAQ director independence standards, a non-employee director within the meaning of Rule 16b-3 of the Exchange Act and an outside director under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). The Compensation Committee s responsibilities include, but are not limited to: reviewing and evaluating the Company s compensation arrangements, reviewing the compensation philosophy of the Company, determining the compensation of the chief executive officer (CEO) and other executive officers of the Company, and reviewing and approving bonus compensation plans, including stock option and employee stock purchase plans. A copy of the charter for the Compensation Committee was filed with the Company s proxy statement for 2004.

The Committee determines the compensation of the Company s CEO independently, and the compensation of other executive officers in consultation with the CEO.

Compensation Philosophy

The rapid growth in recent years of the Company s pipeline of products, and its aggressive plans for future growth, has shaped the Committee s executive compensation philosophy. This philosophy, including as applied to the CEO, is to attract and retain professionals of the highest caliber, capable of leading the Company to fulfillment of its ambitious business objectives by offering highly competitive compensation opportunities that reward executives for their individual contributions towards the Company s short-term and long-term objectives. Competition for attracting the best talent in the pharmaceutical industry is very intense, especially in Orange County, California, where the industry has only a small presence and the cost of living is very high. Accordingly, executive officers are eligible for competitive salary adjustments, cash bonuses and equity compensation based upon periodic evaluations of individual and Company performance.

The Committee believes that its compensation philosophy aligns the interests of executive officers with those of the Company s stockholders, and is necessary to incentivize individual executives to peak performance in advancing the Company s business objectives.

Key Elements of 2005 Executive Compensation

Because we are still in the process of developing our proprietary products and so have not yet brought any such products to market, the use of traditional performance standards, such as profit levels and return on equity, are not appropriate in our evaluation of executive officer performance. Therefore, executive officer compensation is based primarily on advancement of the Company s business objectives, including the achievement of product development milestones, the acquisition of new products, the maintenance of adequate financial resources, and the initiation and continuation of corporate collaborations, as well as individual contributions and achievement of individual business objectives by our executive officers. The

Company's performance and the performance of our executive officers are measured by reviewing and determining the extent to which corporate and individual objectives have been accomplished.

- *General:* The Compensation Committee evaluated the Company s 2005 performance as excellent insofar as the Company continued to execute on its strategy that was initiated in late 2002. The Committee believes that the Company achieved all of its business objectives, and more, during 2005. Some of the important accomplishments during 2005 included: strengthening the financial condition of the Company by raising over $42 million in equity financing; the acquisition of three proprietary drugs; the launch and completion of clinical trials, some significantly ahead of schedule; the acceptance by the United States Food and Drug Administration (FDA) of five Abbreviated New Drug Applications (ANDAs), including one under Paragraph IV certification; the maintenance of tight control over the Company s cash burn rate; and the enhancement of the Company s public profile, resulting in an expansion of the investor base, increased analyst coverage, and recognition from two healthcare indexes.

- *Base Salary and Bonuses.* The base salaries for 2005 for the executive officers were set at the end of 2004 based upon the factors that were discussed in our report in last year s proxy statement. At the end of 2005, the compensation of each executive officer was reviewed by the Committee, with reference to the executive s level of responsibility, experience and individual performance, the Company s performance, and also by reference to salary ranges paid to executives with comparable duties in our peer group of companies provided to the Committee by an independent compensation-consulting firm. Based upon its review, the Committee awarded bonuses for 2005 contributions and increased the salary levels of the Company s executive officers for 2006 due to their excellent performance in advancing the Company s business objectives.

- *Equity Incentive Awards.* Based upon the excellent performance in 2005, and as an incentive for continued excellence in the future, at the end of 2005 the Committee granted to executive officers, equity incentive awards vesting in four equal yearly amounts. The Committee endorses the position that granting equity incentive awards, including stock options and restricted stock, to the Company s executive officers (stock options are a benefit offered to all employees) can be very beneficial to stockholders because it aligns management s and stockholders interests in the enhancement of stockholder values. An executive officer receives value from these grants only if he or she remains employed by the Company during the vesting period, and, with regard to stock options, only if the Company s common stock appreciates. In addition, equity incentive awards are an important compensation tool to utilize in attracting and retaining high caliber professionals. In step with contemporary thinking that restricted stock awards are a better motivating tool than stock options, the Committee awarded a mix of restricted stock awards and stock options in 2005. In determining the number of shares subject to an equity incentive award, the Committee takes into account the officer s position and level of responsibility, the officer s performance, the officer s existing stock and unvested stock holdings and the competitiveness of the executive officer s overall compensation arrangements, including equity awards. The Company also maintains a 401(k) Plan to provide retirement benefits through tax deferred salary deductions for all employees. Beginning in 2005, the Company began making matching employee contributions in shares of the Company s common stock in order to encourage employees to save for retirement.

• *Chief Executive Officer Compensation.* The Committee subscribes to the notion that an emerging growth company, like Spectrum Pharmaceuticals, Inc., achieves success and ultimately substantial returns for its stockholders, based on the vision and dedication of its management team, especially its CEO. Dr. Rajesh C. Shrotriya, the Company s CEO and President, set forth a new vision for Spectrum when he was appointed CEO in 2002 and the Committee believes he, and the team he has assembled, has done an excellent job in implementing that vision over the past three years. In addition, Dr. Shrotriya s qualifications as a scientist and his ability to lead the Company and to manage its scientific programs and business strategy make him critical to the continued successful implementation of that vision. The Compensation Committee considered these factors, as well as the same factors discussed above under General in setting the compensation of Dr. Shrotriya. The Committee also made reference to a survey of the compensation of CEOs of similarly sized companies in the pharmaceutical industry in order to ensure that the total compensation paid by the Company to Dr. Shrotriya, including salary, bonus, equity incentive awards, benefits and other compensation, was highly competitive. The Committee believes that a highly competitive compensation package is necessary because of the importance of a CEO to a small emerging growth company and in particular, one with the background, experience and track record of Dr. Shrotriya. For 2005, the Committee determined that Dr. Shrotriya met all of the goals set for him at the start of the year, and more; his outstanding contributions are reflected in the Company s achievements in 2005, including: strengthening the financial condition of the Company by raising over $42 million in equity financing; the acquisition of three proprietary drugs; the launch and completion of clinical trials, some significantly ahead of schedule; the acceptance by the FDA of five ANDAs, including one under Paragraph IV certification; the maintenance of tight control over the Company s cash burn rate; and the enhancement of the Company s public profile, resulting in an expansion of the investor base, increased analyst coverage, and recognition from two healthcare indexes. In recognition of his continued excellent performance during 2005, and as motivation for continued excellence in the future, Dr. Shrotriya was awarded a cash bonus of $250,000 for 2005, and, in addition, on January 1, 2006, was awarded 80,000 shares of restricted stock and granted an option to purchase up to 200,000 shares of our Common Stock at an exercise price of $4.23 per share, the fair value of our stock on the date of grant. Both the restricted stock awards and stock options vest in four equal yearly amounts, with the first vesting on the date of grant. Based upon its review, the Committee maintained the base salary of Dr. Shrotriya, unchanged since January 1, 2004, at $500,000 per annum for 2006. More information is available in the Executive Compensation section of this proxy statement.

Policy with Respect to Section 162(m). Section 162(m) of the Code currently imposes a $1 million limitation on the deductibility, for Federal income tax purposes, of certain compensation paid to each of our five highest paid executives. In light of the Company s significant net operating losses, Section 162(m) is not considered to be a significant factor for the foreseeable future.

Julius A. Vida, Ph.D., Chair.

Stuart M. Krassner, Sc.D., Psy.D.

Dilip J. Mehta, M.D., Ph.D.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is comprised of Drs. Vida, Krassner and Mehta. None of the members of the Board s Compensation Committee is or has been an officer or employee of the Company. None of the Company s executive officers has served as a director or Compensation Committee member of any other entity, any of whose executive officers served as a director or Compensation Committee member of our board of directors.

EMPLOYMENT AND SEVERANCE AGREEMENTS

We have entered into employment agreements with two of our Named Executive Officers, Dr. Shrotriya and Dr. Lenaz. The agreements require each executive to devote his full working time and effort to the business and affairs of the Company during the term of the agreement. The agreements provide for an annual base salary with annual increases, periodic bonuses and option grants as determined by the Compensation Committee of our Board of Directors.

Each officer s employment may be terminated by us with or without cause as defined in the agreement. The agreements provide for certain guaranteed severance payments and benefits if the officer s employment is terminated without cause, if the officer s employment is terminated due to a change in control or is adversely affected due to a change in control and the officer resigns or if the officer decides to terminate his employment due to a disposition of a significant amount of assets or business units. The guaranteed severance payment includes a payment equal to the officer s annual base salary and other cash compensation, and any approved bonus. The officer is also entitled to medical, dental and other benefits for two years following termination. In addition, all options held by the officer shall immediately vest and will be exercisable for one year from the date of termination; provided, however, if the Board determines that the officer s employment is being terminated for the reason that the shared expectations of the officer and the Board are not being met, in the Board s judgment, then the options currently held by the officer will vest in accordance with their terms for up to one year after the date of termination, with the right to exercise those options, when they vest, for approximately thirteen (13) months after the date of termination. The agreements also provide that, upon his retirement, all options held by the officer will become fully vested.

Following termination of the officer s employment, the officer shall be permitted to continue in his usual occupation and shall not be prohibited from competing with us except during the two (2) year severance period and in the specific industry market segments in which we compete and which represent twenty percent (20%) or more of our revenues.

The following table sets forth information regarding the employment agreements for each Named Executive Officer, including each Named Executive Officer s current base salary and each agreement s ending date:

Name	**Current Base Salary**	**Ending Date(1)**
Rajesh C. Shrotriya	$ 500,000	December 31, 2006
Luigi Lenaz	$ 350,000	July 1, 2007

(1) The employment agreement automatically renews for a one-year term unless either party gives written notice at least 90 days prior to the commencement of the next year of such party s intent not to renew the agreement.

EXECUTIVE COMPENSATION SUMMARY TABLE

The following table sets forth information concerning total compensation during each of the past three fiscal years for services rendered to the Company earned or paid to the Chief Executive Officer, and the two executive officers whose annual salary and bonus exceeded $100,000 in fiscal year 2005 (the Named Executive Officers).

				Long Term Compensation Awards		
Name and Principal		**Annual Compensation**		**Restricted**	**Securities Underlying**	**All Other**
Position	**Year**	**Salary**	**Bonus**	**Stock Awards(1)**	**Options (#)**	**Compensation**
Rajesh Shrotriya(2)(3)	2005	$ 500,000	$ 250,000	$ 0	500,000	