CTI BIOPHARMA CORP
Form 10-K/A
April 30, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______

Commission file number: 001-12465

CTI BIOPHARMA CORP.

(Exact name of registrant as specified in its charter)

Washington	91-1533912
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3101 Western Avenue, Suite 600

Seattle, WA	98121
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (206) 282-7100

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

Title of each class	Name of each exchange on which registered
Common Stock, no par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: Preferred Stock Purchase Rights

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 (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the 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. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or 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 Act). Yes ¨ No x

As of June 30, 2014, the aggregate market value of the registrant's common equity held by non-affiliates was $330,945,510. Shares of common stock held by each executive officer and director and by each person known to the registrant who beneficially owns more than 5% of the outstanding shares of the registrant's common stock have been excluded in that such persons may under certain circumstances be deemed to be affiliates. This determination of executive officer or affiliate status is not necessarily a conclusive determination for other purposes. The registrant has no non-voting common stock outstanding.

The number of outstanding shares of the registrant's common stock as of March 5, 2015 was 180,255,852.

DOCUMENTS INCORPORATED BY REFERENCE

None

EXPLANATORY NOTE

CTI BioPharma Corp. (“CTI”, “we”, “our” and “us”) is filing this Amendment No. 1 on Form 10-K/A (this “Form 10-K/A”) to amend its Annual Report on Form 10-K for the year ended December 31, 2014 that was originally filed with the U.S. Securities and Exchange Commission (the “SEC”) on March 12, 2015 (the “Original Form 10-K”). This Form 10-K/A is being filed solely to include the information required in Part III, Items 10, 11, 12, 13 and 14 of Form 10-K that was previously omitted from the Original Form 10-K in reliance upon General Instruction G(3) to Form 10-K. General Instruction G(3) to Form 10-K allows such omitted information to be filed as an amendment to the Original Form 10-K or incorporated by reference from the registrant’s definitive proxy statement that involves the election of directors not later than 120 days after the end of the fiscal year covered by the Original Form 10-K. We are filing this Form 10-K/A to include the information required by Part III, Items 10, 11, 12, 13 and 14 of the Original Form 10-K because we no longer intend to file such definitive proxy statement within 120 days after the end of our fiscal year covered by the Original Form 10-K.

The reference on the cover of the Original Form 10-K to the incorporation by reference to certain portions of the registrant’s definitive proxy statement for its 2015 annual meeting of shareholders into Part III of the Original Form 10-K is hereby deleted. In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Part III, Items 10, 11, 12, 13 and 14 of the Original Form 10-K are hereby amended and restated in their entirety and Part IV, Item 15 of the Original Form 10-K is hereby amended to reflect the new certifications filed by our principal executive officer and our principal financial officer as exhibits to this Form 10-K/A. Except as described in this explanatory note, no other information in the Original Form 10-K is being modified or amended by this Form 10-K/A, and this Form 10-K/A does not otherwise reflect events occurring after March 12, 2015, which is the filing date of the Original Form 10-K. Accordingly, this Form 10-K/A should be read in conjunction with the Original Form 10-K and the registrant’s other filings with the SEC. All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Original Form 10-K.

TABLE OF CONTENTS

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors

The table below provides biographical information as of April 15, 2015 for each of our directors.

Name	Age	Director Since
Phillip M. Nudelman, Ph.D.(1)(2)(3)(4)(5)	79	1994
John H. Bauer(1)	74	2005
James A. Bianco, M.D.(2)	58	1991
Karen Ignagni	61	2014
Richard L. Love(2)(3)(4)	71	2007
Mary O. Mundinger, DrPH(3)(4)	77	1997
Jack W. Singer, M.D.	72	1991
Frederick W. Telling, Ph.D.(1)(3)	63	2006
Reed V. Tuckson, M.D.(4)	64	2011

(1) Member of the Audit Committee.
(2) Member of the Executive Committee.
(3) Member of the Compensation Committee.
(4) Member of the Nominating and Governance Committee.
(5) Chairman of the Board.

Dr. Nudelman has been one of our directors since March 1994. From 2000 to 2007, he served as the President and Chief Executive Officer of The Hope Heart Institute. From 1998 to 2000, he was the Chairman of the board of directors of Kaiser/Group Health. He held various positions at Group Health and, from 1990 to 2000; Dr. Nudelman was the President and Chief Executive Officer of Group Health Cooperative of Puget Sound, a health maintenance organization. He retired from Group Health as President and CEO Emeritus. He also currently serves on the board of directors of OptiStor Technologies, Inc. Dr. Nudelman served on the White House Task Force for Health Care Reform from 1992 to 1994 and the President's advisory Commission on Consumer Protection and Quality in Health Care from 1996 to 1998. He has also served on the Pew Health Professions Commission, the AMA Task Force on Ethics and the Woodstock Ethics Commission, and he is the past Chairman of the American Association of Health Plans. Dr. Nudelman received his B.S. in microbiology, zoology and pharmacy from the University of Washington, and holds an M.B.A. and a Ph.D. in health systems management from Pacific Western University.

Mr. Bauer has been one of our directors since October 2005. Mr. Bauer serves as an executive advisor and Chief Financial Officer at DigiPen Institute of Technology. He was formerly Executive Vice President for Nintendo of America Inc. from 1994 to 2004. While at Nintendo of America Inc., he had direct responsibility for all administrative and finance functions. He has also served as a consultant to Nintendo of America Inc. From 1963 to 1994, he worked for Coopers & Lybrand, including serving as the business assurance (audit) practice partner. He was also a member of Coopers & Lybrand’s Firm Council, the senior policy making and governing board for the firm. Mr. Bauer is also a member of the board of directors of Zones, Inc. Mr. Bauer received his B.S. in accounting from St. Edward’s University.

Dr. Bianco is our principal founder and has served as our Chief Executive Officer and director since September 1991. He has also served as our President since July 2012, as well as from February 1992 through July 2008. Prior to co-founding the Company, Dr. Bianco was an assistant professor of medicine at the University of Washington, Seattle, and an assistant member in the clinical research division of the Fred Hutchinson Cancer Research Center. From 1990 to 1992, Dr. Bianco was the director of the Bone Marrow Transplant Program at the Veterans Administration Medical Center in Seattle. Dr. Bianco received his B.S. in biology and physics from New York University and his M.D. from Mount Sinai School of Medicine. Dr. Bianco is the brother of Louis A. Bianco, our Executive Vice President, Finance and Administration.

Ms. Ignagni has been one of our directors since January 2014. Ms. Ignagni is the President and Chief Executive Officer of America's Health Insurance Plans and has served in that capacity since November 2003. Currently, Ms. Ignagni also serves on the board of directors at National Quality Forum and holds advisory positions at the Altarum Institute Center for Sustainable Health Spending, Healthcare Financial Management Association and Partnership for Prevention. In addition, Ms. Ignagni is on the board of directors at the Columbia University School of Nursing and serves on the board of advisors at The Health Industry Forum at Brandeis University. Ms. Ignagni received her B.A. in political science from Providence College and her executive M.B.A. from Loyola University in Baltimore, Maryland.

Mr. Love has been one of our directors since September 2007. Mr. Love is presently a manager of Translational Accelerators, LLC. Mr. Love is also a director of PAREXEL International Corporation (NASDAQ: PRXL), a publicly traded company, and is a director of the following private companies: Applied MicroArrays Inc., PMed Management LLC, SynDevRx Inc., Cancer Prevention Pharmaceuticals Inc. and CerRx Inc. He was previously a director of ImaRx Therapeutics Inc., and, prior to its acquisition by us in July 2007, served as Chairman of the board of Systems Medicine, Inc. He started two biopharmaceutical companies, Triton Biosciences Inc. and ILEX Oncology Inc., and he served as chief executive officer for Triton Biosciences from 1983 to 1991 and as chief executive officer for ILEX Oncology 1994 to 2001. In addition, Mr. Love has served in executive positions at not-for-profit organizations, including the Cancer Therapy and Research Center, The San Antonio Technology Accelerator Initiative and the Translational Genomics Research Institute. Mr. Love received his B.S. and M.S. in chemical engineering from Virginia Polytechnic Institute.

Dr. Mundinger has been one of our directors since April 1997. From 1986 to 2010, she was a dean and professor at the Columbia University School of Nursing and an associate dean on the faculty of medicine at Columbia University. In July 2010, Dr. Mundinger was appointed the Edward M. Kennedy Professor in Health Policy and Dean Emeritus at the Columbia University School of Nursing. Dr. Mundinger has served on the board of directors of United Health Group and Gentiva Health Services and is an elected member of the Institute of Medicine of the National Academies, the American Academy of Nursing and the New York Academy of Medicine. Dr. Mundinger received her doctorate in public health from Columbia's School of Public Health.

Dr. Singer is one of our founders and directors and currently serves as our Interim Chief Medical Officer and Executive Vice President, Global Medical Affairs and Translational Medicine. Dr. Singer has been one of our directors since our inception in September 1991. From July 1995 to January 2004, Dr. Singer was our Executive Vice President, Research Program Chairman and from April 1992 to July 1995, he served as our Executive Vice President, Research and Development. Prior to joining us, Dr. Singer was a professor of medicine at the University of Washington and a full member of the Fred Hutchinson Cancer Research Center. From 1975 to 1992, Dr. Singer was the Chief of Medical Oncology at the Veterans Administration Medical Center in Seattle. Dr. Singer serves as a clinical professor of medicine at the University of Washington and an attending physician at Harborview Medical Center. Dr. Singer received his M.D. from State University of New York, Downstate Medical College.

Dr. Telling has been one of our directors since December 2006. Prior to his retirement in 2007, Dr. Telling was a corporate officer of Pfizer, most recently as Vice President of Corporate Policy and Strategic Management since 1994. He joined Pfizer in 1977 and was responsible for strategic planning and policy development throughout the majority of his career. He currently serves as Chairman of Oragenics Inc. and on the board of directors of Eisai N.A., and

Aequus Biopharma, Inc., our majority-owned subsidiary (“Aequus”). Dr. Telling received his B.A. from Hamilton College and his Masters of Industrial and Labor Relations and Ph.D. in Economics and Public Policy from Cornell University.

Dr. Tuckson has been one of our directors since September 2011. Dr. Tuckson serves as the Managing Director of Tuckson Health Connections, a private consulting company. From December 2006 to March 2014, Dr. Tuckson served as the Executive Vice President and Chief of Medical Affairs of UnitedHealth Group and, from November 2000 to December 2006, he served as Senior Vice President of Clinical Affairs of UnitedHealth Group. Dr. Tuckson also served as Senior Vice President, Professional Standards, for the American Medical Association, President of the Charles R. Drew University of Medicine and Science in Los Angeles, Senior Vice President for Programs of the March of Dimes Birth Defects Foundation and Commissioner of Public Health for the District of Columbia. He currently serves on the board of directors of the Alliance for Health Reform, the American Telemedicine Association, Project Sunshine, the Arnold P. Gold Foundation and the Advisory Committee of the National Institutes of Health for Alternate and Integrative Medicine. Dr. Tuckson received his B.S. in zoology from Howard University and his M.D. from the Georgetown University School of Medicine, and he completed the Hospital of the University of Pennsylvania's General Internal Medicine Residency and Fellowship programs.

Executive Officers

The table below provides biographical information as of April 15, 2015 for each of our executive officers:

Name	Age	Position
James A. Bianco, M.D.	58	President and Chief Executive Officer
Louis A. Bianco	62	Executive Vice President, Finance and Administration, Chief Governance Officer and Secretary
Matthew Plunkett, Ph.D.	43	Executive Vice President, Corporate Development
Jack W. Singer, M.D.	72	Interim Chief Medical Officer, Executive Vice President, Global Medical Affairs and Translational Medicine

For biographical information concerning Dr. James Bianco and Dr. Jack Singer, who are each our directors as well as executive officers, please see the discussion above.

Mr. Bianco is one of our founders and has been our Executive Vice President, Finance and Administration since February 1, 1992. He has also been our Chief Governance Officer since September 18, 2013. He was also a director from our inception in September 1991 to April 1992 and from April 1993 to April 1995. From January 1989 through January 1992, Mr. Bianco was a Vice President at Deutsche Bank Capital Corporation in charge of risk management. Mr. Bianco is a Certified Public Accountant and received his M.B.A. from New York University. Mr. Bianco and Dr. Bianco are brothers.

Dr. Plunkett assumed his role as our Executive Vice President, Corporate Development in September 2012. Prior to joining us, Dr. Plunkett was the Chief Financial Officer of the California Institute for Regenerative Medicine from November 2011 to August 2012. From July 2009 to April 2011, Dr. Plunkett was the Vice President and Chief Financial Officer of iPerian, Inc. From December 2000 to July 2009, Dr. Plunkett held positions at Oppenheimer & Co. and its U.S. predecessor, CIBC World Markets, including serving as Managing Director, Head of West Coast

Biotechnology from December 2008 to July 2009, and Executive Director, Head of West Coast Biotechnology from January 2008 to December 2008. He received his B.S. in chemistry from Harvey Mudd College and a Ph.D. in organic chemistry from the University of California, Berkeley.

Beneficial Ownership Reporting Compliance under Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act ("Section 16(a)") requires our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC reports of ownership and reports of changes in ownership of common stock and our other equity securities. Executive officers, directors and greater than 10% shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on review of this information or written representations from reporting persons that no other reports were required, we believe that, during the 2014 fiscal year, all Section 16(a) filing requirements applicable to our executive officers, directors and any greater than 10% beneficial owners complied with Section 16(a), except that one late report on Form 4 was filed pertaining to a gift by Mary O. Mundinger of shares of the Company's common stock.

Code of Ethics

We have adopted a code of ethics for our senior executive and financial officers (including our principal executive officer and principal financial officer), as well as a code of business conduct and ethics applicable to all officers, directors and employees. Both codes of ethics are available on our website at http://www.ctibiopharma.com. Shareholders may request a free copy of the codes of ethics by contacting the Company at (206) 282-7100 or at CTI BioPharma Corp., Attention: Investor Relations, 3101 Western Avenue, Suite 600, Seattle, Washington 98121, U.S.A. Any waivers of or amendments to our code of ethics will be posted on our website at http://www.ctibiopharma.com.

The Board and Its Committees

There has been no material change to the Company’s procedures by which a security holder may recommend nominees to the Company’s Board of Directors (the “Board”).

The Board held eleven meetings during the year ended December 31, 2014. None of the directors attended less than 75% of the total number of meetings of the Board and of all committees of the Board during 2014. Independent directors of the Board meet in regularly scheduled sessions without management. Our policy is to encourage attendance at the annual meeting. Six of the directors in office at the time of our 2014 annual meeting of shareholders were in attendance at such meeting.

The Board has an Audit Committee, a Compensation Committee, an Executive Committee and a Nominating and Governance Committee. The Company also has a Scientific Advisory Board, which serves an advisory role to management and the Board.

Audit Committee

The Company has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee has responsibility for assisting the Board in overseeing our accounting and financial reporting processes and audits of our financial statements. The Audit Committee assists the Board in oversight and monitoring of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the independent auditor’s qualifications, independence and performance and (iv) our internal controls over financial reporting and systems of disclosure controls and procedures. The Board has adopted a written charter for the Audit Committee, which is available on our website at http://www.ctibiopharma.com. The composition of the Audit Committee, the attributes of Audit Committee members and the responsibilities of the Audit Committee as reflected in its charter adopted by the Board are intended to be in accordance with SEC rules and the NASDAQ Stock Market LLC (“NASDAQ”) Stock Market Rules with regard to corporate audit committees.

The Audit Committee held seven meetings during the year ended December 31, 2014. The Audit Committee currently consists of three non-employee directors: Mr. Bauer (Chairman), Dr. Nudelman and Dr. Telling.

The Board has determined that each of the current members of the Audit Committee meets the requirements of “independence” as set forth in Section 10A(m)(3) of the Exchange Act, the rules and regulations promulgated by the SEC and the NASDAQ Stock Market Rules. Additionally, the Board has determined that Mr. Bauer qualifies as an “audit committee financial expert” as defined under the rules and regulations of the SEC and that he has accounting and related financial management expertise within the meaning of the NASDAQ Stock Market Rules.

Compensation Committee

The Compensation Committee has responsibility for:

- carrying out the Board’s responsibilities relating to compensation of the Company’s Chief Executive Officer, all other officers with the title of Executive Vice President and above and any other employee of the Company to the extent required under applicable law or NASDAQ Stock Market Rules;
- carrying out any other Board responsibilities relating to the Company’s overall compensation and benefit structure, policies and programs;

- administering our equity compensation plans; and
- reviewing and approving our annual compensation disclosure and analysis included in our annual report and proxy statement.

The Compensation Committee held six meetings during the year ended December 31, 2014. The Compensation Committee currently consists of four non-employee directors: Dr. Telling (Chairman), Mr. Love, Dr. Mundinger and Dr. Nudelman, each of whom meets the requirements of independence as set forth in the rules and regulations promulgated by the SEC and the NASDAQ Stock Market Rules. The Compensation Committee has a written charter, which is available on our website at http://www.ctibiopharma.com. For a discussion of the processes and procedures for determining compensation for our named executive officers, and the manner in which we utilize an outside compensation consultant, please see “Compensation Discussion and Analysis” below.

Executive Committee

The Executive Committee has the responsibility for (i) assuring that Board advice and counsel are available to management on urgent issues between regularly-scheduled Board meetings and (ii) determining content and areas of strategic discussion for the full Board’s deliberation. The Executive Committee meets on an ad hoc basis in its sole discretion. The members of the Executive Committee are Dr. Bianco, Mr. Love and Dr. Nudelman.

Nominating and Governance Committee

The Nominating and Governance Committee is responsible for establishing standards and processes so that the Board can be properly constituted to meet its fiduciary obligations to us and our shareholders and so that we have and follow appropriate governance standards. The Nominating and Governance Committee is responsible for reviewing with the Board, on an annual basis, the desired Board qualifications, expertise, characteristics and other factors for potential consideration, which review includes consideration of diversity, skills and experience. The Nominating and Governance Committee is responsible for conducting searches for potential Board members with corresponding attributes and evaluating and proposing nominees for election to the Board. The Nominating and Governance Committee seeks directors with strong reputations and experience in areas relevant to the strategy and operations of our business, particularly industries and growth segments that we serve, as well as key experience with regulatory agencies such as the United States Food and Drug Administration (the “FDA”) and the European Medicines Agency. Each of our directors holds or has held senior executive positions in, and/or has experience serving on the boards of directors and board committees of, large, complex organizations and has operating experience that meets this objective. In these positions, they have also gained experience in core management skills, such as strategic and financial planning, public company financial reporting, corporate governance, risk management and leadership development.

The Nominating and Governance Committee also believes that each of the current directors has other key attributes that are important to an effective board: integrity and demonstrated high ethical standards; sound judgment; analytical skills; the ability to engage management and each other in a constructive and collaborative fashion; diversity of origin, background, experience and thought; and the commitment to devote significant time and energy to service on the Board and its committees.

The Nominating and Governance Committee ensures that nominations to the Board are made such that the Board is properly constituted in terms of overall composition and governance of the Board. Although we do not have a policy regarding diversity, the Nominating and Governance Committee seeks a broad range of perspectives and considers both the personal characteristics (gender, ethnicity and age) and experience (industry, profession and public service) of directors and prospective nominees to the Board. The Nominating and Governance Committee will consider nominees to the Board presented by a shareholder.

The Nominating and Governance Committee is responsible for recommending director nominees to the Board for its consideration, while the Board is ultimately responsible for determining the Board slate for election by shareholders and for filling any vacancies on the Board in accordance with the Bylaws.

The Nominating and Governance Committee held eight meetings during the year ended December 31, 2014. The Nominating and Governance Committee currently consists of four non-employee directors: Dr. Mundinger (Chairwoman), Mr. Love, Dr. Nudelman and Dr. Tuckson, all of whom meet the independence requirements as set forth in the rules and regulations promulgated by the SEC and the NASDAQ Stock Market Rules. The Nominating and Governance Committee has a written charter, which is available on our website at http://www.ctibiopharma.com.

Scientific Advisory Board

The Company's Scientific Advisory Board (the "SAB") assists management with respect to the strategic development of the Company's oncology portfolio and clinical programs, its business development relating to in-licensing and out-licensing opportunities and research and development activities in general, regulatory matters and the Company's use of translational and personalized approaches to therapeutic targets. The SAB also assists the Board in its oversight of these activities. The SAB meets on an ad hoc basis in its sole discretion. The current members of the SAB are Dr. Bianco and Dr. Singer, together with the following four non-management members: Daniel Von Hoff (Chairman), Brian Druker, Ross Levine, and Alan List.

Item 11. Executive Compensation.

Compensation Discussion and Analysis

Executive Summary

Compensation Process

The Compensation Committee evaluates and approves our executive compensation plans, policies and programs.

Fiscal Year 2014 Business Highlights

During 2014, we were successful in advancing our product candidates in clinical trials and expanding our market reach for our commercial product, PIXUVRI. Select fiscal year 2014 highlights include the following:

- We received a $20 million development milestone payment from Baxter International Inc. in connection with the first treatment dosing of the last patient enrolled in PERSIST-1.
- Pacritinib was granted Fast Track designation by the FDA for the treatment of intermediate and high risk myelofibrosis, including but not limited to patients with disease-related thrombocytopenia, patients experiencing treatment-emergent thrombocytopenia on other JAK2 therapy or patients who are intolerant to or whose symptoms are sub-optimally managed on other JAK2 therapy.
- We initiated the PERSIST-2 Phase 3 clinical trial evaluating pacritinib in patients with myelofibrosis whose platelet counts are less than or equal to 100,000 per microlitre.
- We entered into a license and collaboration agreement with Les Laboratoires Servier and Institut de Recherches Internationales Servier (collectively, “Servier”) with regard to the development and commercialization of PIXUVRI and received an upfront payment of €14.0 million (or $17.8 million using the currency exchange rate as of the date we received the funds in October 2014).
- We acquired worldwide licensed rights to tosedostat, which is currently being evaluated in Phase 2 trials for acute myeloid leukemia / myelodysplastic syndrome.

Compensation Structure and Emphasis on Pay-for-Performance

Our executive compensation program embraces a number of features intended to reflect best practices in the market and help ensure that the program reinforces shareholder interests. Such features include the following:

- Executives’ bonuses under our annual incentive program are principally based on the achievement of specific performance objectives established early in the fiscal year by the Compensation Committee.

- Vesting of a significant percentage of executives' equity awards is contingent on the achievement of specific operational and financial performance goals established by the Compensation Committee. These awards and the related performance goals are discussed in detail below.
- In recent years, the Compensation Committee approved arrangements for each of the named executive officers that eliminated any gross-up payments for "parachute payment" taxes under Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), and approved revisions to the severance agreements with certain of our named executive officers to eliminate "walkaway" right provisions that would have permitted them to voluntarily terminate employment for any reason following a change in control and receive severance benefits. For a discussion of benefits payable to the named executive officers in connection with a termination of employment or a change in control of the Company, see "Potential Payments upon Termination or Change in Control".

Our executive compensation program is designed to align the compensation of our named executive officers with shareholders' interests. To create this alignment, a significant portion of compensation is "at risk." In this Form 10-K/A, we refer to compensation as being "at risk" if it is subject to performance-based vesting criteria and/or time-based vesting criteria (whereby the awards will generally be forfeited unless the executive remains at the Company for the designated period of time), and/or the value of the award is based on our stock price. Under the program, the portion of compensation guaranteed and not at risk for any fiscal year represents only a fraction of the total potential compensation. Specifically, approximately 17% of the value of Dr. Bianco's aggregate fiscal year 2014 compensation (reflected in the Summary Compensation Table included herein) was assured in the form of salary and perquisites/miscellaneous compensation (not at-risk pay), whereas approximately 83% of his total fiscal year 2014 compensation was "at-risk" compensation, comprised of the following components: (i) performance-based cash incentives; (ii) performance-based equity awards (the ultimate value of which is dependent upon the attainment of performance-based vesting criteria, service-based vesting criteria and our stock price); and (iii) time-based equity awards, which we consider at risk both because of time-based vesting requirements and because the value of the awards is ultimately dependent on our stock price at the time of vesting of the awards. For the other named executive officers as a group, approximately 18% of their aggregate fiscal year 2014 compensation was assured, whereas approximately 82% of their total fiscal year 2014 compensation was "at-risk."

Consistent with our executive compensation program's emphasis on pay-for-performance, and as discussed in more detail below, compensation awarded to the named executive officers for fiscal year 2014 reflected both our solid operational performance and the achievement of significant milestones.

Compensation Objectives and Philosophy

We believe that compensation of our named executive officers should encourage creation of shareholder value and achievement of strategic corporate objectives. Our intent is to align the interests of our shareholders and management by integrating compensation with our short-term and long-term corporate strategic and financial objectives. In order to attract and retain the most qualified personnel, we intend to offer a total compensation package that we believe is competitive with those offered by similar companies in the pharmaceutical industries, taking into account relative company size, performance and to a limited degree geographic location as well as individual responsibilities and performance. However, we also believe that it is important to provide executives with performance-based incentives that are tied to key corporate goals critical to our long-term success and viability.

7

2014 Named Executive Officer Pay Mix

The primary elements of 2014 compensation for the named executive officers included base salaries, annual cash incentives and equity incentives. The principal rationale for each is noted in the following chart:

Component	At Risk or Not At Risk	Summary
Base Salary	Not At Risk	Fixed pay that is not subject to performance risk. Primarily intended to attract and retain highly qualified executives.
Annual Cash Incentive Compensation	At Risk	Annual cash award opportunity that is principally based on corporate performance as measured against pre-established objectives. Individual performance may also be taken into account. Primarily intended to incentivize management to attain corporate objectives.
Equity Incentive Compensation	At Risk	Awards with a value determined by reference to our stock price, thus aligning executives' interests with the interests of our shareholders. A significant portion of the executives' equity awards is based on the achievement of pre-established objectives, further enhancing the link between pay and performance. In addition, through service-based vesting requirements for both the performance- and time-based equity awards, the awards serve as a retention incentive.

Consistent with our performance-based philosophy, we generally balance the total annual compensation opportunity for each of our named executive officers so that the greatest emphasis is on "at-risk" pay (annual cash incentive compensation opportunity and grant of equity incentive compensation), with the greatest portion of "at-risk" pay being in the form of equity incentive compensation in that it has a value derived from our stock price and also has a significant performance-based vesting component.

We also provide the named executive officers with benefits that are available to most of our other employees in the United States, including a 401(k) plan, employee stock purchase plan, health and welfare programs and group life insurance and also with certain perquisites and termination of employment and change in control benefit protections. In general, these benefits, perquisites, and termination of employment and change in control benefit protections are intended to attract and retain highly qualified executives.

Compensation Process

The Compensation Committee has sole authority to hire, retain and terminate the services of an independent compensation consultant to assist in its decision-making process. The Compensation Committee did not retain a compensation consultant for 2014 as it did not expect to make significant changes to the executive compensation program. The Compensation Committee had retained Milliman, Inc. as a compensation consultant in prior years (most recently in 2013), as disclosed in our prior applicable definitive proxy statements on Schedule 14A.

For 2014, the Compensation Committee did not set compensation levels benchmarked relative to any specific level or percentile against any peer group data. Except as otherwise noted in this Compensation Discussion and Analysis, the Compensation Committee's executive compensation determinations are subjective and the result of the Compensation Committee's business judgment, which is informed by the experiences of the members of the Compensation Committee, and the analysis and input from executive compensation consultants it retains from time to time, as well as the Compensation Committee's assessment of overall compensation trends and trends specific to the Company's industry.

Differences in compensation levels for our named executive officers are driven by the Compensation Committee's assessment, in its judgment, of each executive's overall responsibilities and contributions, experience and performance history and/or potential for future responsibility and promotion and awareness of compensation differentials for similar positions based on the Compensation Committee's business experience and input from compensation consultants in prior years. The Compensation Committee also considers the recommendations of the Chief Executive Officer with respect to the compensation for each executive other than himself. The Compensation Committee does not assign a specific weight to these factors and none of these factors by itself will compel a particular compensation decision.

As noted above, our Chief Executive Officer makes recommendations to the Compensation Committee regarding the compensation of our executive officers. Our Chief Executive Officer also participates in the executive compensation decision-making process by presenting overall results of the Company's performance and achievement of business objectives and goals from management's perspective, and provides his evaluation of each executive's individual performance. Our Executive Vice President, Finance and Administration, evaluates the financial implications and affordability of the Company's compensation program and provides input regarding the achievement of financial metrics and goals. None of our named executive officers, however, is a member of the Compensation Committee, and the Compensation Committee has sole and final authority to determine the compensation of our named executive officers.

Base Salaries

The Compensation Committee reviewed the base salaries provided to the named executive officers in fiscal year 2013 and determined, in its judgment, that they continued to be appropriate for 2014. Accordingly, each named executive officer's base salary rate for fiscal year 2014 continued to be the same as was in effect at the end of fiscal year 2013.

Annual Cash Incentive Compensation

Size of the Award Opportunity

In addition to not increasing the salaries of the named executive officers, the Compensation Committee also determined, in its judgment, not to increase the named executive officers' maximum bonus opportunity for fiscal year 2014 above the 2013 maximum level. Accordingly, each named executive officer's maximum bonus opportunity for fiscal year 2014 was the same as was in effect for fiscal year 2013. The Compensation Committee determined and, relative to the fiscal year 2013 allocation, reallocated target bonus amounts based on its assessment of the goals that it believed were most important to the Company at the time the goals were set. The target and maximum bonus opportunities for each named executive officer corresponding to the performance objectives established for 2014 are presented in the table below. The determination of these target and maximum bonus levels was inherently subjective, determined by the Compensation Committee in its discretion taking into account its general assessment of each executive's overall responsibilities and contributions and the executive's performance history and/or potential for future responsibility and promotion, the Compensation Committee's assessment of the potential value of the award and its judgment as to the reasonableness of the compensation opportunities provided for the executive's particular position. The Compensation Committee believes that each named executive officer's bonus opportunities were appropriate taking into account the performance that would be required to earn these amounts.

Composition of the Award

Annual cash incentives for our named executive officers are designed to reward performance for achieving key corporate goals, which we believe when they are established should, in turn, increase shareholder value. In general, the annual incentive awards for the named executive officers are subject to achievement of performance objectives established by the Compensation Committee for the fiscal year and an evaluation by the Compensation Committee of the contributions made by individual executives during the course of the year, including both realization of performance goals and other notable achievements that may not have been contemplated at the time the original performance goals were established. Although we have adopted the framework for our annual incentive program described below, the Compensation Committee retains discretion under the program to take into account developments in our business and changes in our strategic priorities that occur during the year in determining the amounts to be awarded to our executives. No adjustments were made to the framework for the fiscal year 2014 annual cash incentives after the framework had been adopted and the goals had been set for the year.

2014 Cash Incentive Performance Objectives

The Compensation Committee established the 2014 cash incentive program for our named executive officers, associated performance goals for the fiscal year and, as applicable, threshold, target and maximum bonus opportunities for each executive corresponding to those goals. The following three core elements comprised the 2014 cash incentive program, which together comprised each executive's cash incentive opportunity: financial performance; drug development; and individual performance. The total bonus opportunity allocated to a particular element was determined based on the Compensation Committee's view of the relative importance of that element, as well as the executive's position and ability to affect the outcome for the particular goals for that element. As shown in the table below, the Compensation Committee ultimately determined to award cash incentives for the 2014 fiscal year to the named executive officers in the following amounts (expressed as a percentage of such officer's base salary):
Dr. Bianco - 95%; Mr. Bianco - 65%; Dr. Singer – 47.5%; and Dr. Plunkett - 67.5%. The following table presents the approximate relative weightings of the various components for the 2014 cash incentives and the total cash incentive amounts awarded:

Performance Objectives(1)	2014 Annual Cash Incentive Compensation Potential Bonus Percentages(2)			Actual Bonus
	Threshold	Target	Maximum	Percentage Achieved/Awarded
PIXUVRI Sales Milestone(3)				
James A. Bianco, M.D.	N/A	5%	10%	5%
Louis A. Bianco	N/A	5%	10%	5%
Jack W. Singer, M.D.	N/A	2.5%	5%	2.5%
Matthew Plunkett, Ph.D.	N/A	2.5%	5%	2.5%
Non-Equity Raise Milestone(4)				
James A. Bianco, M.D.	10.0%	15%	20%	20%
Louis A. Bianco	10.0%	15%	20%	20%
Jack W. Singer, M.D.	N/A	N/A	N/A	N/A
Matthew Plunkett, Ph.D.	5.0%	10%	15%	15%
CONSOB Reporting Milestone(5)				
James A. Bianco, M.D.	N/A	5%	5%	0%
Louis A. Bianco	N/A	5%	5%	0%
Jack W. Singer, M.D.	N/A	N/A	N/A	N/A
Matthew Plunkett, Ph.D.	N/A	N/A	N/A	N/A
PIXUVRI Collaboration(6)				
James A. Bianco, M.D.	N/A	25%	25%	25%
Louis A. Bianco	N/A	20%	20%	20%
Jack W. Singer, M.D.	N/A	15%	15%	15%
Matthew Plunkett, Ph.D.	N/A	30%	30%	30%
PERSIST-1 Enrollment Milestone(7)				
James A. Bianco, M.D.	N/A	30%	30%	30%
Louis A. Bianco	N/A	10%	10%	10%
Jack W. Singer, M.D.	N/A	20%	20%	20%
Matthew Plunkett, Ph.D.	N/A	10%	10%	10%
PERSIST-2 Enrollment Milestone(8)				
James A. Bianco, M.D.	N/A	20%	20%	0%
Louis A. Bianco	N/A	5%	5%	0%
Jack W. Singer, M.D.	N/A	25%	25%	0%
Matthew Plunkett, Ph.D.	N/A	5%	5%	0%
Individual Performance(9)				
James A. Bianco, M.D.	N/A	5%	15%	15%
Louis A. Bianco	N/A	5%	10%	10%
Jack W. Singer, M.D.	N/A	5%	10%	10%
Matthew Plunkett, Ph.D.	N/A	5%	10%	10%
Total				
James A. Bianco, M.D.			125%	95%
Louis A. Bianco			80%	65%

Jack W. Singer, M.D.	75%	47.5%
Matthew Plunkett, Ph.D.	75%	67.5%

(1) The Compensation Committee selected the particular financial measures because they were determined to be key indicators of Company performance, are subject to efficient and reliable tracking and monitoring and are routinely communicated to shareholders. The Compensation Committee selected the particular drug development measures because they were determined to be the key 2014 developmental goals for the Company.

(2) The incentive opportunity for each component is expressed as a percentage of the executive's base salary, and the relative weightings are intended as guidelines, with the Compensation Committee having final authority to determine weightings and the appropriate final bonus amounts. In some cases, the "target" and "maximum" potential bonus amounts for a particular measure are the same, reflecting that the Compensation Committee determined that this component of the opportunity would be awarded on an "all or nothing" basis, with no ability to under- or over-achieve the particular goal.

(3) The target bonus level would be achieved if our gross sales for PIXUVRI were at least $2.5 million in any fiscal quarter in 2014 and the maximum level would be achieved if the break-even point for PIXUVRI was achieved in 2014 ("PIXUVRI Sales Milestone"). (The "break-even" point would be achieved if (i) net sales plus royalties received for PIXUVRI equaled or exceeded (ii) cost of goods sold plus royalties paid for PIXUVRI, plus operational costs (sales and marketing) for PIXUVRI.) Gross sales for PIXUVRI in the fourth quarter were $2.5 million, although we did not achieve the break-even point for PIXUVRI in 2014. Accordingly, this objective was determined to be achieved at the target level.

(4) The threshold bonus level would be achieved if our 2014 non-equity funds raised were at least $5 million, the target level achieved at $10 million and the maximum level would be achieved if such funds raised were at least $15 million ("Non-Equity Raise Milestone"). The upfront payment of $17.8 million (using the currency exchange rate as of the date we received the funds in October 2014) we received from our September 2014 exclusive license and collaboration agreement with Servier alone exceeded the $15 million level. Accordingly, this objective was determined to be achieved at the maximum level.

(5) The target/maximum award would be achieved if the Company would be able to obtain a determination by CONSOB relieving us of all supplemental reporting obligations beyond the standard requirements applicable to issuers generally ("CONSOB Reporting Milestone"). This objective was determined not to be achieved in 2014.

(6) The target/maximum award would be achieved if the Company would be able to consummate a global development and commercialization collaboration whereby the Company were to retain rights to PIXUVRI in certain European countries and the U.S. ("PIXUVRI Collaboration Milestone"). This objective was determined to have been achieved as a result of the Company's entry into the September 2014 exclusive license and collaboration agreement with Servier.

(7) The target/maximum award would be achieved if enrollment in the PERSIST-1 Phase 3 clinical trial for pacritinib were to be completed during fiscal year 2014 ("PERSIST-1 Enrollment Milestone"). This objective was determined to have been achieved in 2014.

(8) The target/maximum award would be achieved if the PERSIST-2 Phase 3 clinical trial for pacritinib reached 75% completion by year-end 2014 ("PERSIST-2 Enrollment Milestone"). This objective was determined not to have been achieved.

(9) The Compensation Committee determined that, based upon the Compensation Committee's subjective assessment of each executive's individual contributions during the year, he should receive the maximum pre-established amount available under his individual performance element. The key factors in the Compensation Committee's determination were the executives' successes in 2014 in the following areas:

- Management of 2014 operational expenses consistent with the Board's expectations.
- The appreciation of our stock price during 2014 by approximately 18.6%.
- In the case of Drs. Bianco and Plunkett, the initiation of analyst coverage by a national bank.
- In the case of Drs. Bianco and Plunkett, the Company's acquisition of worldwide licensed rights to tosedostat.
- In the case of Dr. Singer, the initiation of certain investigator-sponsored trials for pacritinib and tosedostat.

Equity Incentive Compensation

The Compensation Committee awards equity incentive compensation to our executive officers to further align their interests with those of our shareholders, to provide a retention incentive over the applicable vesting period, and, in the case of equity awards with performance-based vesting requirements, to provide additional incentives to our executive officers to achieve specified corporate goals and strategic objectives. Although we have occasionally granted stock options to executives in certain circumstances in prior years, our current practice is to grant equity incentive awards to the named executive officers in the form of shares of restricted stock or units payable in stock (or payable in a number of shares, as described below, based on our issued and outstanding shares of common stock on the applicable vesting date). These awards link executives' interests to shareholder interests during the entire period the award is outstanding, regardless of stock price volatility.

12

Performance-Based Awards

Overview

Under a long-term equity incentive program we adopted in 2012, each person then serving as a director or officer of the Company has been granted certain performance equity awards (the “Long-Term Performance Awards”), which are payable in fully vested shares of the Company’s common stock upon the achievement of certain performance goals identified below, subject to the goal’s achievement by the applicable deadline and the share limits of the applicable Company equity plan. A portion of the Long-Term Performance Awards was originally granted in the form of shares of restricted stock (the “LTIP Restricted Stock”) and the remaining portion was granted in restricted stock units (the “LTIP RSUs”). On January 30, 2014, the Compensation Committee extended the deadline for completion of the unvested Long-Term Performance Awards from December 31, 2015 to December 31, 2016 because the Compensation Committee believed that the goals continued to be important to the Company’s long-term growth and success. In addition to approving such extension, the Compensation Committee also determined to add two new performance goals related to tosedostat as described below. The Compensation Committee determined to add the tosedostat goals to encourage and support the further development of the compound based on the results of ongoing Phase 2 clinical trials. The size of the awards related to the new goals was established by the Compensation Committee, in its judgment, to reflect the importance of the tosedostat goals to the Company balanced with the other goals applicable under the Long-Term Performance Award program and taking into account potential payment values based on the Company’s capitalization. The current performance goals for the Long-Term Performance Awards (which, for clarity, exclude the previously achieved performance award that was satisfied in connection with the receipt (in May 2012) of the conditional marketing authorization from the European Commission for PIXUVRI as a monotherapy for the treatment of adult patients with multiply relapsed or refractory aggressive non-Hodgkin B-cell lymphomas) are as follows:

- Completion of a Phase 3 trial for tosedostat that satisfies the primary endpoint set forth in the statistical plan then in effect (“Tosedostat Phase 3”).
- Approval of a new drug application or a marketing authorization application for tosedostat (“Tosedostat Approval”).
- Completion of a Phase 3 trial for pacritinib that satisfies the primary endpoint set forth in the statistical plan then in effect (“Pacritinib Phase 3”).
- Approval of a new drug application or a marketing authorization application for pacritinib (“Pacritinib Approval”).
- Approval of a new drug application for Opaxio (“Opaxio NDA Approval”).
- Achievement of fiscal year sales equal to or greater than $50.0 million with respect to any fiscal year (the “$50M Sales Goal”).
- Achievement of fiscal year sales equal to or greater than $100.0 million with respect to any fiscal year (the “$100M Sales Goal”).
- Achievement of cash flow breakeven for any two consecutive fiscal quarters (the “Cash Flow Breakeven”).
- Achievement of earnings per share in any fiscal year ending equal to or greater than $0.30 per share of common stock (the “EPS Goal”).
- Achievement of a market capitalization goal of $1.0 billion based on the average of the closing prices of the common stock over a period of five consecutive trading days (the “Market Cap Goal”).

As stated above, each such goal is required to be satisfied between the date of grant or the more recent modification date of the applicable award and the deadline of December 31, 2016.

13

The Compensation Committee believes these awards at the grant levels identified below provide executives an appropriate level of incentives to help achieve these performance goals so as to maximize and restore shareholder value and to remain with us over a multi-year period. The Compensation Committee reviews these awards and the related performance goals annually and takes into account in establishing the performance period for the awards that the goals may not all be met within the specified period. Setting shorter performance periods gives the Compensation Committee flexibility to assess the goals in light of changes in our strategic priorities and to make changes in the goals and extend the performance period as it deems appropriate.

Size of the Awards and Vesting Conditions

If a performance goal of the Long-Term Performance Awards is timely achieved, the number of underlying shares subject to the award that vest in connection with the attainment of such performance goal will be determined by multiplying (i) the award percentage (determined as set forth below) for that award corresponding to the particular performance goal that is achieved by (ii) the total number of outstanding shares of our common stock as of the vesting date (determined on a non-fully diluted basis), subject to the applicable share limits of our equity incentive plan then in effect. While shares have been issued under our 2007 Equity Incentive Plan (the “2007 Plan”) with regard to the LTIP Restricted Stock, no shares have been reserved or set aside under the 2007 Plan for satisfaction of the shares underlying the LTIP RSUs. Rather, in accordance with the terms of the LTIP RSUs, shares will only be issuable under such awards to the extent that sufficient shares are available under the share limits of the applicable equity plan at the time of vesting. In the event that insufficient shares are available under our equity incentive plan at the time of vesting, the Company may elect to amend the awards to, but is not required to, settle the Long-Term Performance Awards in cash or any other asset.

The award percentages corresponding to the various performance goals of the Long-Term Performance Awards for each of the named executive officers are set forth in the following table:

	Performance Goals and Applicable Award Percentages(1)										
Name	Pacritinib Phase 3	Pacritinib Approval	OPAXIO NDA Approval	$50M Sales Goal	$100M Sales Goal	Cash Flow Breakeven	EPS Goal	Market Cap Goal	Tosedostat Phase 3	Tosedostat Approval	Total
James A. Bianco, M.D.	0.281%	0.563%	0.085%	0.3%	0.6%	0.3%	0.124%	0.75%	0.281%	0.563%	3.85%
Louis A. Bianco	0.114%	0.228%	0.034%	0.122%	0.243%	0.122%	0.061%	0.305%	0.114%	0.228%	1.57%
Jack W. Singer, M.D.	0.114%	0.228%	0.034%	0.122%	0.243%	0.122%	0.061%	0.305%	0.114%	0.228%	1.57%
Matthew Plunkett, Ph.D.	0.084%	0.169%	0.025%	0.09%	0.18%	0.09%	0.037%	0.225%	0.084%	0.169%	1.15%

(1) Percentages are stated as a percentage of the total number of outstanding shares of our common stock as of the vesting date (determined on a non-fully diluted basis).

A performance goal will not be considered achieved unless and until the Compensation Committee certifies that is has been achieved. If we experience a change in control, and if the award recipient is then still employed by or is providing services to us or one of our subsidiaries, then the award recipient will be entitled to receive the following vested shares, in each case subject to share availability under the applicable equity plan at the time of vesting:

- with respect to any performance goal other than the Market Cap Goal, the full award percentage that was not otherwise achieved before the date of the change in control, as though that performance goal had been fully achieved as of the time of the change in control); and
- with respect to the Market Cap Goal (to the extent the goal was not otherwise achieved before the date of the change in control), the full number of shares allocated to the Market Cap Goal only if our market capitalization based on the price per share of our common stock in the change in control transaction (or, if there is no such price in the transaction, the closing price of our common stock on the last trading day preceding the date of the change in control) equals or exceeds $1.0 billion. If our market capitalization is less than $1.0 billion on the date of the change in control, the recipient will not be entitled to receive or retain any of the shares allocated to the Market Cap Goal.

Nature of the Awards

The Long-Term Performance Awards consist of a combination of restricted stock units (LTIP RSUs) and restricted stock (LTIP Restricted Stock). In approving the Long-Term Performance Awards originally effective in January 2012, the Compensation Committee determined that it would be appropriate to grant a portion of the Long-Term Performance Awards to Dr. Bianco, Mr. Bianco and Dr. Singer in the form of restricted shares issued on the effective date of grant. The Compensation Committee believed, particularly in light of the economic environment at the time, that the link between executives' interests and shareholders' interests would be further enhanced if the executives held restricted shares (as opposed to a right to receive shares only upon the vesting of the awards), as shares (but not units) have voting rights. The LTIP Restricted Stock awarded as to a particular performance goal above will be forfeited back to us should the applicable performance-based vesting requirement described above not be satisfied. Should a performance goal noted above be satisfied, the LTIP RSUs provide for vesting and payment in connection with the attainment of such performance goal of a number of shares of our common stock determined by multiplying (i) the award percentage (determined as set forth above) for that award corresponding to that particular performance goal by (ii) the total number of outstanding shares of our common stock as of the vesting date (determined on a non-fully diluted basis), subject to the applicable share limits of our equity incentive plan then in effect. In order to ensure that the LTIP Restricted Stock awards do not provide the executive the right to receive any shares beyond the payout levels described above, any restricted shares subject to an executive LTIP Restricted Stock award that vest in connection with the achievement of a performance goal will reduce on a share-for-share basis the number of shares that would otherwise have been delivered to that executive under his or her LTIP RSUs upon achievement of that performance goal. In addition and in furtherance of that intent, if the number of shares that would have been delivered under the executive's LTIP RSUs on achievement of a performance goal (before taking the LTIP Restricted Stock awards into account) is less than the number of shares subject to the executive's LTIP Restricted Stock Award that vest on achievement of that performance goal, a number of such restricted shares equal to the difference will be forfeited back to us so that the executive retains no more shares related to that particular performance goal than the number of shares that would have otherwise been deliverable with respect to that goal under the applicable award percentage. All Long-Term Performance Awards granted after the initial January 2012 tranche have been granted solely in the form of LTIP RSUs with no corresponding LTIP Restricted Stock.

Time-Based Restricted Stock Awards

On January 30, 2014, the Compensation Committee also approved awards of time-based restricted stock to each of the Company's named executive officers. Each award vests in three equal installments over approximately fourteen months after the date of grant, subject to the executive's continued employment with the Company through the applicable vesting date. The final tranche of these awards vested on March 21, 2015. The number of shares subject to each award was calculated as a percentage of the Company's total outstanding shares on the grant date, with the percentage for Dr. Bianco being 0.90% and the percentage for each of the other named executive officers being 0.27%. The Compensation Committee also expressed its intent that similar grants of restricted stock awards would be made to each of the named executive officers at the beginning of 2015 at the percentage levels noted above, subject in each case to formal approval by the Compensation Committee. Consistent with the Compensation Committee's expressed intent, such awards were approved by the Compensation Committee in January 2015. The particular award levels and vesting terms for the 2014 and 2015 time-based grants were determined by the Compensation Committee in its judgment to be appropriate to both (i) provide an added retention incentive for the executive over the vesting period and (ii) increase the executives' respective potential ownership interests in the Company, thereby enhancing the alignment of the executives' interests with those of shareholders.

Method for Determination of the Size of the Awards

The grant levels for the equity awards granted to each named executive officer were inherently subjective, determined by the Compensation Committee in its discretion taking into account its general assessment of each executive’s overall responsibilities and contributions and the executive’s performance history and/or potential for future responsibility and promotion, the Compensation Committee’s assessment of the potential value of the award and its judgment as to the reasonableness of the compensation opportunities provided for the executive’s particular position. The Compensation Committee believes that each named executive officer’s level of equity awards granted was appropriate taking into account, as to the Long-Term Performance Awards, the performance that would be required to satisfy applicable performance-based vesting requirements.

Perquisites and Other Benefits

We maintain executive health programs for the benefit of the named executive officers, and these executives are also entitled to participate in our benefit programs that are available to all of our employees, including our 401(k) and employee stock purchase plan. Certain of our named executive officers are also provided supplemental life insurance benefits, tax preparation and club dues reimbursement, and are reimbursed as a perquisite for certain personal and family travel expenses. In addition, we use a chartered aircraft from time to time for business related travel and, when space was available, certain spouses, other family members and other guests accompanied the named executive officers on such trips. In those cases, there was no additional cost to us of having additional passengers on such flights. The Company may also pay or reimburse an executive for the cost of a chartered aircraft for personal travel when the Company requires the executive to use a chartered aircraft for the travel due to security concerns. Certain executives are also provided with or reimbursed for certain security expenses. The perquisites and other benefits provided by or paid for by us for the named executive officers are identified in the footnotes to the "Summary Compensation Table" below.

The perquisites provided to a particular named executive officer are considered by the Compensation Committee when it makes its subjective assessment of the appropriateness of the executive's overall compensation arrangements.

We provide these perquisites and other benefits as a means of providing additional compensation to our named executive officers to help retain them and, in some cases, to make certain benefits available in a convenient and efficient manner in light of the demands and time constraints imposed on our executives.

Post-Termination and Change in Control Benefits

We have certain severance and change in control arrangements in place with each of our named executive officers. The Compensation Committee believes these agreements are important in attracting and retaining key executive officers and are consistent with competitive practices.

Under these agreements, the executive would be entitled to termination benefits in the event of a termination of the executive's employment by us without cause or by the executive for good reason (in each case, within the meaning of the executives' respective employment agreement). We have determined that it is appropriate to provide each named executive officer with termination benefits under these circumstances in light of his position with us and as part of his overall compensation package, and to motivate him to operate in the best interest of the Company, rather than in a manner potentially self-serving to secure employment. Because we believe that a termination by an executive for good reason (or constructive termination) is conceptually the same as an actual termination by us without cause, we believe it is appropriate to provide termination benefits following such a constructive termination of the executive's employment.

In addition, if we experience a change in control, certain outstanding equity awards will generally either become fully vested or assumed by the successor entity. The Compensation Committee approved these change in control arrangements in order to offset the uncertainty and disruption that a change in control transaction (or potential transaction) would create during such a critical time for the Company.

In January 2015, the Compensation Committee approved revisions to the applicable severance agreements of Mr. Bianco, Dr. Singer and Dr. Plunkett primarily in order to harmonize the terms of these agreements. In the case of Mr. Bianco and Dr. Singer, the revisions included removing a provision under which the executive could voluntarily terminate employment for any reason following a change in control and receive severance benefits (generally referred to as a “walkaway” right) and a reduction in the period for the executive to exercise stock options following certain terminations of employment. (Dr. Bianco’s employment agreement and Dr. Plunkett’s severance agreement did not, and still do not, include walkaway right provisions.) Other than these changes, the severance benefits for each executive remain the same as in effect prior to the revisions. For a discussion of benefits payable to the named executive officers in connection with a termination of employment or a change in control of the Company, see “Potential Payments upon Termination or Change in Control”.

Elimination of “Parachute Payments”

During the past few years, the Compensation Committee has approved arrangements with each of the named executive officers that eliminate the executive’s right to be reimbursed for any excise taxes imposed on his termination benefits and any other payments under Sections 280G and 4999 of the Internal Revenue Code (generally referred to as “parachute payments”).

Tax Deductibility of Pay

Section 162(m) of the Internal Revenue Code (“Section 162(m)”) generally places a limit of $1,000,000 on the amount of compensation that we may deduct in any one year with respect to compensation provided to our Chief Executive Officer and certain other named executive officers. There is an exception to the $1,000,000 limitation for performance-based compensation meeting certain requirements. While the Compensation Committee has considered the limitations imposed by Section 162(m), it reserves the right to design programs that recognize a full range of performance criteria important to our success, even where the compensation paid under such programs may not be deductible. The Compensation Committee will continue to assess the tax and other consequences of our executive compensation program as part of its primary objective of ensuring that compensation paid to our named executive officers is reasonable, performance-based and consistent with our goals and the goals of our shareholders.

Risk Considerations

The Compensation Committee has reviewed our compensation programs to determine whether they encourage unnecessary or excessive risk taking and has concluded that they do not. The Compensation Committee believes that the design of our annual cash and equity incentives provides an effective and appropriate mix of incentives to help ensure our performance is focused on long-term shareholder value creation and does not encourage the taking of short-term risks at the expense of long-term results.

Base salaries are fixed in amount and thus do not encourage risk-taking. While the Compensation Committee considers the achievement of specific financial and operating performance goals in determining the cash bonuses to be awarded to executives under our cash incentive program, the Compensation Committee determines the actual amount of each executive’s bonus based on multiple Company and individual performance criteria as described above. The amount of such bonuses is also generally capped and represents only a portion of each individual’s overall total compensation opportunities, and we also generally have discretion to reduce bonus payments (or pay no bonus) based on individual performance and any other factors determined to be appropriate in the circumstances. Finally, a significant portion of the compensation provided to our executive officers is in the form of equity awards that further align executives’ interests with those of shareholders. The Compensation Committee believes that these awards do not encourage unnecessary or excessive risk-taking since the ultimate value of the awards is tied to our stock price. The vesting schedules imposed on the grants also help ensure that executives always have significant value tied to long-term stock price performance. In addition, the vesting of our Long-Term Performance Awards is tied to a number of different performance objectives, so the program is not overly dependent on any one performance metric.

Say-on-Pay Vote

At our annual meeting of shareholders held in May 2014, shareholders had the opportunity to cast an advisory vote on the compensation paid to our named executive officers as disclosed in the proxy statement for that annual meeting. The proposal to approve the executives' compensation was approved by approximately 65% of the total number of votes actually cast (disregarding abstentions and broker non-votes). The Compensation Committee believes this result affirms shareholders' support of our approach to executive compensation generally, particularly the performance-based nature of the executive compensation program, but the Compensation Committee would like to see a greater level of support for our compensation programs. Accordingly, the Compensation Committee recently adopted an additional measure that it believes reflects best practices in executive compensation generally in eliminating certain "walkaway" rights for the applicable executive officers who had such benefits that would have permitted them to voluntarily terminate employment for any reason following a change in control and receive severance benefits. For a discussion of benefits payable to the named executive officers in connection with a termination of employment or a change in control of the Company, see "Potential Payments upon Termination or Change in Control". The Compensation Committee will continue to consider the opinions that shareholders express directly to the Compensation Committee or management and through say-on-pay votes.

Summary

The Compensation Committee believes that our compensation philosophy and programs are designed to foster a performance-oriented culture that aligns employees' interests with those of our shareholders, and as such that the compensation of our executives is both appropriate and responsive to the goal of improving shareholder value.

The following "Compensation Committee Report" and related disclosure shall not be deemed incorporated by reference by any general statement incorporating this Form 10-K/A into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or under the Exchange Act, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under the Securities Act or the Exchange Act.

Compensation Committee Report

The Compensation Committee reviewed this Compensation Discussion and Analysis and discussed its contents with Company's management. Based on this review and discussions, the Compensation Committee has recommended to the Board that this Compensation Discussion and Analysis be included in this Form 10-K/A.

Respectfully submitted by the Compensation Committee:

Frederick W. Telling, Ph.D., Chairman

Richard L. Love

Mary O. Mundinger, DrPH

Phillip M. Nudelman, Ph.D.

Compensation Committee Interlocks and Insider Participation

The directors listed at the end of the Compensation Committee Report above were each members of the Compensation Committee during all of fiscal year 2014. No director who served on the Compensation Committee during fiscal year 2014 is or has been an executive officer of the Company or had any relationships requiring disclosure by us under the SEC's rules requiring disclosure of certain relationships and related-party transactions. None of our executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity, any executive officer of which served as a member of the Board or the Compensation Committee during fiscal year 2014.

Summary Compensation Table—Fiscal Years 2012-2014

The following table sets forth information concerning compensation for fiscal years 2012, 2013 and 2014 for services rendered to the Company by the Chief Executive Officer and President, the Executive Vice President, Finance and Administration and the Company's two other executive officers. Collectively, these persons are referred to as the "named executive officers."

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)(3)	Option Awards ($)(2)	All Other Compensation ($)(4)	Total($)
James A. Bianco, M.D.	2014	650,000	617,500	4,937,569	—	473,270	6,678,339
Chief Executive Officer and	2013	650,000	682,500	1,531,763	712,350	351,034	3,927,647
President(5)	2012	650,000	552,500	1,318,393	—	292,643	2,813,536
Louis A. Bianco	2014	360,000	234,000	1,542,615	—	42,299	2,178,914
Executive Vice President, Finance and Administration	2013	337,500	216,000	493,158	284,940	4	