SPECTRUM PHARMACEUTICALS INC
Form S-3
June 04, 2003

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As filed with the Securities and Exchange Commission on June 4, 2003

Registration No. 333-_____

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SPECTRUM PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**93-079187**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

157 Technology Drive
Irvine, California 92618
(949) 788-6700
(Address, Including Zip Code and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Rajesh C. Shrotriya, M.D.
Chief Executive Officer
157 Technology Drive
Irvine, California 92618
(949) 788-6700
(Name, Address, Including Zip Code and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Alan W. Pettis, Esq.
Latham & Watkins LLP
650 Town Center Drive, Twentieth Floor
Costa Mesa, California 92626
(714) 540-1235

Approximate date of commencement of proposed sale to the public: As soon as practical after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement of the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock issuable upon conversion of Preferred Stock	2,553,192 shares	$ 3.445(2)	$ 8,795,746	$711.58
Common Stock issuable upon exercise of Warrants	1,531,914 shares	$ 3.445(3)	$ 5,277,444	$426.95
Common Stock issuable upon exercise of Warrants	1,276,595 shares	$ 3.50(4)	$ 4,468,083	$361.47
Common Stock issuable upon exercise of Warrants	5,000 shares	$ 100.99(5)	$ 504,950	$ 40.85
Common Stock issuable upon exercise of Warrants	267 shares	$ 50.00(6)	$ 13,350	$ 1.08
Common Stock issuable as dividends on the Preferred Stock	1,000,000 shares	$ 3.445(7)	$ 3,445,000	$278.70
Total	6,366,968 shares		$22,501,073	$741.29(8)

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(1) In the event of a stock split, stock dividend, or similar transaction involving the Registrant s common stock, in order to prevent dilution, the number of shares registered shall automatically be increased to cover the additional shares in accordance with Rule 416(a) under the Securities Act.

(2) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(c) under the Securities Act of 1933 based on the average of the high and low sales prices of the Registrant s common stock on the Nasdaq SmallCap Market on May 30, 2003.

(3) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(c) under the Securities Act of 1933 based on the average of the high and low sales prices of the Registrant s common stock on the Nasdaq SmallCap Market on May 30, 2003.

(4) The exercise price of the warrants used for the purpose of calculating the amount of the registration fee in accordance with Rule 457(g) under the Securities Act.

(5) The exercise price of the warrants used for the purpose of calculating the amount of the registration fee in accordance with Rule 457(g) under the Securities Act.

(6) The exercise price of the warrants used for the purpose of calculating the amount of the registration fee in accordance with Rule 457(g) under the Securities Act.

(7) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(c) under the Securities Act of 1933 based on the average of the high and low sales prices of the Registrant s common stock on the Nasdaq SmallCap Market on May 30, 2003.

(8) Pursuant to Rule 457(p), the filing fee that is currently due for this registration statement is being offset by $1,079.05, a portion of the amount that was previously paid as a filing fee for a registration statement on Form S-3 (No. 333-53108), which was initially filed on January 2, 2001 by the Registrant under its former name, NeoTherapeutics, Inc.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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Subject to Completion, dated June 4, 2003

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS

UP TO 6,366,968 SHARES OF

SPECTRUM PHARMACEUTICALS, INC.

COMMON STOCK

Our common stock is traded on the Nasdaq SmallCap Market under the symbol SPPI. On May 21, 2003, the closing price of our common stock was $3.03.

This prospectus relates to the sale of up to 6,366,968 shares of our common stock by the selling stockholders named in this prospectus. The securities which are convertible or exercisable for the shares of our common stock which are being offered by this prospectus were issued to the selling stockholders pursuant to financing transactions. See Issuance of Common Stock to Selling Stockholders on page 9. We will not receive any of the proceeds from the sale of these shares.

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE RISK FACTORS BEGINNING ON PAGE 1.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of the prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is May __, 2003

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No dealer, salesperson or other individual has been authorized to give any information or to make any representations other than contained or incorporated by reference in this Prospectus, and if given or made, such information or representations must not be relied upon as having been authorized by the Company or any underwriter. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstance, create any implication that there has not been any change in the affairs of the Company since the date hereof.

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ABOUT SPECTRUM PHARMACEUTICALS, INC.

We were a development stage pharmaceutical company through the second quarter ended June 30, 2002. Beginning in the third quarter ended September 30, 2002, we are no longer a development stage enterprise in that we have commenced our planned principal operations of (1) in-licensing of oncology drug candidates and the further development of and strategic alliances for these drug candidates, (2) the out-licensing of our neurology drug candidates to strategic partners and (3) the development and marketing of generic drugs in the United States and have generated revenue from these operations.

Also during the year, our functional genomics business was engaged in discovering gene functions and validating novel molecular targets for innovative drug development. On July 19, 2002, we adopted a formal plan to discontinue the operations of our functional genomics business. However, as part of a change in management and reassessment of the Company s strategy in August 2002, we altered our plans to discontinue the operations and changed the focus of the business to out-licensing the genomics technology and the administration of two Pfizer Inc. collaboration agreements. At that time, we eliminated all further functional genomics research operations and the associated research funding commitments to the Regents of the University of California, Irvine (UCI). During 2003, we entered into an agreement with UCI to transfer our rights under the two Pfizer Inc. collaboration agreements in exchange for satisfaction of certain accounts payable and elimination of certain future liabilities of the Company.

We conduct our pharmaceutical activities as Spectrum Pharmaceuticals. Unless otherwise specified or required by context, references in this prospectus to we, us, our and Spectrum refer to Spectrum Pharmaceuticals, Inc. and its subsidiaries on a consolidated basis.

We have incurred losses in every year of our existence and expect to continue to incur significant operating losses for the next several years. We have never generated revenues from product sales and there is no assurance that revenue from product sales will ever be achieved. There is no assurance that any of our proposed products will ever be successfully developed, receive and maintain required governmental regulatory approvals, become commercially viable or achieve market acceptance.

The pharmaceutical marketplace in which we operate is highly competitive, and includes many large, well-established companies pursuing treatments for the applications we are pursuing. See Risk Factors below.

This prospectus relates to the sale of up to 6,366,968 shares of our common stock by the stockholders identified under the heading Selling Stockholders below. The securities which are convertible or exercisable for the shares of our common stock offered by this prospectus were issued and sold to the selling stockholders in private placement transactions.

We were incorporated in Colorado in December 1987 and reincorporated in Delaware in June 1997. In December 2002 we changed our name from NeoTherapeutics, Inc. to Spectrum Pharmaceuticals, Inc. Our executive offices are located at 157 Technology Drive, Irvine, California 92618. Our telephone number is (949) 788-6700. Our web site address is www.spectrumpharm.com. Information contained in our web site does not constitute part of this prospectus.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should consider the risks described below and the other information contained in this prospectus carefully before deciding to invest in our common stock. If any of the following risks actually occur, our business, financial condition and operating results would be harmed. As a result, the trading price of our common stock could decline, and you could lose a part or all of your investment.

Our losses will continue to increase as we expand our development efforts, and our efforts may never result in profitability.

Our cumulative losses during the period from our inception in 1987 through December 31, 2002 were approximately $141.7 million, almost all of which consisted of research and development and general and administrative expenses. We lost approximately $46.4 million in 2000, $27.8 million in 2001, and $17.6 million in

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2002. We expect our losses to continue in the future as we expand our clinical trials and increase our research and development activities. We currently do not sell any products or services and we may never achieve significant revenues or become profitable. Even if we eventually generate revenues from sales, we nevertheless expect to incur operating losses over the next several years.

Our business does not generate the cash needed to finance our current and anticipated operations.

During the three-month period ended March 31, 2003, our expenses were approximately $1.7 million. We anticipate that our expenses will be reduced to approximately $1.5 million, or lower, per quarter starting with the second quarter in 2003.

At the present time, our business does not generate cash from operations needed to finance our short-term operations. We will rely primarily on raising funds through the sale of our securities, and/or out-licensing our drug candidates and technology, to meet all of our short-term cash needs. We have generated operating losses since our inception and our existing cash and investment securities, are not sufficient to fund our current planned pharmaceutical operations beyond June 2004. Therefore, we will need to seek additional funding by June 2004, or sooner, through public or private financings, including equity financings, and through other arrangements to continue operating our businesses and meet our short-term and long-term cash needs. Additionally, our long-term business plans require that we enter into collaborative partnership agreements and strategic alliance agreements with larger pharmaceutical companies to co-develop, manufacture and market our product candidates.

We may not be able to raise additional funds on favorable terms, if at all. Accordingly, we may be forced to significantly change our business plans and restructure our operations to conserve cash, which would likely involve some or all of the following:

- Out-license or sell some or all of our intellectual, technological, and/or tangible property not presently contemplated and at terms that we believe would not be favorable to us;
- Further reduce the size of our workforce, including the number of our scientific personnel;
- Reduce the scope and nature of our research and drug development activities; and
- Terminate operating leases and other contractual arrangements.

We will need substantial additional funds to support the continued research and development of our potential products. Since we currently have no products available for commercial sale and minimal revenues from licensing in our oncology business, we must use capital to fund our operating expenses. Our operating expenses, and consequently our capital requirements, will depend on many factors, including:

- continued scientific progress in research and development to identify and develop or obtain additional drug candidates;
- the cost and progress of preclinical and clinical testing of our anti-cancer drugs and additional drug candidates;
- cost involved in filing, prosecuting and enforcing patent claims;
- effect of competing technological developments;
- cost of commercialization activities;
- time and cost involved in obtaining regulatory approvals; and
- our ability to establish collaborative and other arrangements with third parties, such as licensing and manufacturing agreements.

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Our efforts to in-license and develop new drug development targets may fail.

In 2002 we shifted our strategic focus from discovery and development of neurology drugs to the in-licensing of oncology drug candidates and the further development of and forming strategic alliances for these drug candidates, and the out-licensing of our neurology drug candidates to strategic partners. In the fourth quarter of 2002, we announced plans to pursue regulatory approval in the United States of generic drugs manufactured by J.B. Chemicals & Pharmaceuticals Ltd., or JBCPL, an Indian company, through our existing joint venture, NeoJB LLC. We may not in-license, discover or validate any more new drug development targets based on our efforts.

Our potential drug candidates are in various stages of clinical and pre-clinical development and may not prove safe or effective enough to obtain regulatory approval to sell any of them.

We have acquired rights to three anti-cancer drugs and we have commenced a clinical trial of our Eoquin drug candidate for superficial urinary bladder cancer. We expect that we will need to complete additional trials before we will be able to apply for regulatory approval to sell any of our potential drug candidates. Our other proposed drug candidates are in various stages of development. We cannot be certain that any of our proposed drug candidates will prove to be safe or effective in treating cancer, disorders of the nervous system, or any other diseases or indications. Our former lead drug candidate, Neotrofin, failed to demonstrate efficacy in previous trials for Alzheimer s disease and Parkinson s disease. All of our proposed drugs will require additional research and development, testing and regulatory clearance before we can sell them. We cannot be certain that we will receive regulatory approval to sell any of our proposed drugs. We do not expect to have any oncology products commercially available for at least five years, if at all.

On September 30, 2002, we entered into a co-development and license agreement with GPC Biotech AG for the development and commercialization of our lead drug candidate, satraplatin. GPC Biotech has agreed to fully fund development and commercialization expenses for satraplatin. We will not have control over the drug development process and therefore, the success of our lead drug candidate will depend upon the efforts of a third party. There is no assurance that GPC Biotech will be successful in the clinical development of the drug, the achievement of any milestones such as the acceptance of an NDA (New Drug Application) filing by the United States Food and Drug Administration or the eventual commercialization of satraplatin.

Our efforts to enter the generic drug market may fail.

We plan to use our management s experience with the regulatory approval process in the United States to seek the introduction of generic drug products into the United States, which may include generic drugs produced by other pharmaceutical companies or developed internally by us. While some members of our management have experience with obtaining regulatory approval of drug candidates in the United States, we have limited experience with generic drug products, and, as a company, we have not successfully obtained regulatory approval of any of our drug candidates.

On January 15, 2003, we announced the filing of our first Abbreviated New Drug Application, or ANDA, with the United States Food and Drug Administration. The filing was made by our NeoJB LLC subsidiary on behalf of JBCPL, and relates to a generic drug product manufactured by JBCPL. While we announced on May 9, 2003, that the FDA has accepted the ANDA for filing, we cannot be certain that the FDA will approve this ANDA, or if approved, that we will be able to complete a transfer pricing agreement with JBCPL to allow NeoJB to market the drug product in the United States on terms favorable to us or at all.

Even if we obtain regulatory approval to market one or more generic drug products in the United States, we may face opposition from the producers of the branded versions of these drugs. Branded pharmaceutical companies have historically been aggressive in seeking to prevent generic competition, including the extensive use of litigation.

In addition, many branded pharmaceutical companies increasingly have used state and federal legislative and regulatory means to delay generic competition. These efforts have included:

- pursuing new patents for existing products which may be granted just before the expiration of one patent, which could extend patent protection for a number of years or otherwise delay the launch of generics;

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using the Citizen Petition process to request amendments to FDA standards;

seeking changes to the United States Pharmacopeia, an organization which publishes industry recognized compendia of drug standards; and

attaching patent extension amendments to non-related federal legislation.

In addition, some branded pharmaceutical companies have engaged in state-by-state initiatives to enact legislation that restricts the substitution of some generic drugs. Some of these initiatives could have an impact on products that we will seek to introduce to the United States. We have limited resources, and may not be able to effectively respond to these or other measures that may be taken by pharmaceutical companies that produce the branded version of our generic products.

We must comply with the listing requirements of the Nasdaq SmallCap Market or we could be delisted and the liquidity of our common stock would decline.

Our common stock was transferred from the Nasdaq National Market to the Nasdaq SmallCap Market where it began trading on October 16, 2002. On December 11, 2002, we changed our name to Spectrum Pharmaceuticals, Inc., and began trading under the ticker symbol SPPI. To remain listed on this market, we must meet Nasdaq s continued listing requirements. Among other requirements, Nasdaq rules require that a SmallCap Market company maintain a minimum stockholders equity of $2.5 million or a minimum market value of listed securities of $35 million or a net income from continuing operations (in latest fiscal year or 2 of the last 3 fiscal years) of at least $500,000. As of March 31, 2003, we were not in compliance with this standard, and we have received a notice indicating that our securities are subject to delisting. As a result of the sale of the shares of our preferred stock to the selling stockholders listed in this prospectus, we believe we have regained compliance with this standard. The Company requested and a hearing was held before a Nasdaq Listing Qualifications Panel to review the delisting notice. On June 2, 2003, we announced that we received notice from the Nasdaq Listing Qualifications Panel that we retained our listing on the Nasdaq SmallCap Market. As a condition of our continued listing, we must show that we continue to meet the minimum stockholders equity and other requirements for continued listing on the Nasdaq SmallCap Market in timely filings of our 10-Q reports with the Securities and Exchange Commission for the second and third quarters of 2003. There is no assurance that we will be able to maintain compliance with any of the continued listing requirements. If we fail to do so, our common stock could be delisted from the Nasdaq SmallCap Market.

If our common stock is delisted from the Nasdaq SmallCap Market, we would likely seek quotation on the American Stock Exchange or a regional stock exchange, if available. However, we do not currently meet the initial listing standards of the American Stock Exchange and quotation on a regional stock exchange could reduce the market liquidity for our common stock. If our common stock is not quoted on another market or exchange, trading of our common stock could be conducted in the over-the-counter market on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. As a result, an investor would find it more difficult to dispose of, or obtain accurate quotations for the price of, our common stock.

If our common stock is delisted from the Nasdaq SmallCap Market, and if we fail to obtain quotation on another market or exchange, and if the trading price remains below $5.00 per share, then trading in our common stock might also become subject to the requirements of certain rules promulgated under the Securities Exchange Act of 1934, which require additional disclosure by broker-dealers in connection with any trades involving a stock defined as a penny stock (generally, any equity security not listed on a national securities exchange or quoted on Nasdaq that has a market price of less than $5.00 per share, subject to certain exceptions). Many brokerage firms are reluctant to recommend low-priced stocks to their clients. Moreover, various regulations and policies restrict the ability of stockholders to borrow against or margin low-priced stocks, and declines in the stock price below certain levels may trigger unexpected margin calls. Additionally, because brokers commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher priced stocks, the current price of the common stock can result in an individual stockholder paying transaction costs that represent a higher percentage of total share value than would be the case if our share price were higher. This factor may also limit the willingness of institutions to purchase our common stock. Finally, the additional burdens imposed upon broker-dealers by these requirements could discourage broker-dealers from facilitating trades in our common stock, which could severely limit the market liquidity of the stock and the ability of investors to trade our common stock.

Nasdaq corporate governance rules prohibit an issuer of listed securities from issuing 20% or more of its outstanding common stock or voting stock in one transaction or a series of related transactions, other than a public offering, at less than the greater of book value or the then current market value, without obtaining prior stockholder consent. While we

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have obtained stockholder approval of this type of financing in the past, we do not currently have stockholder approval to do similar financings in the future. We do not generate sufficient revenues to fund operations, and we do not currently have sufficient cash on hand to fund our operations beyond June 2004. While we are exploring all financing and strategic alternatives, we will need to raise additional funds through the sale of securities by June 2004, or sooner, to continue operating our business. Based on our recent experience and our current financial position, we believe that we might need to offer our securities at a discount to market price in order to attract investors to provide these funds. Therefore Nasdaq s 20% share limitation rule may hinder or prevent financing transactions from occurring.

Nasdaq corporate governance standards also require us to notify Nasdaq no later than fifteen (15) days prior to entering into a transaction that may result in the potential issuance of common stock greater than ten percent (10%) of the total shares of common stock outstanding. Several of our recent financings have been very sensitive to market conditions, and consequently have only had a short time period in which they could be completed. Therefore this 15 day notification rule may hinder or prevent similar financing transactions from occurring.

Any failure to comply with extensive governmental regulation could prevent or delay product approval or cause governmental authorities to disallow our products after approval and subject us to criminal or civil liabilities.

The FDA and comparable agencies in foreign countries impose many requirements on the introduction of new drugs through lengthy and detailed clinical testing and data collection procedures, and other costly and time consuming compliance procedures. These requirements apply to every stage of the clinical trial process and make it difficult to estimate when any of our drug candidates will be available commercially, if at all. Our proprietary compounds will require substantial clinical trials and FDA review as new drugs. Even if we successfully enroll patients in our clinical trials, patients may not respond to our potential drug candidates. We think it is prudent to expect setbacks. While we believe that we are currently in compliance with applicable FDA regulations, if we fail to comply with the regulations applicable to our clinical testing, the FDA may delay, suspend or cancel our clinical trials, or the FDA might not accept the test results. The FDA, or any comparable regulatory agency in another country, may suspend clinical trials at any time if it concludes that the trials expose subjects participating in such trials to unacceptable health risks. Further, human clinical testing may not show any current or future product candidate to be safe and effective to the satisfaction of the FDA or comparable regulatory agencies or the data derived from the clinical tests may be unsuitable for submission to the FDA or other regulatory agencies.

We cannot predict with certainty when we might submit any of our drug candidates currently under development for the regulatory approval required in order to commercially sell the products. Once we submit a drug candidate for commercial sale approval, the FDA or other regulatory agencies may not issue their approvals on a timely basis, if at all. If we are delayed or fail to obtain these approvals, our business and prospects may be significantly damaged. If we fail to comply with regulatory requirements, either prior to seeking approval or in marketing our products after approval, we could be subject to regulatory or judicial enforcement actions. These actions could result in:

product recalls or seizures;

injunctions;

civil penalties;

criminal prosecution;

refusals to approve new products and withdrawal of existing approvals; and

enhanced exposure to product liabilities.

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The loss of key researchers or managers could significantly hinder our drug development process and might cause our business to fail.

Our success depends upon the contributions of our key management and scientific personnel, especially Dr. Rajesh C. Shrotriya, our Chairman, President and Chief Executive Officer. Dr. Shrotriya has been President since 2000 and Chief Executive Officer since 2002, and has spearheaded the major changes in our business strategy and coordinated structural reorganization. Our loss of the services of Dr. Shrotriya or any other key personnel could delay or preclude us from achieving our business objectives. Dr. Shrotriya has an employment agreement with us that will expire on December 31, 2003, with automatic one-year renewals thereafter unless we or Dr. Shrotriya gives notice of intent not to renew at least 90 days in advance of the renewal date. In addition to Dr. Shrotriya, the loss of Dr. Luigi Lenaz, our President Oncology Division, would damage the development of our anti-cancer business substantially. Dr. Lenaz has an employment agreement with us that will expire on July 1, 2003, with automatic one year renewals thereafter unless Dr. Lenaz or we give notice of intent not to renew at least 90 days in advance of the renewal date. The employment agreement has been automatically renewed to July 1, 2004. We also may need substantial additional expertise in marketing and other areas in order to achieve our business objectives. Competition for qualified personnel among pharmaceutical companies is intense, and the loss of key personnel, or the inability to attract and retain the additional skilled personnel required for the expansion of our business, could significantly damage our business.

If we cannot protect or enforce our intellectual property rights adequately, the value of our research could decline as our competitors appropriate portions of our research.

We actively pursue patent protection for our proprietary products and technologies. We hold rights to thirteen U.S. patents and currently have seventeen U.S. patent applications pending. The Company has determined it will not continue to maintain eight of the U.S. patents and thirteen of the U.S. patent applications relating to Neotrofin. Our issued patents expire between 2003 and 2020. In addition, we have numerous foreign patents issued and patent applications pending corresponding to our U.S. patents. However, our patents may not protect us against our competitors. We may have to file suit to protect our patents or to defend our use of our patents against infringement claims brought by others. Because we have limited cash resources, we may not be able to afford to pursue or defend against litigation in order to protect our patent rights.

We also rely on trade secret protection for our unpatented proprietary technology. Trade secrets are difficult to protect. While we enter into proprietary information agreements with our employees, consultants and others, these agreements may not successfully protect our trade secrets or other proprietary information.

We are a small company relative to our principal competitors and our limited financial and research resources may limit our ability to develop and market new products.

Many companies, both public and private, including well-known pharmaceutical companies such as Amgen, Inc., Bayer AG, Eli Lilly and Company, Novartis AG, Bristol-Meyers Squibb Company, Glaxo SmithKline, IDEC Pharmaceuticals, Vertex Pharmaceuticals, Inc., Guilford Pharmaceuticals, Inc., Cephalon, Inc., Aventis, Elan Corporation, Pfizer, Inc., Janssen Pharmaceutica, Inc. and Shire Pharmaceuticals Group plc, are developing products to treat certain of the diseases we are pursuing. Competitors that have a strategic and clinical focus similar to ours include AVI Biopharma, Inc., Chiron Corp., Corixa Corp., Dendreon Corp., Genta Inc., Imclone Systems Incorporated, MGI Pharma, Inc. and SuperGen, Inc. among others. Companies that have a similar generic strategy include American Pharmaceuticals, Barr Laboratories, Sicor, Inc., Teva Pharmaceuticals and Watson Pharmaceuticals. Many of these companies have substantially greater financial, research and development, manufacturing, marketing and sales experience and resources than us. As a result, our competitors may be more successful than us in developing their products, obtaining regulatory approvals and marketing their products to consumers.

Numerous oncology drugs are on the market for each cancer type we are pursuing. For example, cisplatin and carboplatin are the most prevalent platinum-based derivatives used in chemotherapy. Our product candidate, satraplatin, if the FDA ever approves it, would likely compete against these drugs directly. Unless satraplatin is shown to have better efficacy and is as cost effective if not more cost effective than cisplatin and carboplatin, it may not gain acceptance by the medical field and therefore never be successful commercially.

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We may be dependant on third parties for clinical testing, manufacturing and/or marketing.

We may not conduct some clinical trials ourselves, and we will not manufacture any of our proposed products for commercial sale nor do we have the resources necessary to do so. Our current management does not have any experience marketing pharmaceutical products. We intend to contract with larger pharmaceutical companies or contract research organizations to conduct such activities. In connection with our efforts to secure corporate partners, we may seek to retain certain co-marketing rights to certain of our drug candidates, so that we may promote our products to selected medical specialists while our corporate partner promotes these products to the medical market generally. We cannot be certain that we will be able to enter into any partnering arrangements on this or any other basis. If we are not able to secure adequate partnering arrangements, we will have to hire additional employees or consultants with expertise in marketing, since our current employees have no experience in these areas. We cannot be certain that sufficient employees with relevant skills will be available to us. Any increase in the number of our employees would increase our expense level, and could have an adverse effect on our financial position.

In addition, we cannot be certain that we or our potential corporate partners can successfully introduce our proposed products or that such proposed products will achieve acceptance by patients, health care providers and insurance companies. Further, it is possible that we may not be able to secure arrangements to manufacture and market our proposed products at prices that would permit us to make a profit. To the extent that clinical trials are conducted by corporate partners, we may not be able to control the design and conduct of these clinical trials.

Competition for patients in conducting clinical trials may prevent or delay approval of a drug candidate and strain our limited financial resources.

Many pharmaceutical companies are conducting clinical trials in patients with the cancer types that Spectrum s drug candidates target. As a result, we must compete with them for clinical sites, physicians and the limited number of patients who fulfill the stringent requirements for participation in clinical trials. Also, due to the confidential nature of clinical trials, we cannot be certain how many of the eligible cancer patients may be enrolled in competing studies and consequently not available to us. This competition may increase costs of our clinical trials and delay the introduction of our potential products.

Our limited experience at managing and conducting clinical trials ourselves may delay the trials and increase our costs.

We may manage and conduct some future clinical trials ourselves rather than hire outside clinical trial contractors. We believe managing and conducting clinical trials ourselves has reduced and could continue to reduce the costs associated with our clinical trials and gives us more control over the clinical trial process. However, while some of our management has had experience at conducting clinical trials, we have limited experience in doing so as a company. While we have not experienced significant delays or increased costs to date by conducting clinical trials ourselves, as we move forward with our self-conducted clinical trials, our limited experience may delay the completion of our clinical trials and increase our costs.

We may be subject to product liability claims, and may not have sufficient product liability insurance to cover any claims, which may expose us to substantial liabilities.

We may be exposed to product liability claims from patients who participate in our clinical trials, or, if we are able to obtain FDA approval for one or more of our potential products, from consumers of our products. Although we currently carry product liability insurance in the amount of $5 million per occurrence, it is possible that the amounts of this coverage will be insufficient to protect us from future claims. Further, we cannot be certain that we will be able to maintain our existing insurance or obtain or maintain additional insurance on acceptable terms for our clinical and commercial activities or that such additional insurance would be sufficient to cover any potential product liability claim or recall. Failure to maintain sufficient insurance coverage could have a material adverse effect on our business, prospects and results of operations if claims are made that exceed our coverage.

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The use of hazardous materials in our research and development efforts imposes certain compliance costs on us and may subject us to liability for claims arising from the use or misuse of these materials.

Our research and development efforts involve the use of hazardous materials, including biological materials, chemicals and radioactive materials. We are subject to federal, state and local laws and regulations governing the storage, use and disposal of these materials and some waste products. We believe that our safety procedures for the storage, use and disposal of these materials comply with the standards prescribed by federal, state and local regulations. However, we cannot completely eliminate the risk of accidental contamination or injury from these materials. If there were to be an accident, we could be held liable for any damages that result, which could exceed our financial resources. We currently maintain insurance coverage of up to $1,000,000 per occurrence for injuries resulting from the hazardous materials we use, and up to $25,000 per occurrence for pollution clean up and removal; however, future claims may exceed these amounts. Currently the costs of complying with federal, state and local regulations are not significant, and consist primarily of waste disposal expenses.

There are a substantial number of shares of our common stock eligible for future sale in the public market. The sale of these shares could cause the market price of our common stock to fall. Any future equity issuances by us may have dilutive and other effects on our existing stockholders.

There were 3,108,100 shares of our common stock outstanding as of May 14, 2003. In addition, security holders held options, warrants and other rights as of May 14, 2003 which, if exercised, would obligate us to issue up to an additional 3,910,591 shares of common stock at a weighted average exercise price of $16.29 per share, of which 3,391,045 shares are subject to options or warrants which are currently exercisable at a weighted average exercise price of $16.86 per share. In addition, the outstanding shares of our Series D 8% Cumulative Convertible Voting Preferred Stock, at a conversion price of $2.35 per share, are currently convertible into a total of 2,553,191 shares of our common stock. The holders of the preferred stock may receive additional shares of our common stock as payment of dividends. A substantial number of those shares, when we issue them upon exercise, will be available for immediate resale in the public market. The market price of our common stock could fall as a result of such resales due to the increased number of shares available for sale in the market.

We have financed our operations, and we expect to continue to finance our operations, primarily by issuing and selling our common stock or securities convertible into or exercisable for shares of our common stock. Any issuances by us of equity securities may be at or below the prevailing market price of our common stock and may have a dilutive impact on our other stockholders. These issuances would also cause our net income, if any, or loss per share to decrease in future periods. As a result, the market price of our common stock could drop.

The market price and trading volume of our common stock fluctuate significantly and could result in substantial losses for individual investors.

The stock market from time to time experiences significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These broad market fluctuations may cause the market price and trading volume of our common stock to decrease. In addition, the market price and trading volume of our common stock is highly volatile. Factors that may cause the market price and volume of our common stock to decrease include fluctuations in our results of operations, timing and announcements of our technological innovations or new products or those of our competitors, FDA and foreign regulatory actions, developments with respect to patents and proprietary rights, public concern as to the safety of products developed by us or others, changes in health care policy in the United States and in foreign countries, changes in stock market analyst recommendations regarding our common stock, the pharmaceutical industry generally and general market conditions. In addition, the market price and trading volume of our common stock may decrease if our results of operations fail to meet the expectations of stock market analysts and investors. While a decrease in market price could result in direct economic loss for an individual investor, low trading volume could limit an individual investor s ability to sell our common stock, which could result in substantial economic loss as well. During 2002, the price of our common stock ranged between $101.25 and $0.80, as adjusted to reflect a 25-for-1 reverse split of our outstanding common stock that we effected on September 6, 2002, with a range between $3.75 and $1.80 during the period from January 2, 2003 up to and including May 14, 2003. In addition, during 2002, the daily trading volume, adjusted to reflect the reverse split, has been as high as 777,764 shares and as low as 940 shares, with a recent average from January 2, 2003 up to and including May 14, 2003 of approximately 56,000 shares.

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Certain provisions of our preferred stock may prevent or make it more difficult for us to raise funds or take certain other actions.

Certain provisions of the Preferred Stock and Warrant Purchase Agreement and Certificate of Designation, Rights and Preferences of the Series D 8% Cumulative Convertible Voting Preferred Stock (Preferred Stock) may require us to obtain the approval of the preferred stockholders to (i) amend, alter or repeal any provision of the Charter, Bylaws which may be deemed to adversely affect the terms of the Preferred Stock (ii) offer, sell or designate a security senior to or equal with the Preferred Stock, (iii) sell or issue common stock or securities convertible into or exercisable for shares of our common stock below $2.35 per share, (iv) incur any bank or non-trade indebtedness, (v) grant or make any mortgage or pledge of our property, (vi) merge or consolidate with another entity or sell or dispose of substantially all our assets or businesses or (vii) take certain other actions as described in the Certificate of Designation of the Preferred Stock. These provisions may make it more difficult for management, the board of directors or stockholders of the Company to take certain corporate actions and could delay, discourage or prevent future financings. These provisions could also limit the price that certain investors might be willing to pay for shares of our common stock.

Certain charter and bylaws provisions and our stockholder rights plan may make it more difficult for someone to acquire control of us or replace current management.

Certain provisions of our Certificate of Incorporation, as amended, and Bylaws may make it more difficult for someone to acquire control of us or replace our current management. These provisions may make it more difficult for stockholders to take certain corporate actions and could delay, discourage or prevent someone from acquiring our business or replacing our current management, even if doing so would benefit our stockholders. These provisions could limit the price that certain investors might be willing to pay for shares of our common stock.

On December 13, 2000, we adopted a Stockholder Rights Plan pursuant to which we have distributed rights to purchase units of our Series B Junior Participating Preferred Stock. The rights become exercisable upon the earlier of ten days after a person or group of affiliated or associated persons has acquired 20% or more of the outstanding shares of our common stock or ten business days after a tender offer has commenced that would result in a person or group beneficially owning 20% or more of our outstanding common stock. These rights could delay or discourage someone from acquiring our business, even if doing so would benefit our stockholders.

Our business is sometimes involved, or perceived by the public to be involved, in activities that may be seen as morally unacceptable and therefore may be legislated against, preventing us from engaging in certain research and development activities and eventually marketing certain drug candidates.

Our business involves the use of animals for certain research and development activities. Some groups perceive this as inhumane or otherwise morally unacceptable. If pressure by these groups and others results in legislation that limits or prevents any of our research and development activities, our business may be significantly harmed.

FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference into this prospectus contain forward-looking statements that are based on current expectations, estimates and projections about our industry, management s beliefs, and assumptions made by management. Words such as anticipates, expects, intends, plans, believes, seeks, estimates, and variations of such words and similar expressions are intended to ide forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual results may differ materially from those expressed or forecasted in any forward-looking statements. The risks and uncertainties include those noted in Risk Factors above and in the documents incorporated by reference.

We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent that we are required to do so by law. We also may make additional disclosures in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that we may file from time to time with the Securities and Exchange Commission, or SEC. Please also note that we provide a cautionary discussion of risks and uncertainties under the section entitled Risk

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Factors in our Annual Report on Form 10-K. These are factors that we think could cause our actual results to differ materially from expected results. Other factors besides those listed here could also adversely affect us. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

ISSUANCE OF COMMON STOCK TO THE SELLING STOCKHOLDERS

On May 13, 2003, we completed a financing pursuant to which we issued to the selling stockholders (i) 600 shares of our Series D 8% Cumulative Convertible Voting Preferred Stock for $10,000 per share, which, at a conversion price of $2.35 per share, are convertible into 2,553,192 shares of our common stock, and (ii) warrants to purchase up to 1,276,595 and 1,276,595 shares of our common stock at exercise prices of $3.00 and $3.50, respectively, in consideration for cash in the aggregate amount of $6,000,000. The holders of the preferred stock may receive additional shares of our common stock as payment of dividends on the preferred stock. Pursuant to the registration rights agreement which we entered into in connection with the financing, we have filed a registration statement, of which this prospectus forms a part, in order to permit the selling stockholders to resell to the public the shares of common stock they have or may acquire.

We entered into a financial advisory agreement as of February 1, 2003, with SCO Financial Group LLC (SCO) whereby we agreed, among other fees, to (i) pay SCO a success fee of 7% of the total amount of cash paid us pursuant to a corporate finance transaction with any party that SCO identified to us, (ii) provide warrant coverage of 10% at the exercise price and in the form of any warrants issued to the purchasers and (iii) reimburse SCO for its out-of-pocket expenses incurred in connection with SCO s role in the transaction in the amount of 1% of the total amount of cash paid to the us. In addition, pursuant to the financial advisory agreement, we agreed to indemnify SCO and each of its affiliates against any losses, claims, damages and liabilities which they become subject to as a result of any transaction contemplated by the financial advisory agreement, unless SCO acts with bad faith or gross negligence.

Pursuant to our financial advisory agreement with SCO, in connection with the sale of our securities to the selling stockholders, we paid a fee to SCO consisting of a cash payment of $480,000 and warrants to purchase 255,319 shares of our common stock at an exercise price of $3.00 per share. We are registering for resale the shares of our common stock issuable upon exercise of those warrants pursuant to this prospectus. In addition, if any of the warrants are exercised, SCO will receive an additional cash fee equal to 7% of the aggregate exercise price of the warrants. SCO Financial Group LLC is an affiliate of SCO Capital Partners LLC, one of the selling stockholders listed in this prospectus.

In connection with an arrangement, pursuant to which Jefferies & Company, Inc. (Jefferies) acted as our financial advisor in December 2001 and January 2002, we issued to Jefferies a warrant to purchase shares of our common stock. The warrant is exercisable for the purchase of up to 5,000 shares of our common stock at a $100.99 per share and up to 267 shares of our common stock at $50.00 per share. The warrant contains cashless exercise provisions. Pursuant to registration rights granted in the warrant, we are including the 5,267 shares of our common stock issuable upon exercise of the warrant in this registration statement.

USE OF PROCEEDS

The proceeds from the sale of the common stock under this prospectus will belong to the selling stockholders. We will not receive any proceeds from such sales.

DILUTION

The net tangible book value of our common stock on March 31, 2003 was a negative $551,622, or approximately $(0.19) per share. Net tangible book value per share represents the amount of our total tangible assets, less our total liabilities, divided by the total number of shares of our common stock outstanding. The number of shares of our common stock outstanding may be increased by shares issued upon conversion of the preferred stock, payment of dividends, or exercise of the warrants, and, to the extent the warrants are exercised for cash, the net tangible book value of our common stock may increase. If all the warrants for which the shares of our common stock that are issuable upon exercise of the warrants are being offered pursuant to this prospectus were exercised for cash (and including the $6,000,000 raised pursuant to the sale of 600 shares of our Series D 8% Cumulative

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Convertible Voting Preferred Stock for which the shares of our common stock that are issuable upon conversion of the preferred stock are being offered pursuant to this prospectus), the net tangible book value of our common stock would be $13,719,655, or approximately $1.65 per share, excluding the effect of any other transactions occurring after March 31, 2003. Since we will not receive any of the proceeds from the sale of common stock under this prospectus, the net tangible book value of our common stock will not be increased as a result of such sales, nor will the number of shares outstanding be affected by such sales. Consequently, there will be no change in net tangible book value per share of our common stock as a result of any sales made under this prospectus. However, any dilution to new investors will represent the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the net tangible book value per share of our common stock at the time of the purchase.

SELLING STOCKHOLDERS

The selling stockholders may sell up to 6,366,968 shares of our common stock pursuant to this prospectus. The shares of our common stock offered by this prospectus were issued or may be issued to the selling stockholders in connection with the financing transaction described above under Issuance of Common Stock to the Selling Stockholders. We have no other material relationship with the selling stockholders except for our financial advisory agreement with SCO Financial Group LLC, the terms of which are described above under Issuance of Common Stock to the Selling Stockholders.

The following table sets forth information regarding beneficial ownership of our common stock by the selling stockholders as of May 21, 2003. There were 3,108,100 shares of our common stock outstanding as of May 21, 2003.

Name	Shares of Common Stock Beneficially Owned Before Offering		Number of Shares of Common Stock Offered Hereby (2)	Shares of Common Stock Beneficially Owned Following the Offering(3)	
	Number	% of Class(1)		Number	% of Class
North Sound Legacy Fund LLC(4)	42,554	1.35%	42,554		0.0%
North Sound Legacy International Ltd.(5)	502,128	13.91%	502,128		0.0%
North Sound Legacy Institutional Fund LLC(6)	519,149	14.31%	519,149		0.0%
OTA LLC(7)	212,767	6.41%	212,767		0.0%
ProMed Partners, L.P.(8)	297,873	8.75%	297,873		0.0%
SCO Capital Partners LLC(9)	1,114,892	26.40%	1,114,892		0.0%
SDS Merchant Fund, L.P.(10)	1,063,829	25.50%	1,063,829		0.0%
Xmark Fund Ltd.(11)	1,353,190	30.33%	1,353,190		0.0%
SCO Financial Group LLC(12)	255,319	7.59%	255,319		0.0%
Jefferies & Company, Inc.(13)	5,267	0.17%	5,267		0.0%

(1) For the purposes of calculating the percent of class beneficially owned by a holder, shares of common stock which may be issued to that holder within 60 days of May 14, 2003 are deemed to be outstanding. Pursuant to the terms of the Certificate of Designation of our preferred stock, the number of shares of our common stock that may be acquired by any holder of our preferred stock upon any conversion of the preferred stock or that shall be entitled to voting rights is limited to the extent necessary to insure that, following such conversion, 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 Securities and Exchange Act of 1934, as amended, does not exceed 4.95% of the total number of shares of our common stock then outstanding.

(2) Does not include shares of our common stock issuable as payment of dividends on the preferred stock.

(3) Assumes the sale by the selling stockholders of all of the shares of common stock available for resale under this Prospectus.

(4)

Thomas McAuley, the managing member of North Sound Legacy Fund LLC, has voting and investment power over the securities beneficially owned by North Sound Legacy Fund LLC.

(5) Thomas McAuley, the managing member of North Sound Legacy International Ltd., has voting and investment power over the securities beneficially owned by North Sound Legacy International Ltd.

(6) Thomas McAuley, the managing member of North Sound Legacy Institutional Fund LLC, has voting and investment power over the securities beneficially owned by North Sound Legacy Institutional Fund LLC.

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(7) Paul Masters, the senior partner of OTA LLC, has voting and investment power over the securities beneficially owned by OTA LLC.

(8) Barry Kurokawa and David B. Musket, the managing partners of ProMed Partners, L.P., has voting and investment power over the securities beneficially owned by ProMed Partners, L.P.

(9) Steven H. Rouhandeh, the chairman of SCO Capital Partners LLC, has voting and investment power over the securities beneficially owned by SCO Capital Partners LLC.

(10) SDS Capital Partners, LLC, of which Steve Derby is the managing member, is the general partner of SDS Merchant Fund, L.P., and has voting and investment power over the securities beneficially owned by SDS Merchant Fund, L.P.

(11) Xmark Fund, Ltd., a Cayman Islands corporation, is a private investment fund that is owned by its investors and managed by Brown Simpson Asset Management, LLC, a Delaware limited liability company. Brown Simpson Asset Management, LLC, of which Mitchell D. Kaye is the managing member, has voting and investment control over the shares owned by Xmark Fund, Ltd.

(12) Steven H. Rouhandeh, the chairman of SCO Financial Group LLC, has voting and investment power over the securities beneficially owned by SCO Financial Group LLC.

(13) Joseph A. Boystock, the managing director of Jefferies & Company, Inc., has voting and investment power over the securities beneficially owned by Jefferies & Company, Inc.

PLAN OF DISTRIBUTION

The selling stockholders and any of their pledgees, assignees, donees and successors-in-interest may, from time to time, sell any or all of the shares of common stock offered hereby for their own accounts on any stock exchange, market or trading facility on which the shares are traded in private transactions or through the writing of options, whether the options are listed on an option exchange or otherwise. These sales may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market prices, at varying prices determined at the time of sale, or negotiated prices. The selling stockholders may use any one or more of the following methods when selling shares:

ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

cross trades;

purchases by a broker-dealer as principal and resale by the broker-dealer for its account; an exchange distribution in accordance with the rules of the applicable exchange;

privately negotiated transactions;

short sales;

broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;

underwritten offerings;

a combination of any such methods of sale; and

any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

The selling stockholders may also engage in short sales against the box, puts and calls and other transactions in our securities or derivatives of our securities and may sell or deliver shares in connection with these trades. In connection with the sale of shares or otherwise, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the shares in the course of hedging the positions they assume and deliver the shares to close out such short sales. The selling stockholders may loan or pledge their shares to broker-dealers that in turn may sell the shares.

The selling stockholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their shares other than ordinary course brokerage arrangements, nor is there an underwriter

or coordinating broker acting in connection with the proposed sale of shares by the selling stockholders.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions, discounts or concessions from the selling stockholders, or, if any broker-dealer

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acts as agent for the purchaser of shares, from the purchaser, in amounts to be negotiated. These commissions, discounts and concessions may be in excess of those customary in the types of transactions involved.

The selling stockholders reserve the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of the shares to be made directly or through agents.

The selling stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be underwriters within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

We have agreed to pay all fees and expenses incident to the registration of the shares, including fees and disbursements of counsel to the selling stockholders. We have agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Upon notification to us by a selling stockholder that any material arrangement has been entered into with a broker-dealer or an underwriter for the sale of shares through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer or underwriter, we will file a supplement to this prospectus, if required, pursuant to Rule 424(b) under the Securities Act, disclosing the following:

- the name of each such selling stockholder and of the participating broker-dealer(s) or underwriter(s);
- the number of shares involved;
- the price at which such shares were sold;
- the commissions paid or discounts or concessions allowed to such broker-dealer(s) or underwriter(s), where applicable;
- that such broker-dealer(s) or underwriter(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus; and
- other facts material to the transaction.

In addition, we will file a supplement to this prospectus when a selling stockholder notifies us that a donee or pledgee intends to sell more than 500 shares of our common stock.

We have advised the selling stockholders that the anti-manipulation provisions of Regulation M promulgated under the Securities Exchange Act of 1934 may apply to their sales of our shares offered by this prospectus.

DESCRIPTION OF SECURITIES TO BE REGISTERED

The following summary of the terms of our common stock does not purport to be complete and is subject to and qualified in its entirety by reference to our Charter and Bylaws, copies of which are on file with the Commission. See Where You Can Find More Information.

We have authority to issue 50,000,000 shares of common stock, $.001 par value per share. As of May 21, 2003, we had 3,108,100 shares of common stock outstanding, held of record by approximately 377 stockholders.

Terms

Holders of our common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of common stock are not entitled to cumulative voting rights with respect to election of directors, and as a consequence, minority stockholders will not be able to elect directors on the basis of their shares alone. Our Board of Directors is divided into three classes, with the term of each class expiring every third year at the annual meeting of stockholders. The number of directors is distributed equally between the three classes.

With regard to dividends, no dividend on our common stock may be paid unless, at the time of such payment, all accrued dividends on our Series D 8% Cumulative Convertible Voting Preferred Stock have been paid, and we have on hand cash and other liquid assets sufficient to pay in full, in cash, the liquidation preference that

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would be payable to the holders of the preferred stock, as if such liquidation preference were then payable. Subject to this preference and the preferences that may be applicable to the holders of any other clas