PUMA BIOTECHNOLOGY, INC.
Form DFAN14A
November 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a 101)

INFORMATION REQUIRED IN CONSENT STATEMENT

SCHEDULE 14A INFORMATION

Consent Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant ¨ Filed by a Party other than the Registrant x

Check the appropriate box:

¨ Preliminary Consent Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Consent Statement

x Definitive Additional Materials

¨ Soliciting Material Under Rule 14a-12

PUMA BIOTECHNOLOGY, INC.

(Name of Registrant as Specified in Its Charter)

FREDRIC N. ESHELMAN, PHARM.D.

JAMES M. DALY

SETH A. RUDNICK, M.D.

KENNETH B. LEE, JR.

(Name of Persons(s) Filing Consent Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials:

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Dr. Fredric N. Eshelman, James M. Daly, Seth A. Rudnick, and Kenneth B. Lee, Jr. (collectively, the Participants), filed a definitive consent statement and accompanying form of consent card with the Securities and Exchange Commission to be used in the solicitation of written consents from the stockholders of Puma Biotechnology, Inc. (the Company) to increase the size of the Company s board of directors from five to nine members and elect four new directors.

On November 30, 2015, the Participants made a presentation to Institutional Shareholder Services Inc. A copy of the slides used in that presentation is provided below.

PUMA BIOTECHNOLOGY, INC.
CONSENT SOLICITATION
Information for Investors
November 2015

Certain Disclosures

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OR
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OF
ANY

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THE INFORMATION THAT IS CONTAINED HEREIN SHOULD NOT BE CONSTRUED AS FINANCIAL, LEGAL, INV
UPON YOUR OWN EXAMINATION AND THAT OF YOUR PROFESSIONAL ADVISORS, INCLUDING LEGAL COU
REGULATORY, OR ACCOUNTING TREATMENT, SUITABILITY, AND OTHER ASPECTS OF THE ANALYSES HER
ON
NOVEMBER
18,
2015,
DR.
ESHELMAN,
JAMES
M.

DALY,
SETH
A.
RUDNICK
AND
KENNETH
B.
LEE,
JR.
(TOGETHER
WITH
DR.
ESHELMAN,
THE
"PARTICIPANTS")
FILED
A
DEFINITIVE
CONSENT
STATEMENT
AND
ACCOMPANYING
FORM
OF
CONSENT
CARD
WITH
THE
SECURITIES
AND
EXCHANGE
COMMISSION
(THE
SEC)
ON
SCHEDULE 14A
TO BE USED IN CONNECTION WITH THE SOLICITATION OF CONSENTS (THE CONSENT SOLICITATION) FR
(THE
"COMPANY")
TO
INCREASE
THE
SIZE
OF
THE
COMPANY S
BOARD
OF
DIRECTORS
FROM

FIVE
TO
NINE
MEMBERS
AND
ELECT
FOUR
NEW
DIRECTORS.
ALL
STOCKHOLDERS OF THE COMPANY ARE ADVISED TO READ THE DEFINITIVE CONSENT STATEMENT AND O
THE
PARTICIPANTS
BECAUSE
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CONTAIN
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OR
ON
THE
SEC'S
WEBSITE
AT
HTTP://WWW.SEC.GOV/.
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PARTNERS
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SOLICITOR, WILL PROVIDE COPIES OF THE DEFINITIVE CONSENT STATEMENT AND ACCOMPANYING CONS
(877) 869-0171 OR BY EMAILING INFO@OKAPIPARTNERS.COM.
2

Fredric N. Eshelman, Pharm.D.
Founder of Eshelman
Ventures, LLC, an investment company primarily
focused on healthcare companies.
Non-Executive Chairman of The Medicines Company, a global
biopharmaceutical company focused on saving lives, alleviating suffering
and contributing to the economics of healthcare by focusing on the leading

acute and intensive care hospitals worldwide.
Founder and former CEO and Executive Chairman of Pharmaceutical Product Development, Inc. (PPDI), a global contract pharmaceutical research organization.
Founding Chairman of Furiex Pharmaceuticals, Inc. (Furiex), a company that licensed and rapidly developed new medicines.
Former director and Senior Vice President, Development of Glaxo, Inc., predecessor to GlaxoSmithKline plc.
Education: Pharm.D., University of Cincinnati; B.S., UNC-Chapel Hill.
PPDI: Total Shareholder Return
Furiex: Total Shareholder Return
421%
495%
3

Background Of Investment
4

Between May 18, 2015 and June 4, 2015, I purchased a total of 150,000 shares of Puma s common stock.

Between October 22, 2015 and November 3, 2015, I

acquired options to purchase 150,000 shares of Puma s common stock.

As a result of these transactions, I am the beneficial owner of 300,000 shares, representing approximately 1% of Puma s common stock.

Meanwhile, over the last 2 years, current directors and officers have collectively engaged in net aggregate sales of stock valued at a total of approximately $18,761,916.57.

1

1. Source: Transactions listed in Participant Transaction Chart on page 43 of the Preliminary Consent Revocation Statement. Calculations based on closing price for the date of sale listed.

Company Overview
Puma Biotechnology, Inc. (NYSE: PBYI) (Puma or the Company), a Delaware corporation and development stage biopharmaceutical company, focuses on the acquisition, development and commercialization of products for the treatment of various forms of cancer.
5
Name
% Outstanding

Adage Capital Management LP
17.5%
Fidelity Management &
Research Co.
14.9%
Alan H. Auerbach
12.5%*
The Vanguard Group, Inc.
5.5%
Capital Research &
Management Co. (Global
Investors)
5.4%
T. Rowe Price Associates, Inc.
5.3%
Grantham, Mayo, Van Otterloo
& Co. LLC
5.2%
Orbimed
Advisors LLC
3.7%
Franklin Advisers, Inc.
3.0%
Frank Zavrl
2.8%

Alan H. Auerbach

CEO
and President

Richard Bryce
SVP,
Clinical Research and
Development

Charles R. Eyler

SVP,
Finance and Administration
and Treasurer

Alan H. Auerbach

Chairman

Jay M. Moyes

Adrian M.
Senderowicz

Troy E. Wilson

Frank E. Zavrl

Headquarters: Los Angeles, CA

Full-time Employees (12/31/14):
120

Market Cap (11/27/15): $2.426 billion

Closing price (11/27/15): $74.78 per share
* Excludes 2,116,250 shares exercisable pursuant to anti-dilutive warrant and options to purchase 399,999 shares exercisable within 60 days of April 17, 2015.
Sources: Capital IQ; SEC Filings; Bloomberg; NASDAQ. Amounts as of September 30, 2015 unless otherwise indicated. Calculation of percentage outstanding assumes 32,435,748 shares outstanding as of November 2, 2015, as reported in Form 10-Q filed on November 9, 2015.

Single Drug Candidate
Neratinib/PB272
(oral): treatment
of breast cancer patients, non-
small cell lung cancer patients,
and patients with HER2
mutation-

positive solid tumors.

Puma is scheduled to present three-year data from the ExteNET trial of neratinib on December 11, 2015 at the San Antonio Breast Cancer Symposium (SABCS).

This data will form the basis of the Company s new drug application (NDA) to be filed with the FDA in Q1 2016. NDA filings are an onerous and complicated process that require significant expertise and experience.

Previous data releases from the ExteNET trial have been the main driver of Puma s stock value. According to Company CEO Alan H. Auerbach, they expect widening of curve separation (more survival effect) with three-year data.

Company Overview

6

Source: SEC filings

Source: Puma website.

Why Am I Soliciting Consents?
7

Board and management practices are reducing stockholder value.
o
Stock price underperformance relative to the biotechnology industry and the Company s closest peers over the most recent six-month and one-year periods. Stockholders have

been whipsawed in both directions by management; we have seen significant stock volatility over the last six to nine months.

- History of mismanaging market expectations, including making problematic statements and not meeting announced targets or milestones relating to clinical trials.
- Stockholder unfriendly executive compensation practices.
- Board and management unresponsive and not transparent - my requests for Company documents, including board minutes, through 220 demands under Delaware Corporate Law, were denied after repeated requests. Recently I had to file suit in Delaware to obtain requested stockholder information that is readily available to companies and that I am entitled to as a shareholder.

Nominees would add unique expertise and bring a more stockholder-friendly perspective.

- Highly qualified and experienced slate of nominees will add value to the board without replacing current directors.
- Improved oversight of management in executing Puma s value proposition and in navigating assets through the regulatory process.
- Initiatives to improve transparency for Puma s investors.

Consent Solicitation
Overview
8

Consent Solicitation Goals

Increase the size of Puma s board from five to nine directors.

Elect four highly qualified and experienced directors.

No incumbent directors will be replaced.

The Nominees will each add unique expertise and experience to ensure a successful strategy for navigating the development and regulatory process, and ultimately, a strategy for bringing valuable drugs to market.
9

Consent Solicitation Proposals

Proposal 1: Repeal Amendments to the Bylaws

o

Adoption of Proposal 1 will ensure that the current board cannot (i) prevent or impair the stockholders ability to add the Nominees to the Board or (ii) limit the Nominees ability to take actions in the best interests of the Company and its

stockholders, if elected.

Proposal 2: Removal of Directors

- Adoption of Proposal 2 will remove any additional directors appointed after September 9, 2015 and prior to the effectiveness of Proposal 2, but will not remove any current directors.

Proposal 3: Increase the Size of the Board

- Adoption of Proposal 3 will increase the size of Puma s board from five to nine directors.

Proposal 4: Election of the Nominees

- Adoption of Proposal 4 will elect the Nominees to serve as directors of the Company.
- Stockholders may consent to the election of all or some of the Nominees.

Dramatic Stock Price Underperformance
Puma shares have significantly underperformed the S&P 500 and NYSE
Arca
Biotechnology Index.
11
Source: Capital IQ
Dr. Eshelman Initial

Investment
Preliminary Consent
Solicitation Filed
While the Company has performed generally in line with peers since its IPO in 2012 and outperformed last year due to early trial results and heightened expectations, since the disappointing data was released the Company has underperformed and we believe that value will continue to be destroyed if there is no change in the status quo.

Dramatic Stock Price Underperformance
Puma has also significantly underperformed its closest peer companies.
12
Source: Capital IQ

13
History of Problematic Statements:
Background
ExteNET Trial Description

Started by Pfizer Inc. in April 2009.

Enrolled 2,821 patients in 41 countries.

Double-blind, placebo-controlled, Phase III trial of neratinib vs. placebo after adjuvant treatment with trastuzumab (Herceptin) in women with early stage HER2+ breast cancer.

After one year of adjuvant treatment with Herceptin, patients were randomized 1:1 to receive extended adjuvant therapy with neratinib or placebo for one year.

Patients were then followed for recurrent disease, ductal carcinoma in situ or death for a period of two years after randomization into ExteNET, or three years since the initial start of Herceptin.
Primary Trial in Support of Q1 16
NDA

14
ExteNET Results Presented to Date

Two-year disease free survival (DFS) 93.9% neratinib, 91.6%
placebo.

In approximately 60.0% of patients for whom there was a

centrally-confirmed HER2 result available, the numbers were 94.7% and 90.6% respectively.

In centrally-confirmed HER2+ patients with hormone receptor positive disease (HR+) the results were approximately 97.0% and 88.4% respectively.

Grade 3 or higher diarrhea 39.9% of neratinib treated patients (no loparemide prophylaxis).
History of Problematic Statements:
Background
Absolute DFS difference: 2.3% at 2 years.

We continue to expect the Extenet data in Chicago to show the 3+% difference between the two arms We see a low probability of any negative data surprises
-

RBC Capital Markets, May
11 2015
History of Problematic Statements:
Optimistic Statements by Puma
15
The results of the trial
demonstrated that
treatment with
neratinib resulted in a
33% improvement in
disease free survival
versus placebo.

Puma Press Release,
July 22, 2014
We saw a 33%
improvement in invasive
disease-free survival.
-
Puma Conference call,
May 7, 2015
Most importantly, a number of those
subgroups are extremely differentiating
from the other HER2 agents that are
commercially available.
So, I think there is certainly the
opportunity for the drug to be used in all
patients directly after treatment in year
one with Herceptin.
Puma Conference Call, July 22, 2014
Beginning on July 22, 2014, and continuing until as late as May 7, 2015, Puma claimed that the ExteNET data would show that neratinib significantly improves results in breast cancer patients over a placebo.
We spoke to Puma about the
upcoming abstracts In addition
to what is already known, the
abstract from the ph3 ExteNET trial
will include the actual 2yr DFS
values, and key subset analyses
that will show neratinib forms well in
populations typically challenging
for Perjeta and Kadcyla.
-
UBS, May 4, 2015
We see upside potential at ASCO, where
we think ExteNET data will show well.
-
UBS, May 5 2015
Given prior comments from PBYI,
investors had expectation of at least a
3% absolute benefit, and perhaps a

benefit as high as 4-5%.

-

Cowen and Company, May 13, 2015
Analysts high expectations followed:

Most investors and oncologists had approximated the minimum delta between the two arms to be about 3% in order to achieve meaningful clinical significance. On its face, the 2.3% IDFS difference falls below expectations it is not surprising why the stock is down 25%...
RBC Capital Markets, May 14, 2015
History of Problematic Statements:
Clinical Trial Data Inconsistent With Expectations
16

[T]he absolute magnitude of difference in DFS was trivial. Neratanib s use is likely to be limited to a small subset

-Cowen and Company, May 21, 2015

Between May 13, 2015 and June 1, 2015, Puma released additional ExteNET data, which was presented at the American Society of Clinical Onocology (ASCO) annual meeting. The newly released ExteNET data did not meet analyst s high expectations.

[T]he point estimate at the 2yr landmark is below the 3pp delta set by investors One can debate the expectation management We recognize anger about expectations coming in.

UBS, May 13, 2015

17
While the Company continued to tout the success of the ExteNET Trial at the June 2015 ASCO meeting, significant portions of the analyst, investor, and medical communities saw the data and clearly disagreed. Puma s stock price plummeted.
[W]e view the sell off as more of a reaction to falling

short of misguided
expectations rather than a
fatal flaw in neratinib s clinical
profile.
The absolute
treatment benefit over
placebo (2.3%) was materially
below where management
had implied when topline
data were first released in July
2014.
-J.P. Morgan, August 27, 2015
ASCO
Presentation
History of Problematic Statements:
Clinical Trial Data Inconsistent With Expectations
We believe that the market reacted primarily to results that did not meet management-driven expectations for the data that were not realized when detailed data was released; however, there is still potential for significant value in developing neratinib.

History of Problematic Statements:
Regulatory Plan and Cancer Indication
18
Source: Capital IQ
Yes, we are still planning to file the NDA for the ExteNET Study in the first half of 2015.
-

Alan Auerbach, Conference Call,
November 13, 2014
Since the Company s initial NDA filing will now be for the extended adjuvant HER2-positive early stage breast cancer indication Puma intends to delay its proposed timeline for filing the NDA until the first quarter of 2016.
-
Puma Press Release,
December 2, 2014
Management has a history of mismanaging market expectations.

For example, Puma stated on several occasions, including as late as November 13, 2014, that it would file a new drug application (NDA) for neratinib during the first quarter of 2015.

Less than three weeks later, on December 2, 2014, Puma pushed the projected date of its NDA filing to the first quarter of 2016.
12%
Decline

Puma may claim that the delay was due to the FDA s requirement that the Company file carcinogenicity data, and that it had no control.

But we believe that the company should have known that this data would be required because filing for a long-term indication always requires this data.

We believe that Puma mismanaged the regulatory process.

History of Problematic Statements:
Other Trials
19
The Company held a conference call on December 23, 2013 to discuss HER2 mutation trials.

We have tried to locate the transcript but have been unable to do so.

As far as we can tell, the transcript seems to be missing and unavailable.
However, according to reports written by at least two analysts about the call:

With respect to the refractory NSCLC trial, Mr. Auerbach stated that response rates in both arms of the trial were in the 40-49% range.

Data released on September 9, 2014 was not consistent with the earlier statement (N=27).

	NERAT	NERAT + TORISEL
Partial Response	0	3 (21%)
Stable Disease	7 (54%)	11 (79%)
Clinical benefit	4 (31%)	9 (64%)

History of Problematic Statements:
Public Disclosures & Drug Development Process
20
Clinical Trials

Diarrhea problem evident in early PFE data why no protocol amendments for loparemide prophylaxis?

Equivocating on the extent of data to be presented in December 2015 on ExteNET and other trials.
Public Filings

In its S-1/A filed on October 17, 2012, the Company outlined its business strategy:

S-1/A Strategy	Current Status
An Investigational New Drug Application (IND) would be filed for the IV form of neratinib in 2013.	The Company has not filed an IND for the IV form of neratinib.
The Company would in-license additional compounds.	The Company has not licensed any additional compounds.
ExteNET trial would be wound down.	Important data from the ExteNET trial has not yet been released.
Compound PB357 would be evaluated for further development in 2013.	2013 10-K: We are evaluating PB357 and considering options relative to its development in 2013. 2014 10-K: We are evaluating PB357 and considering options relative to its development in 2014. 2015 10-K: We are evaluating PB357 and considering options relative to its development in 2015.

M&A
Speculation
21
There
has
been
speculation

regarding
M&A
for
quite
some
time.
Analysts
have
also
commented:
Cowen 5/5/15:
..[F]uture
stock performance appears increasingly dependent on M&A, an outcome we
have little visibility on.
Puma management has acknowledged that a sale of the company may be the optimal
way
to
maximize
shareholder
value
and
allow
neratinib
to
realize
its
full
potential In
our
view, Puma is likely to generate significant acquisition interest...
[O]ur
optimism
for
an
M&A
exit
is
somewhat
tempered
by
the
fact
that
[Puma]
has
been
investigating a potential sale for several months...
UBS 5/4/15:
We reiterate our Buy rating and see Puma as a prime acquisition candidate.
Interestingly,

right around the early May timeframe, the SVP of BD left the Company.

UBS 5/20/15:

Will Puma be acquired

We have felt that there isn t a rush to acquire until the calendar flips to 2016 so that it s dilutive only for one year and carc/filing is de-risked.

That said, one reason to move sooner rather than later is to execute on the long-duration trials to max out the tail potential.

CVRs may be acceptable to reflect upside sales optionality.

Stockholder Discontent
22
Auerbach and Eyler received nearly $22.3 million in salary and incentive-based annual compensation in 2014 alone, all materially enhanced as a result of deceiving the investing public...
-Stockholder Consolidated Complaint, October 16, 2015

A stockholder class action complaint was filed on June 3, 2015 in the U.S. District Court for the Central District of California against Puma, Alan Auerbach and Charles Eyler.

In the complaint, the stockholder plaintiffs alleged violations of federal securities laws, including claims under Sections 10(b) and 20(a) of the Exchange Act, stemming from Defendants allegedly problematic statements and failure to disclose material adverse facts regarding the results of the ExteNET trial and the efficacy of neratinib.

The plaintiffs allege that the defendants, including Auerbach and Eyler, engaged in a scheme to deceive investors and the market and a course of conduct that artificially inflated the price of Puma stock and operated as a fraud or deceit on Class Period purchasers of Puma stock by misrepresenting and omitting material information about neratinib

The outcome of the stockholder litigation is currently pending. The Company s problematic statements have already led some stockholders to take legal action.

History of Problematic Statements:
Impact On Puma s Stock Price

July 22, 2014 closing price: $59.03. Following market close the Company issued a press release and held a conference call announcing two-year results from the ExteNET
trial.

July 23, 2014 closing price: $233.43.

Stock reached its historical high of $270.83 per share on September 12, 2014.

23

Puma Biotechnology Inc. soared after the company yesterday reported positive trial results for its breast cancer drug Puma shares almost quadrupled

-Bloomberg, July 23, 2014

Source: Capital IQ

Jul. 22 Release of Positive ExteNET Results

Jul. 23 closing price- $233.43

Sept. 12 All-time High

June 1 ASCO Presentation

History of Problematic Statements:
Soaring Stock Price & Effect On Executive Compensation
Chairman, President and CEO Alan Auerbach and SVP Finance and Administration and Treasurer Charles Eyler were each rewarded with generous cash and stock bonuses for 2014.
24
In its Proxy statement, filed in April 2015, the Company justified its 2014 executive

compensation program on the following factors:

Price of the common stock increased approximately 1,302% between the Company s initial OTC listing in April 2012 and the end of its 2014 fiscal year.

Price of the common stock increased approximately 83% during the Company s 2014 fiscal year.

Positive ExteNET results announced by the Company in July 2014.

Eyler:

$117,610 cash bonus

31,500 shares

Total Value: $4,499,559

Auerbach:

$300,000 cash bonus

Options to purchase 150,000 shares

Total Value: $17,797,606

Sources: SEC Filings.

Stockholder Unfriendly
Executive Compensation
The Company s overall executive compensation program is excessive, is not aligned with shareholder interests, and does not reflect best practices.
Puma s executive and director compensation levels are excessive.

Alan Auerbach s total annual compensation for 2014 was almost 8x the ISS peer group median and included an outsized equity award equal to more than 26x his base salary.

Puma s outside directors each received compensation in excess of $1.175 million for 2014.

Failure to implement formula-based incentive plans with objective metrics and goals.

Puma has a discretionary executive cash bonus program and does not use any performance-vesting equity awards for its executives.

Both ISS and Glass Lewis have identified Puma s executive compensation program as not being linked to performance and concerns with the structure of long-term incentive pay.

Stockholder Unfriendly
Executive Compensation
Executive compensation practices that are not consistent with best practices and investor expectations.

Puma only provides its stockholders with an opportunity to vote on its executive compensation program once every three years (triennial say-on-pay). In 2014, only 15.4%

of Russell 3000 companies provided triennial votes.
1

Puma discloses no clawback, anti-hedging or anti-pledging policies.

CEO Auerbach has 280G gross-up protection.
Puma s equity incentive plan is dilutive and expensive.

More than 1/3 of Puma s stockholders voted against the 2015 and 2014 equity plan proposals to approve additional shares to increase plan capacity.

According to Glass Lewis, the total potential dilution from the plan is 31.97%, while peer average total dilution is 20.41% and the peer median is 18.67%, and the three-year burn rate is more than 2x the peer median rate (5.64% v. 2.80%). ISS calculated the one-year 2014 burn rate at 6.62%.

Glass Lewis calculated the projected annual cost of the plan per employee at more than 22x the peer average, with an annual per employee cost of over $2.5 million.
1. Source: Towers Watson.
26
Puma s compensation practices reflect a board that is not responsive to shareholder concerns.

Failure to Respond to 220 Demand
Puma s current board and management are not sufficiently committed to transparent disclosure or responsive to legitimate stockholder concerns.

In July 2015, I exercised my right as a stockholder under DGCL Section 220 to request copies of the Company s board minutes.
o

My request was narrowly tailored for the purpose of enabling me to analyze and value my ownership stake.

o The Company engaged in a pattern of delays and requested additional time to respond.

o Eventually, the Company claimed that it is under no obligation to comply based on its belief that I did not have a legal basis for the request.

o I strongly disagree with their position and I provided a valid purpose for the requested materials.

On October 29, 2015 and concurrent with the launch of this consent solicitation, I delivered a second request to inspect the Company s stockholder lists pursuant to DGCL Section 220.

o Initially, the Company provided limited information purportedly in satisfaction of the request, and only committed to provide all of the legally required documents after I filed suit in the Delaware Courts.

27

The Company s response reflect the board s lack of transparency and an unwillingness to respond to the legitimate concerns of stockholders.

Value Proposition

Value Proposition
Puma shares still offer investors a value proposition.

ExteNET Trial results: Supposed to present three-year (and hopefully four-year) data in December 2015. According to Company CEO they expect widening of curve separation (more survival effect) with three-four-year data. Drugs previously approved in adjuvant setting with 2-3% separation according to management. UBS analyst rates as good

chance. Basis for Q1 16 NDA.

Carcinogenecity studies required by FDA: Late-2015 data expected to support Q1 16 NDA. Previous in vitro studies (ag genotox, Ames, etc.) were negative.

Diarrhea: 40% Grade 3 in ExteNET trial without loperamide. Historically 30-40% in other trials; some evidence of 0-17% with high dose loparemide prophylaxis for one-two weeks. Specific trial data due to be released December 2015.

NDA: Submission for Q1 16 or sooner for extended adjuvant indication.

Topline NSABP FB7 study results in press release December 2015 (neoadjuvant). Previous neoadjuvant trial I-SPY-2.

HER2 mutated breast cancer results to be released December 2015.

Analyst expectations for ExteNET (e.g., restricted population, etc) and valuation; valuations of other potential claims/timing such as mutated HER2 BC, metastatic HER2+ BC, Neoadjuvant BC, NSCLC/other tumors from basket study; prevention of brain mets.
29
Puma needs enhanced boardroom dynamics to ensure assets are fully understood and valued by investors.

Potential Downside That
Needs to Be Addressed

Questions about the approvability of neratinib for extended adjuvant:

- Clinical effect not large in light of high incidence of diarrhea.

o
Protocol modified several times.
o
40% diarrhea in treatment group raises issue of ascertainment bias.
o
Only 61% of neratinib treated patients actually received the full year
treatment
(effect
on
followup
).

Even if neratinib looks more effective in subgroup analysis (e.g.
ER+), would likely require a separate trial for a label indication.

Other indications (mBC, neoadjuvant, etc.) may not present
large commercial opportunities according to analysts.

MDs may not prescribe neratinib and there may be better
alternatives.
30

Our Plan to Improve Transparency

The Nominees will work with management to improve transparency and manage street and investor expectations, specifically by providing greater clarity with respect to the following issues:

Assure full disclosure of ExteNET data (safety/efficacy, primary and subgroup analyses), three and four year in December, 2015.

Confirm Q1 16 NDA for extended adjuvant and possible neoadjuvant indication.

Address carcinogenicity data if problematic.

Events triggering payments of $187 million milestones due to PFE; cash flow to support R&D going forward, and potential needs for additional financing.

Regulatory and other plans in place for either positive or negative ExteNET results, other claims, etc.

Correct any previous problematic statements and improve expectations provided by management going forward.

Make management (as appropriate) other than CEO available on conference calls, meetings, etc.

Give complete outline of ongoing/planned studies, with firm reporting times.

Give complete report of all trial results (or topline at least) ready but heretofore unreleased (Pfizer and Puma).

Show how all of the above line up with commercial expectations and valuations for various indications.

Update on Perjeta and other competitive threats.

PR with oncology community in order to promote better understanding of drug effects and prevention/management of side effects.

Disclose firm, detailed business plan and value enhancing strategy.

31

In this uncertain environment, transparency is especially important for investors. Unfortunately, Puma has lacked transparency in the past. We seek to increase transparency and achieve full value for stockholders.

Business Initiatives Nominees Plan to Pursue

The Nominees have outlined a set of business initiatives that address the following areas that they have identified as critical to their oversight function and a value-maximizing strategy:

32

While it is difficult to know precisely what actions should be taken without full data access, it is quite clear that an overall comprehensive plan must be adopted and executed expeditiously.

Unfortunately, the current board has not been fully transparent, and has not engaged in public discussion of important issues including: integrating/launching commercial planning, manufacturing/finishing launch stocks of drug, looking at cash flow to support this activity.

The current board has given no indication that such comprehensive planning/implementation has been done.
The Nominees are committed to helping Puma develop a comprehensive plan.
1.
Regulatory, Clinical and R&D Plan
2.
Commercial/Competitive Situation, Label Indications and Valuations, Marketing and Sales Plan Preparatory Activities
3.
Manufacturing Considerations
4.
Finance and Business Development
5.
Investor Relations and Corporate Communications
6.
Governance, Management Evaluation, Board Self-Study

Minority Slate of Highly
Qualified Nominees
33

Highly Qualified Slate of Nominees

The Nominees have the experience and expertise to help guide Puma down the complicated path to a successful launch of neratinib:

34

Dr. Eshelman invested in Puma, undertook this consent solicitation, and assembled an outstanding nominee slate because he believes in the opportunity neratinib presents and is committed to bringing this valuable drug

to the market, with the ultimate goal of improving cancer care for patients.

Highly qualified with excellent, relevant track records and significant experience, comparing favorably with current directors.

Proven commitment to enhancing stockholder value and to patient care.

Addition of four new directors brings breadth and depth to the current board of directors.

No incumbent directors will be removed.

Each of the Nominees is independent of Dr. Eshelman and will fulfill their fiduciary duties to act in the best interest of all Company stockholders.

Optimal Board Size: Nine is Fine
Of 31 peer companies identified by either ISS, Capital IQ, or Bloomberg:

Seven peers have boards with 9 directors.

Notably, CEO Alan Auerbach sits on the board of Radius

Health
Inc., which has 9 members.
Radius Health s market
cap and product pipeline are similar to Puma s.

13 peer boards have nine or more members.

NONE
of Puma s peers has a board with fewer than 6
members.
35
ISS: A board of between nine and 12
members is considered ideal.
Glass Lewis: [F]ive directors is almost
always a minimum
for an effective and
properly functioning board. (2015 Puma
Biotechnology Proxy Paper)
Council of Institutional Investors
Corporate Governance Policies: [A]
board should have no fewer than five
and no more than 15 members.
Puma s current board would have you believe that a five member board is appropriate
for effectively governing the Company and that the board s current size provides for
efficient decision-making.
Puma s
claims
contradict
best
practices
and
industry
norms:
Best Practices
Industry Norms
Numerous
companies,
including
Fortune
500
companies,
have
boards
with
nine
directors:
United
Natural
Foods
Inc., Windstream Holdings, Inc., Dr. Pepper Snapple Group, Inc., Lennar Corporation, Laboratory Corp of America Holdings,

Inc, Graybar Electric Company Inc. Wynn Resorts, Limited, St. Jude Medical, Inc., Asbury Automotive Group, Big Lots, Inc., Enterprises Inc., Quintiles Transnational Holdings Inc., Joy Global Inc., Lorillard, Inc., Sanmina, First American Financial Cor Allergan Inc., Omnicare Inc., Dick s Sporting Goods, NCR Corporation, Waste Management, Inc., PPG Industries Inc., Marat Stores, Inc., Agilent Technologies Inc., Symantec Corporation, HollyFrontier Corporation, PBF Energy Inc., Kohl s Corporati Incorporated, Clovis Oncology, Inc., Tesoro Corporation, ARIAD Pharmaceuticals, Inc., Dynavax Technologies Corporation, Seattle Genetics, Inc., Tesaro, Inc., World Fuel Services Corporation, INTL FCStone Inc., Best Buy Co. Inc, Reliance Steel & Cognizant Technology Solutions, Ball Corporation, Broadcom Corporation, CenterPoint Energy, Franklin Resources, Inc., Oak Capital Group LLC, Jarden
Corporation, Mohawk Industries, Inc., UGI Corporation, The Pantry, Inc., Tyson Foods Inc., Jabil Circuit, Inc., AutoNation In Processing Inc., Liberty Interactive Corporation, Ameriprise Financial, Inc., Centene Corporation, Huntsman Corporation, Dev Markets, Inc., Tech Data Corporation, RiteAid
Corporation, National Oilwell
Varco, Inc., Xerox Corporation, Arrow Electronics, Gentherm
Inc., Cree,
Inc, Belden Inc., Eastgroup Properties Inc., La-Z-Boy Inc.,
Amphenol Corporation, CVR Energy Corp, International Bancshares Corp. 1-800-Flowers.com Inc.

Current Board s Lack Of Experience
Puma claims that the current board members posses a well diversified range of experience and the current board has the experience necessary to guide the Company through the next stages of its development.

The current board has limited public company corporate governance and oversight experience:

o
The current board has collectively only served on 6 public boards other than Puma.

Of these companies, the five that remain public have a current combined market cap of $3.21B [1], only slightly larger than Puma itself, of which Radius Health, Inc. accounts for $2.63 B. Their average market cap was only $642.9M.

Only one of the other public companies is involved in cancer treatment.

Mr. Wilson serves on the board of Zosano, Inc. which since becoming public in 2015 is down approximately 75%.

The stock price of Radius Health, Inc., where Mr. Auerbach is a director, fell 11% after the company delayed an NDA filing for work health balance, and was down 23% from its peak in July 2015.
In fact, the Nominees are far more experienced than the current board:

The four Nominees have served on at least 20 public company boards

more than 3x

the
five
current board members.

The four Nominees have served as Chairman or Lead Director on at least 10 public and private company boards
10x
the five current board members.

The four Nominees have at least 110 years of combined relevant industry experience in the pharmaceutical
and
biotechnology
industry
as
officers
and
directors

nearly
double
the
five
current board members purported 60 years of experience.
36
1. All calculations as of November 24, 2015.

Nominee Experience
37
Puma claims that the Nominees provide no additional experience or expertise.
In fact, the Nominees will add extensive expertise that the current board lacks:
Drug Development and Regulatory
Current
Board

Nominees
Auerbach s experience
at Cougar was limited to
an in-licensed drug -
early development was
completed by PFE;
Cougar was sold before
any NDA filing.
Three Nominees have extensive development experience:

Dr. Seth A. Rudnick was responsible for the development and approval of two significant biologicals - alpha interferon and erythopoietin, at Schering Plough/Biogen and Johnson & Johnson, respectively.

Dr. Eshelman has supervised drug development and approvals in many therapeutic areas.

Mr.
James M. Daly worked closely on clinical development, regulatory, and oncology pipeline strategy at both Amgen Inc. and Incyte Corporation.
M&A
Current
Board
Nominees
No one on the current
board has M&A
experience other than
Auerbach, who was
involved in the sale of
Cougar for $1.1B.
Three Nominees have played key roles in large strategic transactions:

Dr. Eshelman s previous companies combined have sold for approximately $5 billion-
more than 5x
the
value of Auerbach s previous transaction that Puma touted in its Revocation Statement.

Mr. Kenneth B. Lee, Jr. served as a director for three companies that were sold in transactions with a combined value of approximately $7.8B, and served on the Transaction Committee and Audit Committee of Pozen Inc. during its acquisition of Tribute Pharmaceuticals Canada Inc.
o
Lee also founded the Center for Strategic Transactions at Ernst & Young LLP.

Mr. Daly played a key role in Amgen s acquisitions of Micromet and BioVex, both oncology products.
Oncology
Current
Board
Nominees
No current board
members have an
advanced oncology
background.

All Nominees have significant oncology experience:

Dr. Rudnick is a medical oncologist and completed an oncology fellowship at Yale University.

Daly served as head of Amgen s oncology business. He oversaw the successful launches of five oncology products and played a key role in two oncology product acquisitions.

Dr. Eshelman has served on the boards of numerous companies that developed oncology products.

Mr. Lee served on the board of an oncology company, OSI Pharmaceuticals, Inc., that had a marketed product and was acquired by Astellas Pharma, Inc.

Nominee Experience
38
Investment
Current
Board
Nominees
Only one current board

member has significant investment experience.
Three Nominees have significant investment experience focused on breakthrough and early stage companies, at funds with a venture capital model.

Dr. Eshelman: Founder of Eshelman Ventures LLC., a fund managing investments in numerous healthcare companies.

Dr. Rudnick: 15 years of investment experience. Venture Partner at Canaan Partners, led investments in several breakthrough companies, including CombinatoRX, Esperion, Genaiisance Pharmaceuticals and Pozen.

Mr. Lee: General Partner of Hatteras BioCapital Fund., L.P., where he managed portfolios valued at over $200M.
Accounting
Current Board Nominees
No current board members have accounting experience except for Jay M. Moyes, who spent 12

years at KPMG LLP.
Mr. Lee spent 28 years at Ernst & Young LLP.

Titles included: Managing Director of Health Sciences Investment Banking Group & Co-Chairman of International Life Sciences Practice.

Strong understanding of GAP and GAAP as applied to life sciences.

Unique experience structuring transactions at ALZA Corporation.
Marketing
Current
Board
Nominees
No current board
members have
significant marketing
experience.
Mr. Daly was responsible for marketing in his role as Chief Commercial Officer at Incyte and during his time at Amgen, where he served as SVP North America Commercial Operations and SVP Global Marketing and Commercial Development.

During
Daly s
tenure
at
Incyte,
annual
oncology
sales
increased
from
$130M
to
$600M
per
year,
and during his tenure
as head of the oncology business at Amgen sales increased from $1B to
$4B.

CAREER HIGHLIGHTS
Age: 66
Founder of Eshelman Ventures, LLC, an investment company primarily focused on healthcare companies.
Non-Executive Chairman of The Medicines Company, a global biopharmaceutical company focused on saving lives, alleviating suffering and contributing to the economics of healthcare by focusing on the leading acute and intensive care

hospitals worldwide
Founded and served as CEO and Executive Chairman of Pharmaceutical Product Development, Inc.,
a global contract pharmaceutical research organization. In 2008,
PPD was selected by Forbes for its Platinum 400 list of the best big companies in America and as best-managed company in health care equipment and services.
PPD was sold to a private equity consortium for $3.9 billion in December 2011.
Served as Founding Chairman and largest shareholder of Furiex Pharmaceuticals, Inc., which licensed and rapidly developed new medicines.
Furiex was separated
from PPD in a tax-free spin-off in June 2010 and sold to Forest Labs/Actavis for $1.1 billion in July 2014.
Served as Senior Vice President, Development of Glaxo, Inc., predecessor to GlaxoSmithKline plc, as well as in various management positions with Beecham Laboratories and Boehringer Mannheim Pharmaceuticals.
Served on the executive committee of the Medical Foundation of North Carolina and the Board of Trustees for UNC-Wilmington. In 2011, Dr. Eshelman was appointed by the North Carolina General Assembly to serve on the Board of Governors for the state's multi-campus university system as well as the North Carolina Biotechnology Center. In addition, he chairs the board of visitors for the School of Pharmacy at UNC-Chapel Hill, which was named the UNC Eshelman School of Pharmacy in recognition of his many contributions to the school and the profession.
Awards received by Dr. Eshelman include the Davie and Distinguished Service Awards from UNC and Outstanding Alumnus from both the UNC and University of Cincinnati schools of pharmacy, as well as the North Carolina Entrepreneur Hall of Fame Award.
FREDRIC N. ESHELMAN, PHARM.D.
39
NOMINEE
EDUCATION
Received
Pharm.D.
from
the
University
of
Cincinnati,
and
completed
a
residency
at
Cincinnati
General
Hospital
and
a
B.S.
in
pharmacy

from UNC-Chapel Hill. Dr. Eshelman is a graduate of the Owner/President Management program at Harvard Business School.

CAREER HIGHLIGHTS
Age:
53
Mr.
Daly
served
as

Executive Vice President and Chief Commercial Officer at Incyte Corporation, a biopharmaceutical company, from October 2012 until June 2015. Mr. Daly has served as one of Chimerix Inc s directors since 2014. Prior to joining Incyte, Mr. Daly served as Senior Vice President of North America Commercial Operations and Global Marketing/Commercial

Development at Amgen Inc., a global pharmaceutical company, where he was employed from January 2002 to December 2011. Prior to his employment with Amgen, Mr. Daly was Senior Vice President and General Manager of the Respiratory/Anti-infective business unit at GlaxoSmithKline, where he was employed from June 1985 to December 2001.

JAMES M. DALY
40
NOMINEE
EDUCATION
Received
a
B.S.
and
an
M.B.A.
degree
from
the
University
of
Buffalo,
The
State
University
of
New
York.

CAREER HIGHLIGHTS
Age: 66
Dr. Seth Rudnick has been venture partner and previously general partner at Canaan Partners, a venture capital firm, since 1998, from which he is now retired.
Formerly, Dr. Rudnick was the Chief Executive Officer and Chairman of CytoTherapeutics Inc., a company developing stem cell-based

therapies. He helped found and served as the Head of Research and Development for Ortho Biotech, a division of Johnson & Johnson focusing on cancer and chronic illnesses.

Dr. Rudnick currently serves on the boards of directors of the following privately held biotechnology companies: Envisia Therapeutics, LQ3 Therapeutics, Meryx Pharmaceuticals, for which he serves as Chairman, Liquidia Technologies, Inc., for which he serves as Chairman, and G1 Therapeutics, for which he serves as Executive Chairman.

Dr. Rudnick also served on the board of Square 1, a public company until its October 2015 acquisition by Pacific Western Bank. Currently Dr. Rudnick is a Clinical Adjunct Professor of Medicine at University of North Carolina, Chapel Hill.

SETH A. RUDNICK, M.D.

41

NOMINEE

EDUCATION

Received M.D. from the University of Virginia.

Completed a residency at Washington University Barnes Hospital and a fellowship in medical oncology at Yale University.

Holds a B.A. in history from the University of

Pennsylvania.

CAREER HIGHLIGHTS
Age: 67
Managing member of Hatteras BioCapital, LLC
and the general
partner of Hatteras BioCapital Fund, L.P., a venture capital fund
focusing on life sciences companies.
Mr. Lee most recently served as managing director of the firm s

Health Sciences Corporate Finance Group.
Currently, Mr. Lee serves on the boards of directors of the following publicly held biotechnology companies: Biocryst Pharmaceuticals, Inc.
and
Pozen Inc., for which he serves as Lead Director, Chairman of the compensation committee and as a member of the audit committee.
Mr. Lee also serves on the boards of directors of two private companies,
Clinverse, Inc., and Clinipace Worldwide Inc., for which he serves as Chairman, and is a co-founder of the National Conference on Biotechnology Venture.
Between 2002 and 2013, Mr. Lee served on the Boards of several public companies: Maxygen, Inc.; OSI Pharmaceuticals, Inc.; CV Therapeutics, Inc.; Abgenix, Inc. and Inspire Pharmaceuticals, Inc.
Mr. Lee was formerly national director of the life science practice at Ernst and Young LLP, where he advised biotechnology and pharmaceutical companies throughout the world on a wide range of financial and strategic planning issues.
KENNETH B. LEE, JR.
42
NOMINEE
EDUCATION
Received
a
B.A.
in
from
Lenoir-Rhyne
College
and
an
M.B.A.
from
the
University
of
North
Carolina
at
Chapel
Hill.

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43
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