PUMA BIOTECHNOLOGY, INC.
Form DFAN14A
December 10, 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.

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(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

Destroying
Selected slides from Puma Biotechnology Inc. s presentation, dated December 4, 2015.
This presentation represents Dr. Fredric N. Eshelman s commentary on Puma s arguments.

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Debunking Puma s Claim To Be Developing
Stockholder Value
Management
and
Board
unable

to unlock stockholder value: Puma has a valuable asset that could generate significant value for stockholders if managed correctly. To date, Puma s current Board and management team have failed to do so.

Lack of strategic plan: Puma s current Board does not appear to have an overall business plan to successfully bring Puma s product to market. Stockholder hopes are pinned to an eventual acquisition.

The nominees DO have a plan: We have outlined a full set of business initiatives in the areas of commercialization, marketing, sales and manufacturing

topics that the Company has never addressed publicly

as well as finance, business development and corporate governance.

Puma s current Board has been tested and failed: The current Board is not up to the task of generating acceptable value for stockholders from Puma s asset. The four highly qualified and experienced nominees Dr. Eshelman proposes for election will bring critical skills to the Board and equip it to oversee a successful strategy for realizing the value of neratinib.

Puma s inability

to manage market expectations creates risk: Mismanagement of market expectations, as evidenced by Puma s long history of overpromising and delays in presenting trial results, has greatly contributed to recent stock price volatility and could create significant additional downside risks for investors. More effective Board oversight of management is the only way to correct this.

Inadequate transparency and skin in the game : Puma has exhibited an alarming lack of transparency with investors, including Dr. Eshelman, something the Nominees will seek to immediately address if elected. In addition, the four independent directors interests are inadequately aligned with those of stockholders.

Rather than show how it intends to Develop Shareholder Value, the Company s presentation demonstrates the need for a change.

On
8/10/15
anticipated
publishing
in
Q3
15.
On
5/11/15 and 3/2/15 anticipated publishing mid-
2015.
Stated on 11/13/14 would file in 1H
15.
There are

only 3.5
weeks left in
4Q
15
yet
no definite
dates, places
or journals
(other than
SABCS) have
been
disclosed or
publicly
scheduled.
In light of
Puma s
history of
delays, it
seems highly
unlikely that
these things
will happen
on the
schedule
described
here.
Still haven t
disclosed
which data
(two days
before).
On 8/10/15
anticipated
completing in 3Q
15.
On 5/11/15 and
3/2/15
anticipated
completing in 1H
15.
On 11/10/14
anticipated
presenting data
in 4Q
14.
Stated on 11/10/15 that it was expected in 2H
15.

All of these offerings took place before the current board failed to manage investor expectations surrounding the ExteNET data, leading to the stock s plummeting after the May 2015 ASCO Annual Meeting.

The Company fails to take responsibility for the role its failure to manage market expectations played in the stock s heightened volatility.

We agree that there is significant potential value but improved oversight and additional experience on the board is needed for that value to be realized. The Company has not explained how they intend to achieve this long-term significant value.

The Company does not identify a peer group for executive compensation benchmarking in its proxy statement. Therefore, Dr. Eshelman chose Clovis, Oncology, Inc., Seattle Genetics, Inc., Medivation, Inc., ARIAD Pharmaceuticals, Inc., and bluebird bio, Inc. because, of the comparable companies provided by Capital IQ, these were the closest to Puma in development stage and market cap.

The Company has consistently claimed that it is developing three drug candidates in numerous SEC filings, including its most recent 10-K. Puma has never explained what happened to the development of these candidates.

However, on slide 11 the Company manages to identify 10 peers in order to show that 2 other life sciences companies also have 5 directors. The Company provides no discernible basis or source for its list of peers.

Our concern is if Puma management is left unchecked there is potential for significant downside from continued overstatements - as we saw recently with Clovis Oncology, Inc.

Puma s 4 independent directors own very little stock:

Combined 3.22% beneficial ownership

Combined 0.003% of shares held directly.

Each independent director on average owns less than

0.007%, excluding options and shares which directors do not have any pecuniary interest.
NOT
No independent director has purchased shares within the last two years.
The overwhelming majority of shares beneficially owned by the independent directors are options granted as part of compensation, or were acquired in the Company s early stages when the stock price was cheap, and do not reflect actual financial commitment.

This is a false and misleading accusation. Dr. Eshelman expressly offered that potentially material information be redacted and stated that he

was not seeking
material
nonpublic
information.
Rather, he
sought
to analyze
and value his
ownership stake
and ascertain
whether the
Board members
acted
appropriately in
in connection
with the
consideration of
any business
combinations,
asset sales,
mergers or other
strategic
transactions.
The
Company
gave no
such
assurances
.
We made no such assumption and
clearly identified the shareholder
plaintiff claims as allegations.
Dr. Eshelman
fully understands the relevant metrics and has used Kaplan-Meier for years. The Company continues to
avoid the issue of how its optimistic statements about the ExteNET
data led investors and analysts to consistently
expect that there would be a 3-5% increase in absolute DFS, which was not the reality and caused stockholder value to plummet. The Company also fails to address the other cases in which its optimistic statements were followed by high expectations for data releases and other milestones that were not realized.
The Company
only responded
as required by
Delaware law
when Dr.
Eshelman filed
for expedited
proceedings.
Puma s
The motion does
not demonstrate

the truth of the statements. The court has not ruled on the motion, and demonstration of truthfulness is not the legal standard.

Each only serves on one other public board. Dr. Eshelman would leave certain current private boards if appointed as a director of Puma.

Dr. Eshelman has extensive experience in early stage cancer companies.

Dr. Rudnick developed two different biological

compounds used in cancer treatment and led their approval process.
Our nominees would add significantly to the board:

Over a century of combined industry experience

Key roles in over $10 billion in M&A sales.

Central roles in developing or launching numerous pharmaceutical products.

Exponentially higher levels of board and governance experience.

Far broader investment and finance experience.

Dr. Eshelman was not replaced as CEO. Rather, he initiated and was fully involved in planning and executing the company s succession plan. The Company neglects that most of these analyst statements came during a two-year period when the overall market was significantly down due to the financial crisis. Dr. Eshelman s tenure at PPDI was approximately 20 years.

By the standards the current board uses to judge its own past, PPDI compares very favorably. PPDI sold at an increase of 421% over its initial listing price, while Cougar s value only increased by 140%, and was even more volatile in the interim than PPDI, twice experiencing declines that brought it back to its initial listing price.

Regarding the carcinogenicity studies, Auerbach claimed in December 2014 that he anticipated that these studies would be complete by November 2015:

These carcinogenicity studies with neratinib are anticipated to be completed in November 2015 .

On November 30, 2015, he disclosed that only preliminary data was ready for the meeting with the EMA:

What we showed them

we don't have the final reports yet. What we showed them was the top line data, so kind of the draft, if you will. We do not have the full report yet.

Now the Company claims that it intends to complete these studies at some unspecified point (we would note that the fact these studies were incomplete was also the cause for the original delay of the NDA filing from 2015 to 2016).

We are not reassured.
If the current board really has an overall strategic business plan, beyond hoping for an eventual acquisition, it has never describ
The current board should outline its own strategic plan for investors and provide evidence that the necessary groundwork is bei
The Nominees have discussed and outlined a full set of business initiatives in the areas of commercialization, marketing and sales, and manufacturing (topics that the Company has never publicly discussed beyond vague and canned statements), as well as finance, business development, and corporate governance.
The Company has a track record of delays, lack of transparency and mismanaging of expectations for all 3 of these items.
See our investor presentation.

Certain Disclosures
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DR. FREDRIC N. ESHELMAN (DR. ESHELMAN) DOES NOT ASSUME RESPONSIBILITY FOR INVESTMENT DE
PURCHASE OR SALE OF ANY SECURITY. UNDER NO CIRCUMSTANCES IS THIS PRESENTATION TO BE USED
OFFER TO BUY ANY SECURITY. IT IS POSSIBLE THAT THERE WILL BE DEVELOPMENTS IN THE FUTURE TH
SELL ALL OR A PORTION OF THEIR SHARES IN OPEN MARKET TRANSACTIONS OR OTHERWISE INCLUDIN
PRIVATELY NEGOTIATED TRANSACTIONS OR OTHERWISE) OR TRADE IN OPTIONS, PUTS, CALLS OR OTHER

DR. ESHELMAN RESERVES THE RIGHT TO CHANGE ANY OF HIS OPINIONS EXPRESSED HEREIN AT ANY TIM OBLIGATION TO UPDATE THE INFORMATION CONTAINED HEREIN. CERTAIN DATA AND INFORMATION USI BEEN OBTAINED FROM SOURCES THAT DR. ESHELMAN BELIEVES TO BE RELIABLE, IS SUBJECT TO CHANG MAY NOT CONTAIN ALL MATERIAL INFORMATION CONCERNING THE SECURITIES WHICH MAY BE THE SU OBTAINED CONSENT FROM ANY THIRD PARTY TO USE ANY STATEMENTS OR INFORMATION INDICATED IN FROM STATEMENTS MADE OR PUBLISHED BY THIRD PARTIES. ANY SUCH STATEMENTS OR INFORMATION THIRD PARTY FOR THE VIEWS EXPRESSED HEREIN.

DR. ESHELMAN MAY HAVE RELIED UPON CERTAIN QUANTITATIVE AND QUALITATIVE ASSUMPTIONS WHI ARTICULATED AS PART OF SUCH ANALYSES. THE REALIZATION OF THE ASSUMPTIONS ON WHICH SUCH A VARIABILITIES AND CONTINGENCIES AND MAY CHANGE MATERIALLY IN RESPONSE TO SMALL CHANGES THE INTERACTION OF SUCH ELEMENTS. FURTHERMORE, THE ASSUMPTIONS ON WHICH THE ANALYSES W THE DATE OF THE ANALYSES, DO NOT NECESSARILY REFLECT HISTORICAL EXPERIENCE WITH RESPECT T ANALYSES, AND DO NOT CONSTITUTE A PRECISE PREDICTION AS TO FUTURE EVENTS.

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