

ARRAY BIOPHARMA INC
Form DEF 14A
September 23, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

ARRAY BIOPHARMA INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

**3200 WALNUT STREET
BOULDER, COLORADO 80301**

September 26, 2008

Dear Fellow Stockholder:

You are cordially invited to attend Array BioPharma Inc.'s Annual Meeting of Stockholders on October 30, 2008, at 2:00 p.m., Mountain Time, at the offices of Array BioPharma Inc., 1825 33rd Street, Boulder, Colorado 80301.

The matters to be acted on at the Annual Meeting are described in the enclosed notice and Proxy Statement. A proxy card on which to indicate your vote and a postage-paid return envelope are also enclosed as well as a copy of our fiscal year 2008 Annual Report.

We realize that you may not be able to attend the Annual Meeting and vote your shares in person. However, regardless of your meeting attendance, we need your vote. We urge you to complete, sign and return the enclosed proxy card to ensure that your shares are represented. If you decide to attend the Annual Meeting, you may revoke your proxy at that time and vote your shares in person.

Please remember that this is your opportunity to voice your opinion on matters affecting Array. We look forward to receiving your proxy and perhaps seeing you at the Annual Meeting.

Sincerely,

Robert E. Conway
Chief Executive Officer

Enclosures

**3200 WALNUT STREET
BOULDER, COLORADO 80301**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on October 30, 2008

You are cordially invited to attend the 2008 Annual Meeting of Stockholders of Array BioPharma Inc. to be held on October 30, 2008, at 2:00 p.m., Mountain Time, at the offices of Array BioPharma Inc., 1825 33rd Street, Boulder, Colorado 80301, to consider and vote upon the following matters:

Election of three Class II directors to serve for a three-year term of office expiring at the 2011 Annual Meeting of Stockholders;

Approval of two amendments to the Array BioPharma Inc. Employee Stock Purchase Plan, as amended (the "*ESPP*"), (i) to increase the number of shares of common stock reserved for issuance under the ESPP by 600,000 shares, to an aggregate of 2,250,000 shares, and (ii) to extend the term of the ESPP by an additional ten years, to expire on September 8, 2020;

Approval of an amendment to the Amended and Restated Array BioPharma Inc. Stock Option and Incentive Plan, as amended (the "*Option Plan*"), to extend the term of the Option Plan by an additional ten years, to expire on September 8, 2020;

Ratification of the appointment of KPMG LLP as our independent registered public accountants for the fiscal year ending June 30, 2009; and

Any other matter that properly comes before the Annual Meeting.

Only stockholders of record at the close of business on September 2, 2008, will be entitled to vote at the Annual Meeting or any adjournments thereof.

YOUR VOTE IS VERY IMPORTANT. IF YOU ARE UNABLE TO BE PRESENT AT THE ANNUAL MEETING, PLEASE SIGN AND DATE THE ENCLOSED PROXY, WHICH IS BEING SOLICITED BY THE BOARD OF DIRECTORS, AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.

Sincerely,

Robert E. Conway
Chief Executive Officer

Boulder, Colorado
September 26, 2008

**3200 WALNUT STREET
BOULDER, COLORADO 80301**

**PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS**

To be held on October 30, 2008

This Proxy Statement is furnished to stockholders of Array BioPharma Inc., a Delaware corporation, in connection with the solicitation of proxies for use at the Annual Meeting of Stockholders of Array to be held on October 30, 2008, at 2:00 p.m., Mountain Time, at the offices of Array BioPharma Inc., 1825 33rd Street, Boulder, Colorado 80301, for the purposes set forth in the Notice of Meeting. This solicitation of proxies is made on behalf of our Board of Directors.

Holders of record of shares of our common stock as of the close of business on the record date, September 2, 2008, are entitled to receive notice of, and to vote at, the Annual Meeting. The common stock constitutes the only class of securities entitled to vote at the Annual Meeting, and each share of common stock entitles the holder thereof to one vote. At the close of business on September 2, 2008, there were 47,579,801 shares of common stock outstanding.

Shares represented by proxies in the form enclosed that are properly executed and returned and not revoked will be voted as specified. Where no specification is made on a properly executed and returned form of proxy, the shares will be voted FOR the election of all nominees for Class II directors, FOR the approval of the amendments to the Array BioPharma Inc. Employee Stock Purchase Plan to increase the number of shares reserved for issuance thereunder by 600,000 and to extend the term thereof by an additional 10 years, FOR approval of the amendment to the Amended and Restated Array BioPharma Inc. Stock Option and Incentive Plan to extend the term thereof by an additional 10 years, and FOR the ratification of the appointment of KPMG LLP as our independent registered public accountants for the fiscal year ending June 30, 2009. We know of no other business to be transacted at the Annual Meeting. If other matters requiring a vote do arise, the persons named in the proxy intend to vote in accordance with their judgment on such matters.

To be voted, proxies must be filed with our Secretary prior to the time of voting. Proxies may be revoked at any time before they are exercised by filing with our Secretary a notice of revocation or a later dated proxy, or by voting in person at the Annual Meeting.

Our 2008 Annual Report to Stockholders for the fiscal year ended June 30, 2008 is enclosed with this Proxy Statement. This Proxy Statement, the Proxy Card and the 2008 Annual Report to Stockholders were mailed to stockholders on or about September 26, 2008. Our executive offices are located at 3200 Walnut Street, Boulder, Colorado 80301.

**PROPOSAL 1
ELECTION OF DIRECTORS**

Board of Directors

Our Board of Directors is composed of nine members divided into three classes having staggered three-year terms. At each Annual Meeting of Stockholders, the successors to the class of directors whose terms expired are elected to serve three-year terms. The terms of the Class II directors will expire at the Annual Meeting. The current Class II directors are Marvin H. Caruthers, Ph.D., Robert E. Conway and Kyle A. Lefkoff. Dr. Caruthers, Mr. Conway and Mr. Lefkoff have been nominated for reelection at the Annual Meeting as directors to hold office until the 2011 Annual Meeting of Stockholders or until their successors are elected and qualified. Each of the nominees has consented to serve a term as a Class II director. Should any or all of the nominees become unable to serve for any reason prior to the Annual Meeting, the Board of Directors may designate substitute nominees, in which event the persons named in the enclosed proxy will vote for the election of such substitute nominee or nominees, or may reduce the number of directors on the Board of Directors.

Class II Director Nominees for Election to Term Expiring 2011

The three directors standing for election are as follows:

Marvin H. Caruthers, Ph.D., 68, has served as a member of our Board of Directors since August 1998. Since 1979, Dr. Caruthers has been a Distinguished Professor of Biochemistry and Chemistry at the University of Colorado, Boulder. Dr. Caruthers is a member of the National Academy of Sciences and the American Academy of Arts and Sciences and was previously a member of the Scientific Advisory Board of Amgen Inc. Dr. Caruthers serves on the Board of Directors of privately-held Barofold Inc. Dr. Caruthers received a B.S. in chemistry from Iowa State University and a Ph.D. in chemistry from Northwestern University.

Robert E. Conway, 54, has served as our Chief Executive Officer and a member of our Board of Directors since November 1999. Prior to joining Array, Mr. Conway was the Chief Operating Officer and Executive Vice President of Hill Top Research, Inc. from 1996 to 1999. From 1979 until 1996, Mr. Conway held various executive positions for Corning, Inc., including Corporate Vice President and General Manager of Corning Hazleton, Inc., a preclinical contract research organization. Mr. Conway serves on the Board of Directors of DEMCO, Inc. and PRA International. In addition, Mr. Conway is a member of the Strategic Advisory Committee of Genstar Capital, LLC and is on the board of the Biotechnology Industry Organization. Mr. Conway received a B.S. in accounting from Marquette University and an M.B.A. from the University of Cincinnati, and is a Certified Public Accountant.

Kyle A. Lefkoff, 49, has served as the Chairman of our Board of Directors since May 1998. Since 1995, Mr. Lefkoff has been a General Partner of Boulder Ventures Limited, a venture capital firm and a prior investor in our company. From 1986 until 1995, Mr. Lefkoff was employed by Colorado Venture Management, a venture capital firm. Mr. Lefkoff serves on the Board of Directors for a number of private companies, including: Barofold Inc., ARCA biopharma Inc., Centerstone Technologies, Inc., MiraGen Inc., Hiberna Corporation and Trust Company of America. Mr. Lefkoff received a B.A. in economics from Vassar College and an M.B.A. from the University of Chicago.

Required Vote

The three nominees for director will be elected upon a favorable vote of a plurality of the votes cast at the Annual Meeting. Shares represented by proxies cannot be voted for more than the three nominees for director.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE IN FAVOR OF EACH OF THE NOMINEES FOR ELECTION AS CLASS II DIRECTORS TO THE BOARD.

Directors Continuing in Office

Term Expiring 2009 Class III. The following Class III directors have terms expiring at the Annual Meeting of Stockholders in 2009:

Francis J. Bullock, Ph.D., 71, has served as a member of our Board of Directors since May 1998. Dr. Bullock is currently an independent consultant. From 2002 to 2003, Dr. Bullock was a Senior Advisor for the Strategic Decisions Group, a management consulting firm. From 1993 to 2002, Dr. Bullock was a senior consultant for Arthur D. Little, Inc., focused on pharmaceutical and biotechnology research and development, as well as the fine chemicals and agricultural chemicals industries. From 1981 to 1993, Dr. Bullock served as Senior Vice President, Research Operations at Schering-Plough Research Institute. Dr. Bullock serves on the Board of Directors for GTC Biotherapeutics, ARCA biopharma Inc. and Atherex. Dr. Bullock received a B.S. in pharmacy from the Massachusetts College of Pharmacy, an A.M. in organic chemistry and a Ph.D. in organic chemistry from Harvard University.

Kevin Koch, Ph.D., 48, is a Co-Founder of Array and has served as our President, Chief Scientific Officer and a member of our Board of Directors since May 1998. Prior to forming Array, Dr. Koch was an Associate Director of Medicinal Chemistry and Project Leader for the Protease Inhibitor and New Leads project teams for Amgen Inc. from 1995 to 1998. From 1988 until 1995, Dr. Koch held various positions with Pfizer Central Research, including Senior Research Investigator and Project Coordinator for the Cellular Migration and Immunology Project Teams. From 1998 to 2003, Dr. Koch was an elected board member of the Inflammation Research Association. Dr. Koch received a B.S. in chemistry and biochemistry from the State University of New York at Stony Brook and a Ph.D. in synthetic organic chemistry from the University of Rochester.

Douglas E. Williams, Ph.D., 50, has served as a member of our Board of Directors since April 2004. He currently serves as President of ZymoGenetics, Inc. From September 2003 to August 2004, Dr. Williams served as Seattle Genetics' Chief Scientific Officer, Executive Vice President and a member of their Board of Directors. Prior to joining Seattle Genetics, from November 2002 to August 2003, Dr. Williams was Head of Health and Strategic Development for Genesis Research & Development, a biotechnology company located in New Zealand. From July to October 2002, he served as Senior Vice President, Washington Site Leader and a member of the Executive Committee for Amgen, Inc. Dr. Williams joined Amgen in July 2002 when it acquired Immunex Corporation, where he worked for 14 years, most recently serving as Executive Vice President, Chief Technology Officer and a member of Immunex's Board of Directors. Prior to his work at Immunex, Dr. Williams served on the faculty of the Indiana University School of Medicine and the Department of Laboratory Medicine at the Roswell Park Memorial Institute. He serves on the boards of privately-held Aerovance, Inc. and of publicly traded Anadys Pharmaceuticals, Inc. and is a member of the Scientific Advisory Board of Symphony Capital. Dr. Williams holds a B.S. magna cum laude in Biological Sciences from the University of Massachusetts, Lowell and a Ph.D. in Physiology from the State University of New York at Buffalo, Roswell Park Division.

Term Expiring 2010 Class I. The following Class I directors have terms expiring at the Annual Meeting of Stockholders in 2010:

David L. Snitman, Ph.D., 56, is a Co-Founder of Array and has served as our Chief Operating Officer, our Vice President of Business Development and a member of our Board of Directors since May 1998. Prior to forming Array, Dr. Snitman held various positions with Amgen Inc. since December 1981, including Associate Director, New Products and Technology and Manager of Amgen's Boulder research facility. Dr. Snitman currently serves on the Board of Directors of privately-held Barofold Inc. Dr. Snitman received a B.S. in chemistry from Northeastern University and a Ph.D. in the synthesis of natural products from the University of Colorado, and was a National Institutes of Health Postdoctoral Fellow at the Massachusetts Institute of Technology.

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Gil J. Van Lunsen, 66, has served as a member of our Board of Directors since October 2002. Prior to his retirement in June 2000, Mr. Van Lunsen was a Managing Partner of KPMG LLP and led the firm's Tulsa, Oklahoma office. During his 33-year career, Mr. Van Lunsen held various positions of increasing responsibility with KPMG and was elected to the partnership in 1977. Mr. Van Lunsen is currently a member of the Audit Committee at ONEOK Partners, L.P. in Tulsa, Oklahoma. Mr. Van Lunsen received a B.S./B.A. in Accounting from the University of Denver and is a Certified Public Accountant.

John L. Zabriskie, Ph.D., 69, has served as a member of our Board of Directors since January 2001. Dr. Zabriskie is Co-Founder and Director of Puretech Ventures, LLC, and the past Chairman of the Board, Chief Executive Officer and President of NEN Life Science Products, Inc., a leading supplier of kits for labeling and detection of DNA. Prior to joining NEN Life Science Products, Dr. Zabriskie was President and Chief Executive Officer of Pharmacia and Upjohn Inc. As Chairman of the Board and Chief Executive Officer of Upjohn, Dr. Zabriskie led the Upjohn project, which resulted in the \$12 billion merger of equals with Pharmacia. Prior to joining Upjohn in 1994, Dr. Zabriskie was Executive Vice President for Merck & Co., Inc. Dr. Zabriskie currently serves on the Board of Directors of Kellogg Co., and of privately-held Cellicon Biotechnologies, Inc., Protein Forest Inc., Puretech Ventures and ARCA biopharma Inc. Dr. Zabriskie received his undergraduate degree in chemistry from Dartmouth College and his Ph.D. in organic chemistry from the University of Rochester.

Meetings of the Board of Directors and Committees of the Board of Directors

Our Board of Directors held six meetings during the fiscal year ended June 30, 2008. During the fiscal year, all of the directors attended at least 75% of the aggregate of (i) all meetings of the Board of Directors and (ii) all meetings of committees of which such director was a member, except Dr. Williams, who attended one of the three meetings of the Compensation Committee.

Committees of the Board of Directors

Our Board of Directors has established three standing committees, a Compensation Committee, an Audit Committee and a Corporate Governance Committee. Each of the standing committees has adopted a written charter which is available on the Investor Relations portion of our website at www.arraybiopharma.com. The Corporate Governance Guidelines adopted by the Board of Directors are also available on our website.

Compensation Committee. The Compensation Committee is responsible for determining executive officers' compensation, evaluating the performance of the Chief Executive Officer and administering the Amended and Restated Array BioPharma Inc. Stock Option and Incentive Plan, the Array BioPharma Inc. Employee Stock Purchase Plan and our Deferred Compensation Plan. The Compensation Committee held three meetings during the fiscal year ended June 30, 2008. Mr. Lefkoff (chair), Dr. Bullock, Dr. Caruthers and Dr. Williams are the members of the Compensation Committee. The Board of Directors has determined that all of the current members of our Compensation Committee are independent as defined by applicable Nasdaq Marketplace Rules. The report of the Compensation Committee appears on page 25.

Audit Committee. The Audit Committee is responsible for (1) retaining, overseeing and approving the fees of our independent public accountants, (2) reviewing audit plans and results with our independent public accountants, (3) reviewing the independence of the independent public accountants, (4) pre-approving all audit and non-audit fees, and (5) reviewing our internal accounting controls and discussing the adequacy of those controls with our Chief Executive Officer and Chief Financial Officer. The Audit Committee is also responsible for reviewing and approving transactions in which Array participates and in which related parties have a direct or indirect material interest. The Audit

Committee held five meetings during the fiscal year ended June 30, 2008. The members of the Audit Committee are Mr. Van Lunsen (chair), Dr. Zabriskie and Mr. Lefkoff. The Board of Directors has determined that all of the members of the Audit Committee meet the independence standards for audit committee members under applicable rules of the Securities and Exchange Commission and the applicable Nasdaq Marketplace Rules. The Board of Directors has also determined that Mr. Lefkoff, Mr. Van Lunsen and Dr. Zabriskie qualify as "audit committee financial experts" as defined by applicable rules of the Securities and Exchange Commission. The report of the Audit Committee appears on page 19.

Corporate Governance Committee. The Corporate Governance Committee is responsible for the implementation of Array's Corporate Governance Guidelines and the evaluation and recommendation to the Board of Directors of candidates for election to the Board. The Committee also recommends policies and standards for evaluating the overall effectiveness of the Board of Directors in the governance of Array and such other activities as the Board of Directors may delegate to it from time to time. The Corporate Governance Committee will consider director nominations from our stockholders. The Corporate Governance Committee has not received any recommended nominations from any stockholders in connection with the 2008 Annual Meeting. See the sections below entitled "Stockholder Proposals for 2009 Annual Meeting" and "Stockholder Nominations to the Board of Directors" for information on submitting director nominations and other proposals for annual stockholder meetings. The Corporate Governance Committee held one meeting during the fiscal year ended June 30, 2008. Dr. Zabriskie (chair), Mr. Lefkoff and Dr. Bullock are members of the Corporate Governance Committee, and the Board of Directors has determined that all of them are independent as defined by applicable Nasdaq Marketplace Rules.

Stockholder Communications with the Board of Directors

Stockholders and other interested parties may communicate with members of the Board of Directors by writing to them at the following address:

Array BioPharma Board of Directors
c/o Array BioPharma Inc.
3200 Walnut Street
Boulder, CO 80301

or by e-mail at BoardofDirectors@arraybiopharma.com

Our General Counsel will receive all communications addressed to the Board of Directors and, after copying them for the company's files, will forward each communication (by U.S. mail or other reasonable means determined by the General Counsel) to the director or directors to whom the communication is addressed.

Our General Counsel is not required to forward any communication determined in good faith to be frivolous, hostile, threatening, illegal or similarly unsuitable or to be unrelated to the duties and responsibilities of the Board. The General Counsel will retain copies of such communications in the company's files and make them available to any member of the Board of Directors at their request.

Any communication subject to this policy that is addressed to the Chairman of the Audit Committee, the non-management members of the Board of Directors as a group or the independent members of the Board of Directors as a group will be shared with management only upon the instruction of the Chairman of the Audit Committee. All other communications will be shared with management at the time they are forwarded to the Board of Directors.

Director Attendance at Annual Meetings

All directors are strongly encouraged to attend each of our annual stockholder meetings, unless a director is not standing for reelection and his or her term is to expire at that meeting. All of our directors except Dr. Caruthers attended our 2007 Annual Meeting.

**PROPOSAL 2
APPROVAL OF AMENDMENTS TO EMPLOYEE STOCK PURCHASE PLAN**

The Array BioPharma Inc. Amended and Restated Employee Stock Purchase Plan (referred to as the "ESPP") allows eligible employees of Array to acquire shares of our common stock at a discount through payroll deductions. The ESPP is intended to benefit Array and our stockholders by motivating our employees to contribute to the growth and success of our operations and encouraging them to remain employed by us by giving them an ownership stake in our company. Highly qualified employees are critical to our success and to our ability to achieve our strategic goals. We believe that equity incentives are essential for us to remain competitive in the marketplace for qualified personnel and that the ESPP is an important ingredient in our equity compensation offerings.

On September 11, 2008, the Board of Directors unanimously adopted, subject to stockholder approval, amendments to the ESPP (i) to increase the number of shares of common stock reserved for issuance under the ESPP by 600,000 shares, to an aggregate of 2,250,000 shares, and (ii) to extend the current term of the ESPP by ten years, to expire on September 8, 2020.

As of September 1, 2008, there were 209,158 shares of common stock authorized and available for future issuance under the ESPP. We expect our headcount to continue to grow and that participation in the ESPP will increase. Accordingly, the Board of Directors believes that the current term and the remaining authorized shares under the ESPP are insufficient to meet our needs and that an increase in the number of shares available for issuance under the ESPP and an extension of the term is necessary to allow us to continue to provide this form of equity compensation that we believe helps us to attract, motivate and retain key employees.

As of September 1, 2008, there were 204 employees participating in the ESPP. Because participation in the ESPP is subject to the discretion of each eligible employee and the amounts received by participants under the ESPP are subject to the fair market value of our common stock on future dates, the benefits or amounts that will be received by any participant or groups of participants if the ESPP is approved are not currently determinable. As of September 1, 2008, there were six executive officers and 373 other employees of Array who were eligible to participate in the ESPP.

We intend to register the additional 600,000 shares in a Registration Statement on Form S-8 under the Securities Act of 1933 as soon as practicable after receiving stockholder approval.

The summary of the material provisions of the ESPP set forth below is qualified in its entirety by the complete text of the ESPP, a copy of which is attached as Appendix A to this Proxy Statement.

Summary of Material Provisions of the ESPP

Our Board of Directors adopted and our stockholders approved the ESPP in September 2000, effective upon the closing of our initial public offering in November 2000. Amendments to our ESPP were subsequently adopted by our Board of Directors on November 17, 2000, on September 12, 2002 (which amendments were approved by our stockholders on October 31, 2002), on April 29, 2004 and on December 9, 2005 (which amendments were approved by our stockholders on November 2, 2006). The ESPP permits eligible employees to elect to have a portion of their pay deducted by us to purchase shares of our common stock at a discount. The Compensation Committee determines the length and duration of the periods, known as offering periods, during which payroll deductions will be

accumulated to purchase shares of common stock. Within a single offering period, we may permit periodic purchases of stock during periods, known as purchase periods.

We currently have a 12-month offering period that ends on December 31 of each year and two six-month purchase periods ending on June 30 and December 31 of each year. However, if our closing stock price on July 1 is lower than our closing stock price on January 1, then the original 12-month offering period terminates and the purchase rights under the original offering period roll forward into a new six-month offering period with a corresponding purchase period that begins July 1 and ends December 31. As a result, the purchase price for purchases made on behalf of the participants on December 31 is equal to 85% of the lowest stock price on January 1, July 30 or December 31, of that year. The Compensation Committee may modify the duration of the offering periods and the purchase periods in the future.

Administration. The ESPP is administered by the Compensation Committee. The Compensation Committee has the authority to interpret the ESPP, to prescribe, amend and rescind rules relating to it, and to make all other determinations necessary or advisable in administering the ESPP. All of the Compensation Committee's determinations will be final and binding.

Shares Subject to the ESPP. Currently, we have reserved 1,650,000 shares of common stock for issuance under our ESPP. Our stockholders are being asked to approve at this Annual Meeting an increase in this number to an aggregate of 2,250,000 shares. If there is any increase or decrease in the number of shares of common stock without receipt of consideration by Array (for instance, by a recapitalization or stock split), there may be a proportionate adjustment to the number and kinds of shares that may be purchased under the ESPP.

Eligibility. All of our employees whose customary employment is for more than five months in any calendar year are eligible to participate in this plan, provided that any employee who would own 5% or more of the total combined voting power or value of our common stock immediately after any grant is not eligible to participate. An employee must be employed on the last day of the purchase period in order to acquire stock under the ESPP, unless the employee has retired, died or become disabled, been laid off or is on an approved leave of absence.

Participation Election. An eligible employee may become a participant in the ESPP by completing an election to participate in the ESPP on a form we provide and submitting that form to our payroll department. The form authorizes us to have deductions, not to exceed 15% of pay, made from pay on each payday following enrollment in the ESPP. The deductions or contributions are credited to the employee's account under the ESPP. A participating employee may only increase or decrease his or her payroll deduction or periodic cash payments to take effect on the first day of the next purchase period, by delivering to Array a new form regarding election to participate in the ESPP. A participating employee may terminate payroll deductions or contributions at any time, and the amounts in the employee's account will be returned to the employee, and the employee's option to purchase shares under the ESPP will terminate, unless the employee notifies us not to have such amounts distributed, in which case the amounts will remain in the employee's account and available to purchase shares during the applicable offering period under the ESPP.

Purchase Price. Rights to purchase shares of our common stock are deemed granted to participating employees as of the first trading day of each offering period. The purchase price for each share (the "*Purchase Price*") is set by the Compensation Committee, but may not be less than 85% of the fair market value of our common stock on (i) the first trading day of the offering period or (ii) the day on which the shares are purchased (the "*Purchase Date*"), whichever is lower. The Compensation Committee has approved a Purchase Price equal to 85% of the lower of these two amounts, but may modify this Purchase Price in the future subject to the limitation described in this paragraph.

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Purchase Limit. No employee may purchase common stock in any calendar year under the ESPP having an aggregate fair market value in excess of \$25,000, determined as of the first trading date of the offering period. The value of any shares acquired under any other "employee stock purchase plans" that may be adopted by Array or any parent or subsidiary are included in calculating this maximum.

Purchase of Common Stock. On the Purchase Date, a participating employee is credited with the number of whole shares of common stock purchased under the ESPP for the applicable offering period. Common stock purchased under the ESPP is held by a broker we designate. We may require shares be retained with such broker for a designated period of time, and may impose a holding period requirement of up to twelve months from the Purchase Date for shares of common stock purchased by participating employees under the ESPP. We may also establish procedures to permit tracking of disqualifying dispositions of such shares or to restrict transfer of such shares.

If in any purchase or offering period the number of unsold shares that may be made available for purchase under the ESPP is insufficient to permit eligible employees to exercise their rights to purchase shares, a participation adjustment will be made, and the number of shares purchasable by all participating employees will be reduced proportionately. Any funds remaining in a participating employee's account will be refunded.

Termination of Participation. A participating employee will be refunded all monies in his or her account, and his or her participation in the ESPP will be terminated, if, prior to the Purchase Date: (i) the employee ceases to be eligible to participate in the ESPP, (ii) the Board of Directors terminates the ESPP (provided, that, termination of the ESPP will not impair the vested rights of the participant), or (iii) the participating employee leaves the employ of Array, other than by retirement, or is discharged for cause.

If a participating employee terminates participation in the ESPP because of his or her retirement or death, or because of an involuntary termination of employment without cause, the employee (or his or her representative in the event of death) can choose to either: (i) purchase common stock on the Purchase Date with the amounts then accumulated in the employee's account or (ii) have all monies in the employee's account refunded.

Lay-off, Authorized Leave of Absence or Disability. During any period of absence of the employee from work due to lay-off, authorized leave of absence or disability, the employee can elect (i) to have payroll deductions suspended or (ii) to make periodic payments to the ESPP in cash. If the participating employee returns to active service prior to the Purchase Date, the employee's payroll deductions will be resumed. If the employee did not make periodic cash payments during the employee's period of absence, the employee may elect to either: (x) make up any deficiency in the employee's account resulting from a suspension of payroll deductions by an immediate cash payment; (y) not to make up the deficiency in his or her account, in which event the number of shares to be purchased by the employee will be reduced to the number of whole shares which may be purchased with the amount, if any, credited to the employee's account on the Purchase Date; or (z) withdraw the amount in the employee's account and terminate the employee's option to purchase. If a participating employee's period of lay-off, authorized leave of absence or disability terminates on or before the Purchase Date, and the employee has not resumed active employment with Array or a participating affiliate, the employee will receive a distribution of his or her account.

Assignment. No participating employee may assign his or her rights to purchase shares of common stock under the ESPP, whether voluntarily, by operation of law or otherwise. Any payment of cash or issuance of shares of common stock under the ESPP may be made only to the participating employee (or, in the event of the employee's death, to the employee's estate). Once a stock certificate has been issued to the employee or for his or her account, such certificate may be assigned the same as any other stock certificate.

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Amendment of Plan. The Board of Directors may, at any time, amend the ESPP in any respect; provided, however, that without approval of our stockholders, no amendment can be made by the Board of Directors (i) increasing the number of shares that may be made available for purchase under the ESPP or (ii) changing the eligibility requirements for participating in the ESPP. In addition, no amendment may be made to the ESPP that impairs the vested rights of participating employees.

Termination of Plan. The Board of Directors may terminate the ESPP at any time and for any reason or for no reason, provided that such termination shall not impair any rights of participants that have vested at the time of termination. The ESPP will, without further action of the Board of Directors, terminate at the earlier of (i) the expiration of the term of the ESPP, which is currently September 8, 2010, and (ii) such time as all shares of common stock that may be made available for purchase under the ESPP have been issued. If Proposal 2 is approved by the stockholders, the term of the ESPP will expire on September 8, 2020.

Reorganizations. Upon a reorganization in which we are not the surviving corporation or a sale of assets or stock, the ESPP and all rights outstanding shall terminate, except to the extent provision is made in writing in connection with such transaction for the continuation or assumption of the ESPP, or for the substitution of the rights under the ESPP with rights covering the stock of the successor corporation.

No Employment Rights. Neither the ESPP nor any right to purchase common stock under the ESPP confers upon any employee any right to continued employment with Array or a participating affiliate.

Federal Income Tax Consequences

The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. Amounts withheld from pay under the ESPP are taxable income to participating employees in the year in which the amounts otherwise would have been received, but the participating employees will not be required to recognize additional income for federal income tax purposes either at the time the employee is deemed to have been granted a right to purchase common stock (on the first day of an offering period) or when the right to purchase common stock is exercised (on the last day of the purchase period).

If the participating employee holds the common stock purchased under the ESPP for at least two years after the first day of the offering period in which the common stock was acquired (the "*Grant Date*") and for at least one year after the date the common stock is purchased, when the participating employee disposes of the common stock, he or she will recognize as ordinary income an amount equal to the lesser of:

- (i) the excess of the fair market value of the common stock on the date of disposition over the price paid for the common stock; or
- (ii) the fair market value of the common stock on the Grant Date multiplied by the discount percentage for stock purchases under the ESPP. The discount percentage is currently 15%, although we may use a lesser discount percentage, including a zero discount percentage.

If the participating employee disposes of the common stock within two years after the Grant Date or within one year after the date the common stock is purchased, he or she will recognize ordinary income equal to the fair market value of the common stock on the last day of the purchase period in which the common stock was acquired less the amount paid for the common stock. The ordinary income recognition pertains to any disposition of common stock acquired under the ESPP (such as by sale, exchange or gift).

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Upon disposition of the common stock acquired under the ESPP, any gain realized in excess of the amount reported as ordinary income will be reportable by the participating employee as a capital gain, and any loss will be reportable as a capital loss. Amounts required to be reported as ordinary income on the disposition of the common stock may be added to the purchase price in determining any remaining capital gain or loss. Capital gain or loss will be long-term if the employee has satisfied the two-year holding period requirement described above or, in any event, if the employee has held the common stock for at least one year. Otherwise, the capital gain or loss will be short-term.

If the participating employee satisfies the two-year holding period for common stock purchased under the ESPP, we will not receive any deduction for federal income tax purposes with respect to that common stock or the right under which it was purchased. If the employee does not satisfy the two-year holding period, we will be entitled to a deduction in an amount equal to the amount that is considered ordinary income. Otherwise, the ESPP has no tax effect on Array.

The foregoing tax discussion is a general description of certain expected federal income tax results under current law. No attempt has been made to address any state and local, foreign or estate and gift tax consequences that may arise in connection with participation in the ESPP.

Plan Benefits Under Array BioPharma Inc. Employee Stock Purchase Plan

The following table sets forth, for our Chief Executive Officer, our Chief Financial Officer and the three other most highly compensated executive officers named in this proxy statement, all current executive officers as a group and all other employees who participated in the ESPP as a group: (a) the number of shares of common stock purchased under the ESPP during the year ended June 30, 2008, and (b) the dollar value of the benefit, which is calculated as the fair market value per share of the common stock on the date of purchase, minus the purchase price per share of common stock under the ESPP:

Name of Individual and Position or Identity of Group	Number of Shares Purchased (#)(1)	Dollar Value of Benefit \$(1)
Robert E. Conway, Chief Executive Officer	619	\$ 782
Kevin Koch, Ph.D., President and Chief Scientific Officer		
David L. Snitman, Ph.D., Chief Operating Officer and Vice President, Business Development		
John Yates, Chief Medical Officer		
R. Michael Carruthers, Chief Financial Officer	332	419
All current executive officers as a group (6 persons)	2,390	3,019
All other employees as a group	143,675	181,462

- (1) Consists of shares purchase under the ESPP as of December 31, 2007 and does not include shares for which purchase rights have accumulated under the ESPP for the offering period that began January 1, 2008 as the number of shares purchased and the dollar value of those shares are not determinable.

Equity Compensation Plan Information

The following table provides information as of June 30, 2008 about the shares of common stock that may be issued upon the exercise of options, warrants and rights under our existing equity compensation plans, which include the Amended and Restated Array BioPharma Inc. Stock Option and Incentive Plan and the Array BioPharma Inc. Employee Stock Purchase Plan.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-Average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a)
Equity compensation plans approved by stockholders:			
Amended and Restated Array BioPharma Inc. Stock Option and Incentive Plan(1)	8,386,583	\$ 7.81	5,683,890
Array BioPharma Inc. Employee Stock Purchase Plan(2)			209,158
Equity compensation plans not approved by stockholders			
Total	8,386,583		5,893,048

- (1) The shares available for issuance under the Amended and Restated Array BioPharma Inc. Stock Option and Incentive Plan is increased automatically by an amount equal to the difference between (a) 25% of our issued and outstanding shares of capital stock (on a fully diluted, as converted basis), and (b) the sum of the shares relating to outstanding option grants plus the shares available for future grants under such Option and Incentive Plan.
- (2) The number of securities remaining available for future issuance does not include the additional 600,000 shares proposed to be authorized for issuance under the Employee Stock Purchase Plan for which stockholder approval is being sought at the 2008 Annual Meeting.

Required Vote

The approval by the affirmative vote of the holders of a majority of the shares of common stock present or represented and entitled to vote at the Annual Meeting is required to approve the amendments to the ESPP. Abstentions will have the same effect as a negative vote. Broker "non-votes" will not be counted for purposes of approving Proposal 2.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE IN FAVOR OF THE AMENDMENTS TO THE EMPLOYEE STOCK PURCHASE PLAN CONTAINED IN PROPOSAL 2.

PROPOSAL 3
AMENDMENT TO THE
AMENDED AND RESTATED ARRAY BIOPHARMA INC. STOCK OPTION AND INCENTIVE PLAN

The Board of Directors approved an amendment to the Amended and Restated Array BioPharma Inc. Stock Option and Incentive Plan (which we refer to as the "*Option Plan*") on September 11, 2008, subject to approval by the stockholders. The purpose of the amendment is to extend the term of the Option Plan by an additional 10 years, to expire on September 8, 2020.

The purpose of the Option Plan is to enhance our ability to attract, retain and compensate highly qualified officers, scientists, key employees and other persons, and to motivate them to serve Array and focus their efforts on improving our business results and earnings, by providing them with an opportunity to acquire equity in Array. Our ability to attract and retain qualified employees is critical to our success. We believe that equity compensation is an essential component of our compensation package that allows us to remain competitive in the marketplace for qualified personnel. This compensation package has been offered to all employees and generally includes grants of stock options to new hires and grants to existing employees based on individual performance and made to coincide with the full vesting of prior grants to such employees. Typically, these option grants vest annually over a four-year period.

We expect our headcount will continue to grow and that stock options will continue to be significant in attracting and compensating qualified employees. Therefore, the Board of Directors desires to extend the current term of the Option Plan, which is scheduled to expire on September 8, 2010, by an additional 10 years to September 8, 2020.

The proposed amendment does not alter the considerations of the Compensation Committee with respect to grants under the Option Plan. Because the award of options is within the discretion of the Compensation Committee, it is not possible to determine at this time the amount of any option awards that may be made to officers or other employees. At this time, however, we have no commitments to grant options to purchase the proposed additional authorized shares of common stock upon approval of this proposal. As of September 1, 2008, there were 6 executive officers, 6 non-employee directors and 373 other employees eligible to receive option grants under the Option Plan.

As of September 1, 2008, there were 5,734,424 shares of common stock reserved for issuance and not subject to outstanding awards under the Option Plan. Of these shares, 5,734,424 shares may be issued as incentive stock options. The Option Plan provides that the number of shares of common stock reserved for issuance under the Option Plan will be increased, but not decreased, by any additional authorized shares. Additional authorized shares, for purposes of the Option Plan, means on any given day the difference between:

25% of our issued and outstanding shares of common stock, on a fully diluted, as converted basis, minus

the number of outstanding shares relating to awards under the Option Plan, plus

the number of shares available for future grants of awards under the Option Plan on that date.

If any shares covered by an award are not purchased or are forfeited, or if an award otherwise terminates without delivery of any common stock, then the number of shares of common stock counted against the aggregate number of shares available under the plan with respect to the award will, to the extent of any such forfeiture or termination, again be available for making awards under the Option Plan.

The summary of the material provisions of the Option Plan set forth below is qualified in its entirety by the complete text of the Option Plan, a copy of which is attached as Appendix B to this Proxy Statement.

Summary of Material Provisions of the Option Plan

Administration. The Option Plan is administered by our Compensation Committee. Subject to the terms of the Option Plan, the Compensation Committee may select participants to receive awards, determine the types of awards and terms and conditions of awards, and interpret provisions of the Option Plan. To the extent determined by the Board of Directors, the Compensation Committee is required to be composed of no fewer than three directors who are intended to be "non-employee directors" as defined in Rule 16b-3 under the Securities Exchange Act and "outside directors" for purposes of Section 162(m) of the Internal Revenue Code.

Eligibility. Awards may be made under the Option Plan to our employees, officers, directors or consultants, or to any of our affiliates, or their officers or directors, and to any other individual whose participation in the Option Plan our Compensation Committee determines to be in our best interests.

Amendment or Termination of the Option Plan. The Board of Directors may terminate or amend the Option Plan at any time and for any reason as long as the amendment does not adversely impair the rights of grantees with respect to outstanding awards. Unless terminated earlier, the Option Plan will terminate in September 2010. If Proposal 3 is approved by the stockholders, the Option Plan will terminate in September 2020. Amendments will be submitted for stockholder approval to the extent required by the Internal Revenue Code or other applicable laws.

Options. We may grant options under the Option Plan that are either intended to qualify as incentive stock options under the Internal Revenue Code or not to qualify as incentive stock options, referred to as non-qualified stock options.

The exercise price of each stock option may not be less than 100% of the fair market value of our common stock on the date of grant. In the case of specified 10% stockholders who receive incentive stock options, the exercise price may not be less than 110% of the fair market value of our common stock on the date of grant. An exception to these requirements is made for options that we grant in substitution for options held by employees of companies that we acquire. In this case, the exercise price is adjusted to preserve the economic value of the employee's stock option from his or her former employer.

The term of each stock option is fixed by the Compensation Committee and may not exceed 10 years from the date of grant. The Compensation Committee determines when each option may be exercised and the period of time, if any, after retirement, death, disability or termination of employment during which options may be exercised. Options granted under our current Plan, however, are generally exercisable, to the extent vested, for up to 90 days after the optionee terminates employment without cause if the termination occurs more than six months after the option is granted, unless the option agreement provides otherwise.

Options may be exercisable in installments. Options granted to employees under the Option Plan generally vest 25% per year over a four-year period based on continued service with us, unless the option agreement provides otherwise. Options granted to directors generally vest annually in three equal installments over the three-year term of office of our directors. The exercisability of options may be accelerated by the Compensation Committee.

In general, an optionee may pay the exercise price of an option by cash, check, by tendering shares of our common stock, which if acquired from us have been held by the optionee for at least six months, or by means of a broker-assisted cashless exercise.

Stock options granted under our Plan may not be sold, transferred, pledged or assigned other than by will or under applicable laws of descent and distribution. However, we may permit limited transfers of non-qualified options for the benefit of immediate family members of grantees to help with estate planning concerns.

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Other Awards. The Compensation Committee may also award under the Option Plan:

shares of common stock subject to restrictions;

deferred stock, credited as deferred stock units, but ultimately payable in the form of unrestricted shares of common stock in accordance with the participant's deferral election;

common stock units subject to restrictions;

unrestricted shares of common stock, which are shares of common stock issued at no cost or for a purchase price determined by the Compensation Committee which are free from any restrictions under the Option Plan;

dividend equivalent rights entitling the grantee to receive credits for dividends that would be paid if the grantee had held a specified number of shares of common stock;

a right to receive a number of shares or, in the discretion of the Compensation Committee, an amount in cash or a combination of shares and cash, based on the increase in the fair market value of the shares underlying the right during a stated period specified by the Compensation Committee;

a right to receive a number of shares, subject to the attainment of specified performance goals; and

performance and annual incentive awards, ultimately payable in stock or cash, as determined by the Compensation Committee.

The Compensation Committee may grant multi-year and annual incentive awards subject to the achievement of specified performance goals tied to business criteria described below.

Section 162(m) of the Internal Revenue Code limits publicly-held companies to an annual deduction for federal income tax purposes of \$1,000,000 for compensation paid to their chief executive officer and the three highest compensated executive officers (other than the chief executive officer) determined at the end of each year. However, performance-based compensation is excluded from this limitation. The Option Plan is designed to permit the Compensation Committee to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m).

The maximum number of shares subject to options that can be awarded under the Option Plan to any person is 2,000,000 per year. The maximum number of shares that can be awarded under the Option Plan to any person, other than pursuant to an option, is 400,000 per year. The maximum amount that may be earned as an annual incentive award or other cash award in any fiscal year by any one person is \$1,000,000 and the maximum amount that may be earned as a performance award or other cash award in respect of a performance period by any one person is \$3,000,000.

Business Criteria. The Compensation Committee may use exclusively one or more of the following business criteria to establish performance goals for awards granted to "covered employees" as defined by Section 162(m) of the Internal Revenue Code:

total stockholder return;

such total stockholder return as compared to total return, on a comparable basis, of a publicly available index such as, but not limited to, the Standard & Poor's 500 Stock Index;

net income;

pretax earnings;

earnings before interest expense, taxes, depreciation and amortization;

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pretax operating earnings after interest expense and before bonuses, service fees, and extraordinary or special items;

operating margin;

earnings per share;

return on equity;

return on capital;

return on investment;

operating earnings;

working capital;

ratio of debt to stockholders' equity; and

revenue.

Effect of Certain Corporate Transactions. Certain change of control transactions involving us, such as a sale of all or substantially all of our assets or stock, may cause awards granted under the Option Plan to vest, unless the awards are continued or substituted for by the surviving company in connection with the change of control transaction. The award agreement for a particular award may provide for varying vesting provisions, however, if approved by the Compensation Committee.

Adjustments for Stock Dividends and Similar Events. The Compensation Committee will make appropriate adjustments in outstanding awards and the number of shares available for issuance under the Option Plan, including the individual limitations on awards, to reflect common stock dividends, stock splits and other similar events.

Federal Income Tax Consequences

Incentive Stock Options. The grant of an incentive option will not be a taxable event for the optionee or for Array. An optionee will not recognize taxable income upon exercise of an incentive stock option, except that the alternative minimum tax may apply. Any gain realized upon a disposition of shares of stock received upon the exercise of an incentive stock option will be taxed as long-term capital gain if (1) the optionee holds the shares for at least two years after the date of grant and (2) for one year after the date of exercise. Upon exercise of an incentive stock option, Array will not be entitled to any business expense deduction, except as discussed below.

For the exercise of an option to qualify for the foregoing tax treatment, the optionee generally must be an employee of Array or a subsidiary from the date the option is granted through a date within three months before the date of exercise of the option. In the case of an optionee who is disabled or dies, the three-month period for exercise following termination of employment is extended to one year.

If all of the foregoing requirements are met except the holding period requirement mentioned above, the optionee will recognize ordinary income upon the disposition of the stock in an amount generally equal to the excess of the fair market value of the stock at the time the option was exercised over the option exercise price but not in excess of the gain realized on the sale. The balance of the realized gain, if any, will be capital gain. We will be allowed a business expense deduction to the extent the optionee recognizes ordinary income subject to Section 162(m) of the Internal Revenue Code summarized above.

If an optionee exercises an incentive stock option by tendering shares of common stock with a fair market value equal to part or all of the option exercise price, the exchange of shares will be treated as

a nontaxable exchange, except that this treatment would not apply if the optionee had acquired the shares being transferred upon the exercise of an incentive stock option and had not satisfied the holding period requirement summarized above. If the exercise is treated as a tax free exchange, the optionee would have no taxable income from the exchange and exercise, other than minimum taxable income as discussed above, and the tax basis of the shares exchanged would be treated as the substituted basis for the shares received. If the optionee used shares received upon the exercise of an incentive stock option as to which the optionee had not satisfied the applicable holding period requirement, the exchange would be treated as a taxable disqualifying disposition of the exchanged shares.

Non-Qualified Options. The grant of a non-qualified option will not be a taxable event for the optionee or Array. Upon exercising a non-qualified stock option, an optionee will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the stock on the date of exercise. Upon a subsequent sale or exchange of shares acquired upon the exercise of a non-qualified stock option, the optionee will have taxable gain or loss, measured by the difference between the amount realized on the disposition and the tax basis of the shares. The tax basis of the shares generally would equal the amount paid for the shares plus the amount treated as ordinary income at the time the option was exercised.

If the optionee surrenders shares of common stock in payment of part or all of the exercise price for non-qualified options, no gain or loss will be recognized with respect to the shares surrendered regardless of whether the shares were acquired upon the exercise of a qualified option, and the optionee will be treated as receiving an equivalent number of shares upon the exercise of the option in a nontaxable exchange. The basis of the shares surrendered will be treated as the substituted tax basis for an equivalent number of option shares received and the new shares will be treated as having been held for the same holding period as had expired with respect to the transferred shares. The difference between the aggregate option exercise price and the aggregate fair market value of the shares received following the exercise of the option will be taxed as ordinary income. The optionee's basis in the additional shares will be equal to the amount included in the optionee's income.

If Array complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, we will be entitled to a business expense deduction in the same amount and generally at the same time as the optionee recognizes ordinary income.

Restricted Stock. A grantee who is awarded restricted stock will not recognize any taxable income for federal income tax purposes in the year of the award, provided that the shares of common stock are subject to restrictions (that is, the restricted stock is nontransferable and subject to a substantial risk of forfeiture). However, the grantee may elect under Section 83(b) of the Internal Revenue Code to recognize compensation income in the year of the award in an amount equal to the fair market value of the common stock on the date of the award (less the purchase price, if any), determined without regard to the restrictions. If the grantee does not make such a Section 83(b) election, the fair market value of the common stock on the date the restrictions lapse (less the purchase price, if any) will be treated as compensation income to the grantee and will be taxable in the year the restrictions lapse. If Array complies with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, we will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

The foregoing tax discussion is a general description of certain expected federal income tax results under current law. No attempt has been made to address any state and local, foreign or estate and gift tax consequences that may arise in connection with participation in the Option Plan.

Required Vote

The approval by the affirmative vote of the holders of a majority of the shares of common stock present or represented and entitled to vote at the Annual Meeting is required to approve the amendment to the Option Plan. Abstentions will have the same effect as a negative vote. Broker "non-votes" will not be counted for purposes of approving Proposal 3.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE IN FAVOR OF THE AMENDMENT TO THE OPTION PLAN CONTAINED IN PROPOSAL 3.

PROPOSAL 4
RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

We are asking the stockholders to ratify the Audit Committee's selection of KPMG LLP as our independent registered public accountants for the fiscal year ending June 30, 2009. If the stockholders do not ratify the selection, the Audit Committee will reconsider its selection. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee feels that such a change would be in the best interests of Array and our stockholders.

Representatives of KPMG LLP are expected to be present at the Annual Meeting, and will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

Required Vote

The approval by the affirmative vote of the holders of a majority of the shares of common stock present or represented and entitled to vote at the Annual Meeting is required to ratify the selection of KPMG LLP. Abstentions will have the same effect as a negative vote. Broker "non-votes" will not be counted for purposes of approving Proposal 4.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE IN FAVOR OF THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING JUNE 30, 2009.

AUDIT COMMITTEE REPORT

The information in this report is not soliciting material, is not deemed filed with the SEC and is not incorporated by reference in any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date of this proxy statement and irrespective of any general incorporation language in any such filings.

The Audit Committee reviewed and discussed the audited financial statements for the fiscal year ended June 30, 2008, with our management and with our independent registered public accountants, KPMG LLP. In addition, the Audit Committee discussed with KPMG LLP the matters required to be discussed by the statement on Auditing Standards No. 114, as amended, relating to the conduct of the audit. The Audit Committee also discussed with KPMG LLP the written disclosures and the letter from KPMG LLP required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and considered the compatibility of the non-audit services provided by the independent registered public accountants with their independence.

Based on the Audit Committee's review of the audited financial statements and the review and discussions described in the preceding paragraph, the Audit Committee recommended to the Board of Directors that the audited financial statements for the fiscal year ended June 30, 2008 be included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2008, for filing with the Securities and Exchange Commission.

Respectfully submitted,

Audit Committee
 Gil J. Van Lunsen
 Kyle A. Lefkoff
 John L. Zabriskie, Ph.D.

Fees Billed by the Principal Accountant

We were billed the following fees by our independent registered public accountants for the fiscal years ended June 30, 2008 and 2007:

	Years Ended June 30,	
	2008	2007
Audit Fees(1)	\$ 507,933	\$ 489,435
Audit-Related Fees(2)	11,020	76,368
Tax Fees(3)	0	0
All Other Fees(4)	0	0

- (1) Audit fees consist of fees for services necessary to perform the audit of our financial statements for fiscal years 2008 and 2007, statutory audits, attest services and consents and assistance with, and review of, documents filed with the SEC.
- (2) Audit-related fees consist of fees for assurance and related services reasonably related to the performance of the audit or review.
- (3) Tax fees consist of fees for tax compliance, tax advice and tax planning services.
- (4) All other fees include the aggregate of the fees billed in each of the last two fiscal years for products and services provided by the principal accountant other than the products and services disclosed as Audit Fees, Audit-Related Fees and Tax Fees.

Pre-Approval of Services

The Audit Committee pre-approves all audit and non-audit services rendered by our independent auditor. The Audit Committee has not adopted a formal written policy or procedures for the pre-approval of audit and non-audit services rendered by our independent auditor. The Audit Committee generally pre-approves specified services in the defined categories of audit services, audit-related services, and tax services up to specified amounts. Pre-approval may also be given as part of the Audit Committee's approval of the scope of the engagement of the independent auditor or on an individual explicit case-by-case basis before the independent auditor is engaged to provide each service. The Audit Committee approved all audit fees for fiscal year 2008.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our common stock as of September 1, 2008, by:

each of our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers, whom we collectively refer to as our named executive officers;

each of our directors;

all of our directors and executive officers as a group; and

each person (or group of affiliated persons) known by us to beneficially own more than 5% of our outstanding common stock.

Name	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned(a)
Named Executive Officers		
Robert E. Conway(b)	1,227,198	2.5%
R. Michael Carruthers(c)	249,367	*
Kevin Koch, Ph.D.(d)	1,191,054	2.5%
David L. Snitman, Ph.D.(e)	1,877,393	3.9%
John Yates, M.D., M.B., Ch.B.(f)	100,000	*
Directors		
Kyle A. Lefkoff(g)	107,585	*
Francis J. Bullock, Ph.D.(h)	100,000	*
Marvin H. Caruthers, Ph.D.(i)	510,884	1.1%
Douglas E. Williams, Ph.D.(j)	37,500	*
Gil J. Van Lunsen(k)	41,260	*
John L. Zabriskie, Ph.D.(l)	140,000	*
All directors and executive officers as a group (12 persons)(m)	5,685,273	11.4%
Five Percent Shareholders		
FMR LLC(n)	5,036,374	10.6%
Deerfield Management Company, LP(o)	4,700,000	9.9%
Columbia Wanger(p)	4,175,000	8.8%
Capital Research Global Investors(q)	2,740,000	5.8%
DE Shaw Valence Portfolios(r)	2,482,421	5.2%

*

Less than 1%.

(a)

Unless otherwise indicated, each person has sole voting and investment power with respect to shares shown as beneficially owned by such person. For purposes of calculating the number and percentage of shares beneficially owned, the number of shares of common stock deemed outstanding consists of 47,577,801 shares outstanding on September 1, 2008 plus the number of shares of common stock underlying stock options held by the named person that are exercisable as of October 31, 2008. Except as otherwise specified below, the address of each of the beneficial owners identified is c/o Array BioPharma Inc., 3200 Walnut Street, Boulder, Colorado 80301.

(b)

Includes options to purchase 827,267 shares of common stock that are exercisable as of October 31, 2008 and 50,000 shares held in uniform gift to minor accounts for the benefit of Mr. Conway's children.

(c)

Includes options to purchase 165,364 shares of common stock that are exercisable as of October 31, 2008.

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- (d) Includes options to purchase 458,295 shares of common stock that are exercisable as of October 31, 2008, 99,000 shares held in trust for the benefit of Dr. Koch's children and 43,286 shares of common stock held by Dr. Koch's spouse.
- (e) Includes options to purchase 444,882 shares of common stock that are exercisable as of October 31, 2008, 119,950 shares of common stock held in trust for the benefit of Dr. Snitman's minor children and 456,473 shares held in a grantor retained annuity trust of which Dr. Snitman is the trustee.
- (f) Includes options to purchase 100,000 shares of common stock that are exercisable as of October 31, 2008.
- (g) Includes 12,000 shares of common stock in trust for the benefit of Mr. Lefkoff's minor children and options to purchase 60,000 shares of common stock that are exercisable as of October 31, 2008. The address of Mr. Lefkoff is c/o Boulder Ventures, 1900 Ninth Street, Suite 200, Boulder, Colorado 80302.
- (h) Includes options to purchase 90,000 shares of common stock that are exercisable as of October 31, 2008.
- (i) Includes 450,884 shares of stock held by The Caruthers Family, LLC, of which Dr. Caruthers is the manager and a member. Dr. Caruthers disclaims beneficial ownership in these shares except to the extent of his pecuniary interest in such shares. Includes options to purchase 60,000 shares of common stock that are exercisable as of October 31, 2008.
- (j) Includes options to purchase 35,000 shares of common stock that are exercisable as of October 31, 2008.
- (k) Includes options to purchase 36,000 shares of common stock that are exercisable as of October 31, 2008.
- (l) Includes options to purchase 80,000 shares of common stock that are exercisable as of October 31, 2008.
- (m) Includes options to purchase 2,456,819 shares of common stock that are exercisable as of October 31, 2008.
- (n) Based on information set forth in Schedule 13G/A filed under the Exchange Act on February 14, 2008, reporting 5,036,374 shares beneficially owned by both FMR LLC and Edward C. Johnson 3d, the chief executive officer and a control person of the foregoing entities. The address of FMR Corp. is 82 Devonshire Street, Boston, MA 02109.
- (o) Based on information set forth in Schedule 13G/A filed under the Exchange Act on February 14, 2008, reporting 1,667,942 shares beneficially owned by Deerfield Capital, LP; 1,569,511 shares beneficially owned by Deerfield Partners, LP; 98,431 shares beneficially owned by Deerfield Special Situations Fund, LP; 3,032,058 shares beneficially owned by Deerfield Management Company, LP; 2,851,647 shares beneficially owned by Deerfield International Limited; 180,411 shares beneficially owned by Deerfield Special Situations Fund International Limited and all 4,700,000 shares beneficially owned by James E. Flynn, the managing member and a control person of the foregoing entities. The address of Deerfield Management Company, LP is 780 Third Avenue, 37th Floor, New York, NY 10017.
- (p) Based on information set forth in Schedule 13G/A filed under the Exchange Act on January 24, 2008, reporting 4,175,000 shares beneficially owned by Columbia Wanger Asset Management, LP. The address of Columbia Wanger Asset Management, LP is 227 West Monroe Street, Suite 3000, Chicago, IL 60606.

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- (q) Based on information set forth in Schedule 13G filed under the Exchange Act on February 12, 2008, reporting 2,740,000 shares beneficially owned by Capital Research Global Investors, a division of Capital Research and Management Company. The address of Capital Research Global Investors is 333 South Hope Street, Los Angeles, CA 90071.
- (r) Based on information set forth in Schedule 13G filed under the Exchange Act on February 21, 2008, reporting 2,430,107 shares beneficially owned by DE Shaw Valence Portfolios, LLC; 2,482,421 shares beneficially owned by DE Shaw & Co, LP and all 2,482,421 shares beneficially owned by David E. Shaw, the managing member and a control person of the foregoing entities. The address of DE Shaw Valence Portfolios, LLC is 120 West 45th Street, Tower 45, 39th Floor, New York, NY 10036.

EXECUTIVE OFFICERS

The table below shows the names, ages and positions of our executive officers as of September 1, 2008.

Name	Age	Position
Robert E. Conway	54	Chief Executive Officer
Kevin Koch, Ph.D.	48	President and Chief Scientific Officer
David L. Snitman, Ph.D.	56	Chief Operating Officer and Vice President, Business Development
R. Michael Carruthers	50	Chief Financial Officer
John R. Moore	44	Vice President, General Counsel and Secretary
John Yates, M.D., M.B., Ch.B.	52	Chief Medical Officer

Please see "PROPOSAL 1 ELECTION OF DIRECTORS Board of Directors" above for the biographies of Mr. Conway, Dr. Koch and Dr. Snitman.

R. Michael Carruthers has served as our Chief Financial Officer since December 1998, and served as Secretary from December 1998 until October 2002. Prior to joining Array, Mr. Carruthers was Chief Financial Officer from October 1993 until December 1998 of Sievers Instrument, Inc. From May 1989 until October 1993, Mr. Carruthers was the treasurer and controller for the Waukesha division of Dover Corporation. Mr. Carruthers is a Certified Public Accountant and was previously employed as an accountant with Coopers & Lybrand, LLP. He currently serves on the Board of Directors of Pyxant Labs. Mr. Carruthers received a B.S. in accounting from the University of Colorado and an M.B.A. from the University of Chicago.

John R. Moore has served as our Vice President and General Counsel since May 2002 and as Secretary since October 2002. Prior to joining Array, Mr. Moore was an associate for three years with the law firm of Wilson Sonsini Goodrich & Rosati where he negotiated transactions involving technology, intellectual property and products. From September 1992 to July 1996, and August 1996 to June 1999, Mr. Moore was an associate with the law firms of Kenyon & Kenyon and Arnold White & Durkee, respectively, where he focused on intellectual property matters. Mr. Moore received a J.D. from the University of North Carolina at Chapel Hill School of Law, a M.S. in Biochemistry from the University of Illinois at Urbana-Champaign and a B.S. in Chemistry from the University of North Carolina at Chapel Hill.

John Yates served as our Chief Medical Officer from May 2007 until his resignation in September 2008. Prior to joining Array, Dr. Yates was President and Chief Executive for Takeda Global Research & Development Center from 2004 to 2007, where he was charged with all aspects of pharmaceutical development from first in man through commercialization. From 1990 until 2003, Dr. Yates held various positions of increasing responsibility at Merck & Co, Inc., rising to the level of Vice President, U.S. Medical and Scientific Affairs. While at Merck, Dr. Yates was responsible for all U.S. Phase 4 studies, supporting 15 marketed products as well as conducting outcomes research and health economic studies. Dr. Yates received his M.B. Ch.B. and M.D. degrees from Sheffield University Medical School, in Sheffield, UK. He gained further experience in academic medical research at the University of Melbourne, Australia and the University of Texas Health Science Center in San Antonio, TX.

**EXECUTIVE COMPENSATION
COMPENSATION DISCUSSION AND ANALYSIS**

This section provides information regarding the compensation program in place for our named executive officers, or NEOs, who consist of our principal executive officer, principal financial officer and the three most highly-compensated executive officers other than the principal executive officer and principal financial officer, for our fiscal year ended June 30, 2008. It includes information regarding, among other things, the overall objectives of our compensation program and each element of compensation that we provide.

General

The Compensation Committee of our Board of Directors, or the Committee, has responsibility for determining the compensation of our NEOs for approval by our independent directors. The Committee also administers our Amended and Restated Stock Option and Incentive Plan and our Employee Stock Purchase Plan, and considers and approves new hire and periodic retention grants under the Option Plan to NEOs and other members of management and determines the terms of performance-based compensation under our annual Performance Bonus Program applicable to our NEOs and other salaried employees. The Committee acts pursuant to a charter that has been approved by our Board, a copy of which is available on the Investor Relations section of our website at www.arraybiopharma.com.

Objectives and Philosophy of Our Compensation Program

The compensation program for our NEOs is designed to attract, retain, motivate and reward talented executives who can contribute to our long-term success and thereby build value for our stockholders. Our compensation program is based on the following key principles:

A significant component of pay that is linked with performance and the achievement of our strategic goals.

Overall compensation that is competitive in the industry in which we compete for executive talent.

Alignment of NEO interests with those of our stockholders through equity compensation.

Recognition of individual contributions, teamwork and performance.

Other factors specific to our company weigh heavily into our NEO compensation decisions, such as the following:

Evolution of Business. Our NEOs are executing our business strategy to build a commercial-stage biotechnology company, and we believe their compensation should create appropriate incentives that are consistent with this strategy. Accordingly, the Committee evaluates and adjusts the performance metrics for performance-based compensation for our NEOs to align them with our strategic goals. In addition, our senior team, which has not appreciably increased in size, is managing a changing and increasingly complex business. We strive to recognize these efforts by compensating NEOs for the increased demands and risks associated with our business model, such as through annual cash bonuses and stock option awards.

Our headquarters location. All of our NEOs are based in Boulder, Colorado. We believe Boulder provides an attractive community for our employees to work and live, and the high quality of life available in Boulder has helped us to attract and retain the talent we need. Real estate prices in the Boulder area, however, approach or even exceed those in many major suburban areas. We therefore endeavor to compensate our executives with a level of cash compensation that will allow them to maintain an attractive lifestyle in Boulder.

Intense competition for management talent. Like any company, we strive to recruit top talent at all levels of our organization. Our business has shifted in recent years from a services-based drug discovery company to an integrated, commercial-stage biopharmaceutical company. The competition for executive talent in certain areas of our business, most notably clinical development talent, is especially intense. As we build our clinical capabilities, we may on occasion find it necessary to exceed the total compensation offered by more established competitors, including our peer group, to attract the talent we need in this area.

Compensation Methodology

The Committee annually reviews target salary, performance bonus and equity compensation for our NEOs and other members of senior management, and periodically reviews other elements of compensation. Compensation decisions are based primarily on the following:

Peer and industry data. The Committee uses peer and industry data as a reference in setting base salaries, determining the appropriate level and mix of equity compensation and the type and portion of compensation tied to performance goals.

Annual performance reviews. Our Chairman conducts annual performance reviews of our Chief Executive Officer, and our Chief Executive Officer conducts and presents the performance reviews of the other NEOs and members of senior management to the Committee at the end of each fiscal year. Based on these reviews, the Committee considers individual factors, such as:

Long-term performance

Tenure with the company

Retention concerns

Prior and potential for future contributions to company growth

Industry experience

CEO recommendations. The Committee seeks the input of Mr. Conway in setting the salary and target bonus levels for other NEOs and members of management. The Committee also considers recommendations from Mr. Conway regarding annual performance metrics and target amounts under the Performance Bonus Program.

Following the end of each fiscal year, the Committee reviews and determines the base salaries of Mr. Conway and the other NEOs and members of management and approves the target bonus amounts under the Performance Bonus Program for the upcoming fiscal year based on a percentage of base salary for the NEOs and the rest of the management team. The Committee determines the annual performance goals under the Performance Bonus Program for the upcoming year through an iterative process with management, adjusting as appropriate the recommendations of management regarding the performance metrics and the target amounts in light of the Company's near- and long-term strategic goals and operational plan for the upcoming year. Following completion of the audit of our annual financial statements, the Committee approves the specific bonus amounts payable to the NEOs and other members of management under the Performance Bonus Program based on actual company and individual performance.

The Committee has the authority to engage outside compensation consultants to advise it in determining executive compensation and during fiscal 2008 retained Watson Wyatt Worldwide to perform a comprehensive analysis of our executive compensation programs. The Committee principally uses outside consultants to provide a competitive assessment of our compensation programs against a group of peer companies in our industry and with whom we compete for executive talent and to

provide input to the Committee on structuring and implementing these programs in fulfilling our compensation objectives.

Peer and Industry Data. To ensure our compensation is competitive, the Committee considers peer company and industry survey data. In setting NEO compensation for fiscal 2008, the Committee analyzed publicly available compensation data for the following 15 peer pharmaceutical and biotechnology companies:

Acadia Pharmaceuticals, Inc.	Isis Pharmaceuticals, Inc.
Arena Pharmaceuticals, Inc.	Lexicon Pharmaceuticals, Inc.
Ariad Pharmaceuticals, Inc.	Regeneron Pharmaceuticals, Inc.
CV Therapeutics Inc.	Seattle Genetics Inc.
Dendreon Corporation	Xenoport, Inc.
Exelixis, Inc.	Xoma Ltd.
Idenix Pharmaceuticals Inc.	Zymogenetics, Inc.
Incyte Corporation	

These peer companies were selected from among publicly-held U.S. pharmaceutical and biotechnology companies based on the following criteria: companies with comparable operations, a market capitalization of not less than approximately \$400 million or more than \$1.2 billion, not fewer than 100 or more than 750 employees, clinical development-stage operations and a substantial portion of their revenues not related to marketed products. These companies are the same companies we use in comparing our overall performance. We also take into account broader based life sciences industry survey data for executive compensation among companies of our size published by Radford Surveys and Consulting as we believe that this information provides us with a statistically significant sample that supplements our peer group data. We generally strive to achieve total compensation for our NEOs at the 50th percentile of the survey group; however compensation historically has in the aggregate been below this level because an NEO may have additional or fewer responsibilities than the comparable executive level in the survey group, or as a result of other factors, including historical pay, individual performance and marketplace demands for the position.

As our business model evolves, the Committee reevaluates the peer companies used in benchmarking executive compensation to ensure the peer companies are comparable in size, market capitalization and the scope and nature of their operations to Array.

Elements of Our Compensation Program

The primary components of executive compensation are industry competitive salaries, bonuses of cash and/or equity based on annual operational and financial objectives and on individual merit, and equity compensation grants of stock options upon hiring and periodically through retention grants.

Salary. We believe base salary is the key compensation-related reference point for individuals considering an employment change and that we must offer industry competitive base salaries. Our peer group analysis and industry survey data therefore serve as a starting point in setting salaries for our NEOs. We generally target a base salary for NEOs at the 50th percentile of the survey group, recognizing that titles and levels of responsibility vary greatly from company to company and after considering other factors, such as industry experience and competition for talent in certain areas, particularly clinical development.

Performance Bonus Program. As more fully described below, we have established a Performance Bonus Program under which bonuses are paid to our NEOs and other employees based on achievement of company performance goals and objectives established by the Committee as well as on individual performance. The bonus program is intended to strengthen the connection between

individual compensation and company success; reinforce our pay-for-performance philosophy by awarding higher bonuses to higher performing employees; and help ensure that our cash compensation is competitive.

Each NEO is eligible to receive a bonus under the program calculated by multiplying his base salary by a percentage value assigned to him or to his position by the Committee. During fiscal 2008, the target bonus amounts were 35% or 40% of base salary for our executive officers other than Mr. Conway, and Mr. Conway's target bonus amount was 50% of his base salary. Following the end of each fiscal year, the Committee determines in its discretion the extent to which the company-wide and individual performance goals were attained. Based on this assessment, the Committee awards bonuses equal to a varying percentage of an employee's target bonus amount. The Committee may award a bonus in an amount less than or greater than the amount earned by a participant under the bonus program, and individual bonuses can vary significantly based on performance. No bonuses are guaranteed under the program and the Committee can amend the program at any time until bonuses are paid.

Performance metrics. The performance bonuses for fiscal 2008 were based both on individual performance and on our performance relative to the following performance criteria:

Financial goals consisting of revenue, earnings per share and year-end cash targets;

Discovery research goals for our proprietary drug programs;

Development goals relating to our proprietary drug programs; and

Partnering goals relating to new out-licensing transactions.

In determining the bonus awards for fiscal 2008, the foregoing goals were weighted as follows: financial goals 15%; discovery research goals 20%; development goals 40%; and the partnering goals 25%. Identical performance goals form the basis for the bonus structure for almost all of our salaried employees, and we believe there is an intangible benefit to focusing all levels of personnel on consistent goals. We also believe there is a strong correlation between achievement of these goals and the success of our business as measured by our stock performance and the perception of analysts and investors.

Annual Performance Goals. The Committee establishes minimum, target and stretch goals for each performance metric based on the company's internal forecasts and through an iterative process with management. The Committee strives to set the stretch performance goals at ambitious levels to provide a meaningful incentive. We have not historically met the stretch goals and have met or slightly exceeded the target level goals. For fiscal 2008, 2007 and 2006, we achieved 95%, 117.5% and 115.6% of the target level goals, respectively, established by the Committee. Generally, the Committee sets the minimum, target and stretch goals such that the relative level of difficulty of achieving the target level is consistent from year to year. A percentage of each NEO's target bonus amount may be awarded following the end of the fiscal year based on whether the minimum, target or stretch goals are met and the weighting of those goals. The Committee has discretion to award bonuses under the program if a particular performance goal is not met.

Individual Performance. The Committee also evaluates individual performance in approving the specific bonus amount that an NEO or other participant is entitled to based on the individual's performance review.

The Committee's approach in establishing Mr. Conway's compensation is to be competitive with peer companies, but to base a large percentage of his target compensation, by means of grants of performance-based compensation, on Array's long-term performance. Accordingly, under Mr. Conway's employment agreement, Mr. Conway is eligible to receive an annual performance-based bonus, anticipated to range between 25% and 75%, with a target of 50%, of Mr. Conway's base salary, provided that minimum performance criteria are achieved under the Performance Bonus Program.

Equity Compensation. We provide equity compensation to our NEOs in the form of stock option grants under our Amended and Restated Stock Option and Incentive Plan. The Committee believes stock option awards to our NEOs and other employees encourage retention, because the recipient must remain employed with the company to receive the award. The Committee also believes stock options align the interests of management and our stockholders, since they are of no value to the executive if our stock's value does not increase. For these reasons, the Committee considers stock options to be an important part of total compensation for our executives.

Our implementation of Statement of Financial Accounting Standards No. 123(R) makes granting stock options somewhat less attractive by requiring that we expense the fair value of the grant for financial accounting purposes. Although this accounting treatment is one of the factors we consider in awarding options, it has not had a significant impact on our granting practices, since we believe stock options remain a highly valued component of the overall compensation package for management of a growth company such as ours and are the primary means by which our executives share in the company's growth.

Stock options are awarded to all of our salaried employees, including NEOs, upon hiring. In addition, following the end of each fiscal year the Committee considers whether to award retention grants to existing employees, including NEOs. If awarded, retention grants historically were approved on four-year cycles for employees, including our NEOs, to correspond to the duration of the standard vesting schedule of option grants. Effective in fiscal 2009, retention grants will be made on an annual basis and will vest in four equal annual installments. The Committee approved this change due to its observation that grants every four years can result in a significant portion of our employees with options that are not in-the-money for the four-year vesting term due to the historical volatility of our stock price. The Committee believes that annual retention grants will minimize the distortion created by stock price volatility while continuing to provide a meaningful ongoing incentive for our NEOs and other employees to remain with Array. In addition, with annual grants, employees will have a significant number of unvested options each year and there will be fewer instances in which options will fully vest prior to the next retention grants later in the year, thereby providing a stronger retention incentive.

The Committee also considers on an annual basis whether to award options rather than cash under our performance bonus program described above, and has discretion to approve additional stock option awards for reasons such as strong individual performance or internal pay equity considerations.

Stock options generally vest in four equal annual installments beginning on the one-year anniversary of the hire date for new hire grants. New hire grants are approved each month with a grant date of the last trading day of the month, and grant dates for other types of awards are on the date approved by the Committee. The exercise price of all employee stock options is equal to the fair market value of our common stock on the date of grant, measured as the closing price of our common stock on the grant date as reported by the Nasdaq Stock Market.

In establishing award levels, including for NEOs, the Committee takes into account an analysis of peer group data and industry survey data and, for retention grants, individual performance. The Committee also considers individual contribution and performance, based in part on input from our Chief Executive Officer for grants to other NEOs and employees, and the difficulty in replacing certain individuals within the organization. We believe that competitors who might try to hire away our employees would offer new equity awards to our employees without regard to the value of any prior awards made by us. Therefore, we do not consider the equity ownership levels of the recipients, the size of prior awards that are fully vested or amounts realized by the executives for previous awards.

Option Grant Practices. Historically, the timing of our grants of stock options has been based on internal, operational factors. New hire grants are typically awarded on the last trading day of each month and retention grants are awarded following the end of each fiscal year. We have not had, and do

not intend to implement, a practice of "timing" our grant awards to give effect to the pending public release of material information, and any grants we may have made to senior executives in proximity to a release of earnings or other material information is coincidental. The Committee has delegated authority to three of its members, Mr. Lefkoff, Dr. Bullock and Dr. Caruthers, to approve option grants for non-executives. These may be awards for new hires and are reported on a periodic basis to the Committee.

Deferred Compensation Plan. We established a Deferred Compensation Plan, or the DCP, to provide NEOs and other eligible participants with an opportunity to defer all or a portion of their compensation and to earn tax-deferred returns on the deferrals. Officers and other key employees selected by the Committee (including each of the NEOs) are eligible to participate in the DCP. Participants may defer up to a maximum of 100% of their annual base salary and their annual incentive bonus. Under the DCP, the Committee may, in its sole discretion, make matching contributions which vest over a four-year vesting schedule beginning upon commencement of employment, or may make discretionary contributions in any amount it desires to any participant's account based on vesting provisions determined in the Committee's discretion. Participants become fully vested in any matching or discretionary contributions upon a change in control of the company and upon termination of their service with the company other than for cause.

During fiscal year 2008, Mr. Conway, Mr. Carruthers, Dr. Koch, Dr. Snitman and Dr. Yates were participants under the DCP and they were all 100% vested, other than Dr. Yates who was 25% vested. As of June 30, 2008, the Committee has not approved any discretionary contributions, and has approved matching contributions of up to 4% of the executive's total base salary and bonus compensation for the year.

The DCP is intended to both qualify as a "top hat" plan within the meaning of Section 201(2) of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), and to comply with the requirements of Section 409A of the Internal Revenue Code that govern nonqualified deferred compensation plans. The DCP is an unfunded plan for tax purposes and for purposes of Title I of ERISA. A "rabbi trust" has been established to satisfy our obligations under the DCP.

The Committee selects investment indices consisting of mutual funds, insurance company funds, indexed rates or other methods for participants to choose from for the purpose of providing the basis on which gains and losses are attributed to account balances under the DCP. Participants are entitled to select one or more investment indices and they do not have an ownership interest in the investment indices they select. The Committee may, in its sole discretion, discontinue, substitute or add investment indices at any time.

Payments from the DCP are made in a lump sum or in annual installments for up to ten years at the election of the participant. In addition, participants may elect to receive a short-term payout of a deferral as soon as January 1 of the fourth year after the end of the Option Plan year in which the deferral was made.

Payments Upon Termination or Change in Control. We have entered into employment agreements with each of our NEOs which provide for severance payments upon certain terminations of employment, including in connection with a change in control of Array, and for the acceleration of vesting of outstanding stock options upon a change in control. In our experience, post-termination protection through severance compensation for executive officers is common among our peer group, and the Committee believes that it is essential to our ability to attract and retain talented executives. The Committee believes having a mutually agreed-to severance package in place prior to any termination event provides us with more flexibility to make a change in senior management if such a change is in our and our stockholders' best interest. In addition, we believe post-termination compensation if an officer is terminated as a result of a change of control transaction promotes the ability of our officers to act in the best interests of our stockholders even though they could be

terminated as a result of the transaction. Our obligation to pay severance to any executive is conditioned on the executive's continued compliance with confidentiality and non-competition obligations for one year after termination, as well as on the execution of a mutually acceptable release agreement.

The terms of the employment agreements, including the severance compensation, are described in more detail below under the headings "Employment Agreements" and "Potential Payments upon Termination or Change-in-Control" beginning on pages 37 and 39, respectively, of this proxy statement.

In addition, our Amended and Restated Stock Option and Incentive Plan has provisions regarding vesting following a change in control, as defined in that plan. In general, upon a transaction that involves the sale of all or substantially all of our assets or the transfer (including by merger or consolidation) of 50% or more of the voting power of our outstanding securities in which Array is not the surviving entity, all outstanding stock options, including those held by our NEOs (except to the extent otherwise provided in the employment agreements with each NEO), vest in full unless as part of the transaction (a) the options are assumed by the acquiring entity or (b) replaced with a comparable options for shares of stock of the acquiring entity, in either event the options would remain in effect under their respective terms and conditions following the change in control. The Committee has discretion to modify the vesting provisions in individual award agreements for options or restricted stock units, including upon a change in control or upon termination of employment.

Employee Stock Purchase Plan. We have a tax-qualified employee stock purchase plan, or ESPP, that is made available to all employees, including our NEOs. The ESPP allows participants to acquire shares of our common stock at a discount of 15% to the market price with up to 15% of their base salary, subject to a \$25,000 per calendar year maximum. The purpose of the ESPP is to encourage employees to become stockholders of Array to better align their interests with those of our other stockholders.

Perquisites. Substantially all benefits we provide to our executives are made available to all of our other salaried employees on a non-discriminatory basis, and for this reason are not considered "perquisites". Benefits we provide on a non-discriminatory basis include our medical and dental insurance, life insurance, 401(k) plan and the ESPP. Relocation expenses also are reimbursed but are individually negotiated when they occur. The aggregate incremental cost to us of all the perquisites we provided to any NEO in fiscal 2008 was less than \$10,000, except \$35,939 in relocation expenses paid to or on behalf of Dr. Yates.

Deductibility of Compensation. Section 162(m) of the Internal Revenue Code of 1986, as amended, places a limit of \$1,000,000 on the amount of non-performance-based compensation that we may deduct in any one year with respect to each of our five most highly-paid executive officers. We have taken actions necessary to ensure the deductibility of payments under the annual Incentive Bonus Program as performance-based compensation under Section 162(m). To maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Committee has not adopted a policy requiring all compensation to be deductible. However, the Committee considers the impact of Section 162(m) when making pay changes to each NEO and its normal practice is to take such action as is necessary to preserve our tax deduction to the extent consistent with our compensation policies. However, we reserve the right to forgo any or all of the tax deduction if we believe it to be in the best long-term interests of our shareholders.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors of Array BioPharma Inc. oversees Array's compensation program on behalf of the Board. In fulfilling its oversight responsibilities, the Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis set forth in this Proxy Statement.

In reliance on the review and discussion referred to above, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2008 and our Proxy Statement to be filed in connection with our 2008 Annual Meeting of Stockholders, each of which will be filed with the Securities and Exchange Commission.

COMPENSATION COMMITTEE

Kyle Lefkoff (Chair)
Francis Bullock, Ph.D.
Marvin Caruthers, Ph.D.
Douglas Williams, Ph.D.

Summary Compensation Table

The following table sets forth compensation earned during the fiscal year ended June 30, 2008 by each of our named executive officers who were serving as executive officers as of June 30, 2008.

Name and Principal Position	Year	Salary (\$)	Option Awards \$(1)	Non-Equity Incentive Plan Compensation \$(2)	All Other Compensation(3)	Total (\$)
Robert E. Conway, Chief Executive Officer	2008	\$ 477,500	\$ 472,171	\$ 235,125	\$ 36,790	\$ 1,221,586
	2007	412,500	461,759	199,750	33,236	1,107,245
R. Michael Carruthers, Chief Financial Officer	2008	252,500	101,296	86,450	22,948	463,194
	2007	226,250	156,797	81,190	21,536	485,773
Kevin Koch, Ph.D., President and Chief Scientific Officer	2008	382,500	336,871	148,200	30,818	898,389
	2007	350,000	329,659	147,960	28,779	856,398
David L. Snitman, Ph.D., Vice President, Business Development and Chief Operating Officer	2008	310,854	228,625	104,738	25,986	670,203
	2007	292,750	227,758	105,900	24,849	651,257
John Yates, M.D., M.B., Ch.B., Chief Medical Officer	2008	429,905	824,611	161,500	70,332	1,486,347
	2007	6,538				6,538

(1)

The amounts set forth under this column represent the stock-based compensation expense recognized in each fiscal year for financial reporting purposes under Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment," disregarding the estimate of forfeitures for service-based vesting conditions. Our methodology, including our underlying estimates and assumptions used in calculating these values, is set forth in Note 12 to our audited financial statements included in our annual report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended June 30, 2008.

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(2) Amounts shown in this column for fiscal 2008 consist of cash bonus amounts to be paid after fiscal 2008 under our Performance Bonus Plan for fiscal 2008 performance as described above under "Compensation Discussion and Analysis Elements of Our Compensation Program *Performance Bonus Plan*."

(3) The amounts set forth in this column consist of the following:

Name	Year	Perquisites and Other Personal Benefits (\$)	Company Contributions to Retirement and 401(k) Plans (\$)	Company Contributions to Nonqualified Deferred Compensation Plan (\$)	Total (\$)
Robert E. Conway	2008	\$	\$ 9,700	\$ 27,090	\$ 36,790
	2007		9,800	23,436	33,236
R. Michael Carruthers	2008		9,600	13,348	22,948
	2007		9,100	12,436	21,536
Kevin Koch, Ph.D.	2008		9,600	21,218	30,818
	2007		9,600	19,179	28,779
David L. Snitman, Ph.D.	2008		9,300	16,686	25,686
	2007		9,380	15,469	24,849
John Yates, M.D., M.B., Ch.B	2008	35,939(1)	17,196	17,196	70,332
	2007				

(1) Consists of relocation expenses paid to or on behalf of Dr. Yates.

Grants of Plan-Based Awards

The following table sets forth information about grants of awards to our named executive officers during the fiscal year ended June 30, 2008.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)		
		Threshold (\$)	Target (\$)	Maximum (\$)
Robert E. Conway	10/1/07	\$ 123,750	\$ 247,500	\$ 371,250
R. Michael Carruthers	10/1/07	45,500	91,000	136,500
Kevin Koch, Ph.D.	10/1/07			