

ARENA PHARMACEUTICALS INC

Form DEF 14A

April 27, 2011

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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

Arena Pharmaceuticals, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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

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(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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ARENA PHARMACEUTICALS, INC.

April 27, 2011

Dear Arena Stockholder:

You are cordially invited to attend the 2011 Annual Meeting of Stockholders of Arena Pharmaceuticals, Inc., a Delaware corporation. The Annual Meeting will be held on Monday, June 13, 2011, at 9:00 a.m. (Pacific Time), at our offices located at 6154 Nancy Ridge Drive, San Diego, California 92121. I look forward to meeting with as many of our stockholders as possible.

At the Annual Meeting, we will discuss each item of business described in the Notice of Annual Meeting and proxy statement and report on Arena's business. You will also have an opportunity to ask questions.

If you would like directions to our offices, please visit our website at www.arenapharm.com, where you will find directions and a map locator under "contact us." For further information about the Annual Meeting, please call 858.453.7200 and ask for Investor Relations.

On behalf of our employees and Board of Directors, I would like to express our appreciation for your continued interest in Arena.

Sincerely,

Jack Lief

Chairman, President and Chief Executive Officer

6166 Nancy Ridge Drive, San Diego, CA 92121

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Notice of Annual Meeting of Stockholders

To be held on June 13, 2011

ARENA PHARMACEUTICALS, INC.

6166 Nancy Ridge Drive

San Diego, CA 92121

April 27, 2011

To the Stockholders of Arena Pharmaceuticals, Inc.:

The Annual Meeting of Stockholders of Arena Pharmaceuticals, Inc., a Delaware corporation, will be held on Monday, June 13, 2011, at 9:00 a.m. (Pacific Time), at our offices located at 6154 Nancy Ridge Drive, San Diego, California 92121, for the following purposes, which are more fully described in the proxy statement accompanying this notice:

1. To elect the nine nominees for director named herein to our Board of Directors to serve until the next annual meeting of stockholders and until their respective successors are elected and qualified or until their earlier resignation or removal;
2. To approve, on an advisory basis, the compensation of our named executive officers, as disclosed in the proxy statement accompanying this notice;
3. To indicate, on an advisory basis, the preferred frequency of stockholder advisory votes on the compensation of our named executive officers;
4. To ratify the appointment of KPMG LLP, an independent registered public accounting firm, as our independent auditors for the fiscal year ending December 31, 2011; and
5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Only stockholders of record at the close of business on April 15, 2011 are entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement thereof.

Whether or not you expect to attend in person, we urge you to sign, date and return the enclosed proxy card at your earliest convenience. This will ensure the presence of a quorum at the meeting. **Promptly signing, dating and returning the proxy card will save us the expense and extra work of additional solicitation.** You may return your proxy card in the enclosed envelope, which does not require postage if mailed in the United States. You may also vote by telephone or the Internet pursuant to the instructions that accompanied your proxy card. Sending in your proxy card or voting by telephone or the Internet will not prevent you from voting at the Annual Meeting if you desire to do so, as your proxy may be cancelled at your option. Please note, however, that if your shares are held of record by a bank, broker or other agent and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

By Order of our Board of Directors

Steven W. Spector

Senior Vice President, General Counsel and Secretary

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ARENA PHARMACEUTICALS, INC.

6166 Nancy Ridge Drive

San Diego, CA 92121

PROXY STATEMENT FOR ANNUAL MEETING

OF STOCKHOLDERS

To Be Held on Monday, June 13, 2011, at 9:00 a.m. (Pacific Time)

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting

to Be Held on June 13, 2011

The proxy statement and annual report to security holders are available on the home page of our website at www.arenapharm.com.

Information Concerning Solicitation and Voting

In this proxy statement, Arena Pharmaceuticals, Arena, we, us and our refer to Arena Pharmaceuticals, Inc., unless the context otherwise provides.

General

The enclosed proxy is solicited on behalf of our Board of Directors for use at our 2011 Annual Meeting of Stockholders, or 2011 Annual Meeting, which is to be held on Monday, June 13, 2011, at 9:00 a.m. (Pacific Time), or at any adjournments or postponements thereof, for the purposes set forth in this proxy statement and the accompanying Notice of Annual Meeting of Stockholders. Our 2011 Annual Meeting will be held at our offices located at 6154 Nancy Ridge Drive, San Diego, California 92121.

This proxy statement, together with the Notice of Annual Meeting of Stockholders, the form of proxy and our Annual Report to Stockholders, are first being mailed on or about April 27, 2011 to all stockholders of record at the close of business on April 15, 2011, or the Record Date.

Questions and Answers About these Proxy Materials and Voting

Q: Why am I receiving these materials?

A: You are receiving these proxy materials in connection with our 2011 Annual Meeting, which is to be held on Monday, June 13, 2011, at 9:00 a.m. (Pacific Time). As a stockholder, you are requested to vote on the proposals described in this proxy statement.

Q: Who can vote at our 2011 Annual Meeting?

A: Each person who owns or has the right to vote shares of our common stock as of the Record Date has the right to vote at the meeting. Each share of our common stock is entitled to one vote. As of the Record Date, there were 133,744,281 shares of our common stock outstanding.

Stockholder of Record: Shares Registered in Your Name. If on the Record Date your shares of common stock were registered directly in your name with our transfer agent, Computershare Trust Company, N.A., then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy.

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Beneficial Owner: Shares Registered in the Name of a Bank, Broker or Other Agent. If on the Record Date your shares of common stock were held in an account by a bank, broker or other agent, then you are the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the meeting. As a beneficial owner, you have the right to direct your bank, broker or

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other agent on how to vote the shares in your account. You are also invited to attend the meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a legal proxy from your bank, broker or other agent.

Q: What is the proxy card?

A: The proxy card enables you to appoint Jack Lief, our Chairman, President and Chief Executive Officer, and Steven W. Spector, our Senior Vice President, General Counsel and Secretary, as your representatives at our 2011 Annual Meeting. By completing and returning the proxy card, you are authorizing Mr. Lief and Mr. Spector, or each of them, to vote your shares at the meeting as described on the proxy card. This way, you can vote your shares whether or not you attend the meeting.

Q: What am I voting on?

A: We are asking you to vote on the following proposals:

1. Election of the nine nominees for director named herein to our Board of Directors to serve until the next annual meeting of stockholders and until their respective successors are elected and qualified or until their earlier resignation or removal;
2. Advisory approval of the compensation of our named executive officers, as disclosed in this proxy statement in accordance with rules of the Securities and Exchange Commission, or SEC;
3. Advisory indication of the preferred frequency of stockholder advisory votes on the compensation of our named executive officers;
4. Ratification of the appointment of KPMG LLP, an independent registered public accounting firm, as our independent auditors for the fiscal year ending December 31, 2011; and
5. Such other proposals as may properly come before the meeting or any adjournment or postponement thereof.

Q: How do I vote?

A: Stockholder of Record: Shares Registered in Your Name

BY MAIL: Please complete and sign your proxy card and mail it in the enclosed pre-addressed envelope, which does not require postage if mailed in the United States. If you mark your voting instructions on the proxy card, your shares will be voted as you instruct, or in the best judgment of Mr. Lief or Mr. Spector if a proposal comes up for a vote at the meeting that is not on the proxy card.

If you return a signed and dated proxy card, but do not mark your voting instructions on the proxy card, your shares will be voted as follows:

FOR the nine named nominees as directors; FOR the approval, on an advisory basis, of the compensation of our named executive officers; for the approval, on an advisory basis, to conduct an advisory vote on executive compensation EVERY YEAR ; FOR the ratification of the appointment of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2011; and according to the best judgment of Mr. Lief or Mr. Spector if a proposal that is not on the proxy card comes up for a vote at the meeting.

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BY TELEPHONE: Please follow the vote by telephone instructions that are on your proxy card. If you vote by telephone, you do not have to mail in your proxy card.

BY INTERNET: Please follow the vote by Internet instructions that are on your proxy card. If you vote by Internet, you do not have to mail in your proxy card.

IN PERSON: We will pass out written ballots to anyone who wants to vote in person at the meeting. However, if you hold your shares in street name, you must request a legal proxy from your bank, broker or other agent in order to vote at the meeting.

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A: Beneficial Owner: Shares Registered in the Name of a Bank, Broker or Other Agent

If you are a beneficial owner of shares registered in the name of a bank, broker or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from us. Simply follow the instructions you received from that organization to ensure that your vote is counted. Please contact that organization if you did not receive a proxy card or voting instructions.

To vote in person at the meeting, you must obtain a legal proxy from your bank, broker or other agent. Follow the instructions from your bank, broker or other agent included with these proxy materials, or contact such agent to request a proxy form.

Q: What does it mean if I receive more than one proxy card?

A: It likely means that you hold our shares in multiple accounts at the transfer agent or with brokers or other custodians of your shares. Please complete and return **all** proxy cards you receive to ensure that all of your shares are voted.

Q: Can I change my vote after submitting my proxy?

A: Stockholder of Record: Shares Registered in Your Name. If you are a stockholder of record, you can revoke your proxy and change your vote at any time before the polls close at the meeting by: (i) signing another proxy card with a later date and returning it before the polls close at the meeting, (ii) voting by telephone or the Internet before 11:00 p.m. (Pacific Time) on June 12, 2011 (your *latest* telephone or Internet vote is counted), (iii) returning a written notice before the polls close at the meeting that you are revoking your proxy, or (iv) voting at the meeting. Please note, however, that simply attending the meeting will not, by itself, revoke your proxy.

A: Beneficial Owner: Shares Registered in the Name of a Bank, Broker or Other Agent. If you are a beneficial owner of shares registered in the name of a bank, broker or other agent, you should follow their instructions on how to change your vote. Please contact your bank, broker or other agent if you did not receive such instructions.

Q: How many shares must be present to hold the meeting?

A: To hold the meeting and conduct business, the holders of a majority of our outstanding common stock as of the Record Date must be present, either in person or represented by proxy, at the meeting. This is called a quorum.

A stockholder's shares are counted towards a quorum if the stockholder either:

is present and votes in person at the meeting, or

has properly submitted a proxy (including voting by telephone or the Internet).

Both abstentions and broker non-votes are counted as present for the purposes of determining the presence of a quorum at the meeting.

Q: What are broker non-votes?

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- A:** Broker non-votes occur when a broker who holds shares for a stockholder in street name submits a proxy for those shares but does not vote. In general, this occurs when the broker has not received voting instructions from the stockholder, and the broker lacks discretionary voting authority under the rules of the New York Stock Exchange, or NYSE, or otherwise to vote the shares for a particular proposal. The bank, broker or other agent can register your shares as being present at the Annual Meeting for purposes of determining the presence of a quorum, but will not be able to vote on those items for which specific authorization is required under the rules of the NYSE.

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Q: When do brokers have discretionary voting authority to vote my shares without my instruction?

A: If you are a beneficial owner whose shares are held of record by a bank, broker or other agent, such entity has discretionary voting authority, under the rules of the NYSE, to vote your shares on certain routine matters for which it does not receive voting instructions from you by the 10th day before the meeting. For example, such entity has discretionary voting authority with regard to the ratification of the appointment of KPMG LLP.

The election of directors and votes on matters relating to executive compensation, such as the say-on-pay vote, are not considered routine. When a proposal is not a routine matter and the entity holding the shares has not received voting instructions from the beneficial holder of the shares with respect to that proposal, the entity cannot vote the shares on that proposal. This is called a broker non-vote. Shares that are subject to broker non-votes with respect to that proposal will not be considered votes either for or against the proposal. Accordingly, it is important that beneficial owners instruct their brokers how they wish to vote their shares.

Q: How many votes must the nominees receive to be elected as directors?

A: Directors are elected by a plurality of votes of common stock present, either in person or represented by proxy, at the meeting and entitled to vote. This means that the nine nominees receiving the highest number of votes FOR election will be elected. Only votes For or Withheld will affect the outcome.

Q: How many votes must be received to approve the compensation of our named executive officers, as disclosed in this proxy statement in accordance with SEC rules?

A: A majority of votes cast by the stockholders entitled to vote on the proposal must vote FOR approval. Abstentions and broker non-votes will have no effect.

Q: How many votes must be received to indicate the preferred frequency of stockholder advisory votes on the compensation of our named executive officers?

A: The frequency approved by the highest number of votes from the holders of shares of common stock present, either in person or represented by proxy, at the meeting and entitled to vote will be considered the frequency preferred by the stockholders. Abstentions and broker non-votes will have no effect.

Q: How many votes must be received to ratify the appointment of KPMG LLP as Arena's independent auditors for the fiscal year ending December 31, 2011?

A: A majority of votes cast by the stockholders entitled to vote on the proposal must vote FOR ratification. Abstentions and broker non-votes will have no effect.

Q: How are votes counted?

A: Votes will be counted by the inspector or inspectors of election appointed for the meeting, who will separately count, for the proposal to elect directors, votes FOR, WITHHOLD, and broker non-votes; with respect to the proposal regarding frequency of

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stockholder advisory votes to approve executive compensation, votes for frequencies of every year, every two years, or every three years, abstentions and broker non-votes; and, with respect to other proposals, votes FOR, AGAINST, ABSTAIN, and, if applicable, broker non-votes.

Voting results are tabulated and certified by our transfer agent, Computershare Trust Company, N.A.

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Q: Who will bear the cost of soliciting votes for the meeting?

A: We are paying for the distribution and solicitation of the proxies. As a part of this process, we reimburse brokers, nominees, fiduciaries and other custodians for reasonable fees and expenses in forwarding proxy materials to our stockholders. Original solicitation of proxies by mail may be supplemented by other mailings, telephone calls, personal solicitation, or use of the Internet by our directors, officers, other employees or, if we choose to engage one, an independent proxy solicitation firm. No additional compensation will be paid to our directors, officers or other employees for such services, and in the event we engage such a proxy solicitation firm, the fees paid by us would not likely exceed \$20,000.

Q: How can I obtain the company's corporate governance information?

A: Our website is www.arenapharm.com and we have included various corporate governance materials under the Investors tab. Included in such information are the charters of the Board of Directors' standing committees: the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. Also included under that tab are our Board of Directors Corporate Governance Guidelines, our Code of Business Conduct and Ethics and our Policy on Filing, Receipt and Treatment of Complaints.

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The persons named in the below table are nominees for director at our 2011 Annual Meeting to serve until the next annual meeting of stockholders and until their respective successors are elected and qualified or until their earlier resignation or removal. Our Bylaws provide that the authorized number of directors shall be determined by a resolution of our Board of Directors.

All of the nominees for director at our 2011 Annual Meeting were elected at our 2010 annual meeting of stockholders and were recommended for election to our Board of Directors at our 2011 Annual Meeting by the Corporate Governance and Nominating Committee. Directors are elected by a plurality of votes present in person or represented by proxy at the annual meeting of stockholders and entitled to vote. Unless otherwise instructed to withhold a vote for a particular nominee or all of the nominees, the proxy holders will vote the proxies received by them for the nominees named below. In the event that any of these nominees is unavailable to serve as a director at the time of our 2011 Annual Meeting, the proxies will be voted for any substitute nominee who shall be designated by our Board of Directors, unless our Board reduces the number of directors. We have no reason to believe that any nominee will be unavailable to serve.

Following is information, as of March 31, 2011, regarding the nominees for director at our 2011 Annual Meeting. Such information includes biographical and other information about the nominees, including information concerning the particular experience, qualifications, attributes or skills that led our Board of Directors and the Corporate Governance and Nominating Committee to conclude that the nominees should serve as our directors.

Name	Positions and Offices Held	Year First Elected or Appointed Director	Age
Jack Lief	Chairman, President and Chief Executive Officer	1997	65
Dominic P. Behan, Ph.D.	Senior Vice President, Chief Scientific Officer and Director	2000	47
Donald D. Belcher	Director	2003	72
Scott H. Bice	Director	2003	68
Harry F. Hixson, Jr., Ph.D.	Director	2004	72
Tina S. Nova, Ph.D.	Director	2004	57
Phillip M. Schneider	Director	2007	54
Christine A. White, M.D.	Director	2006	59
Randall E. Woods	Director	2007	59

Business Experience of Nominees

Jack Lief is a co-founder of Arena and has served as a director and our President and Chief Executive Officer since April 1997. Mr. Lief has also served as the Chairman of our Board of Directors since October 2007. Mr. Lief served as an advisor and consultant to numerous biopharmaceutical organizations from 1995 to April 1997; as Senior Vice President, Corporate Development and Secretary of Cephalon, Inc., a biopharmaceutical company, from 1989 to 1994; as Director of Business Development and Strategic Planning for Alpha Therapeutic Corporation, a manufacturer of biological products, from 1983 to 1989; and in various positions at Abbott Laboratories, a pharmaceutical company, from 1972 to 1983, most recently as the head of International Marketing Research. Mr. Lief serves as the Chairman of the board of directors of ADVENTRX Pharmaceuticals, Inc., a company focused on pharmaceuticals for cancer and infectious disease. Mr. Lief is also an Executive Board Member of BIOCOM, a life science association representing approximately 550 member companies in Southern California, and was the Chairman of the board of directors of BIOCOM from March 2005 to March 2006. Mr. Lief holds a B.A. from Rutgers University and an M.S. in Psychology (Experimental and Neurobiology) from Lehigh University.

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We believe that Mr. Lief's role as a co-founder, President and Chief Executive Officer of our company, combined with his extensive leadership, strategic planning, business, financial, and international pharmaceutical industry expertise, provides our Board of Directors with critical knowledge and in-depth insight into our strategic planning and operations and give him the qualifications, attributes and skills to serve as one of our directors.

Dominic P. Behan, Ph.D., is a co-founder of Arena and has served as a director since April 2000, and as our Senior Vice President and Chief Scientific Officer since June 2004. Dr. Behan served as our Vice President, Research from April 1997 to June 2004. Dr. Behan directed various research programs at Neurocrine Biosciences, Inc., a biopharmaceutical company, from 1993 to 1997, and was engaged in research at the Salk Institute from 1990 to 1993. Dr. Behan holds a B.Sc. in Biochemistry from Leeds University, England, and a Ph.D. in Biochemistry from Reading University, England.

We believe that Dr. Behan's extensive scientific expertise, his role as a co-founder, Senior Vice President and Chief Scientific Officer of our company, and his leadership and scientific experience at other scientific and biopharmaceutical entities give him a deep understanding of pharmaceutical research and development and the qualifications, attributes and skills to serve as one of our directors.

Donald D. Belcher has served as a member of our Board of Directors since December 2003. Mr. Belcher served as Chairman of the board of directors of Banta Corporation, a printing and supply-chain management company, from 1995 to 2004, Chief Executive Officer from 1995 to 2002 and President from 1994 to 2001. Mr. Belcher holds a B.A. from Dartmouth College and an M.B.A. from the Stanford University Graduate School of Business.

We believe that Mr. Belcher's extensive leadership, business and financial expertise, including his background as a Chairman, Chief Executive Officer and President of a large, publicly held company, and his experience in marketing, global operations, international business, and strategic planning give him the qualifications, attributes and skills to serve as one of our directors.

Scott H. Bice has served as a member of our Board of Directors since December 2003. Mr. Bice has been the Robert C. Packard Professor at the University of Southern California Law School since 2000, where he served as Dean from 1980 to 2000. Mr. Bice has experience on several corporate boards, including Imagine Films, from 1992 to 1994; Western and Residence Mutual Insurance Companies, from 1996 to 2003; and Jenny Craig, from 1996 to 2002. Mr. Bice holds a B.S. in finance and a J.D. from the University of Southern California.

We believe that Mr. Bice's extensive legal, corporate governance, and business ethics expertise, his background as a professor and former Dean of a leading law school, and his service on other boards, including for a company involved in developing and commercializing a weight-loss program, give him an important perspective to contribute and the qualifications, attributes and skills to serve as one of our directors.

Harry F. Hixson, Jr., Ph.D., has served as a member of our Board of Directors since September 2004. Dr. Hixson has served as the Chief Executive Officer of Sequenom, Inc., a genomics company, since September 2009, and as Chairman of its board of directors since 2003. Dr. Hixson served as Chief Executive Officer of BrainCells Inc., a neurogenesis-based drug discovery and development company, from 2004 to 2005; as Chief Executive Officer of Elitra Pharmaceuticals Inc., a biopharmaceutical company, from 1998 to 2003; and in various management positions with Amgen, Inc., a biopharmaceutical company, from 1985 to 1991, most recently as President and Chief Operating Officer. Within the past five years, Dr. Hixson also served as a member of the board of directors of NovaBay Pharmaceuticals, Inc., a biopharmaceutical company, Infinity Pharmaceuticals, Inc., a cancer drug discovery and development company, and Discovery Partners International Inc., a drug discovery services company that was acquired by Infinity Pharmaceuticals, Inc. Dr. Hixson holds a B.S. in Chemical Engineering from Purdue University, an M.B.A. from the University of Chicago and a Ph.D. in Physical Biochemistry from Purdue University.

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We believe that Dr. Hixson's extensive leadership, business and scientific expertise, including his background in the development and commercialization of biopharmaceuticals in the United States and internationally, his senior management experience, including as President and Chief Operating Officer of a pioneering company in the biopharmaceutical industry, and his service on other boards give him the qualifications, attributes and skills to serve as one of our directors.

Tina S. Nova, Ph.D., has served as a member of our Board of Directors since September 2004. Dr. Nova is a co-founder of Genoptix, Inc., a medical laboratory diagnostics company, and has served as its President since 2000. Dr. Nova also served as Genoptix's Chief Executive Officer and as a member of its board of directors from 2000 to February 2011. Dr. Nova was a co-founder of Nanogen, Inc., a provider of molecular diagnostic tests, and she served as its Chief Operating Officer and President from 1994 to 2000. Dr. Nova served as Chief Operating Officer of Selective Genetics, a targeted therapy, biotechnology company, from 1992 to 1994, and in various director-level positions with Ligand Pharmaceuticals Incorporated, a drug discovery and development company, from 1988 to 1992, most recently as Executive Director of New Leads Discovery. Dr. Nova has also held various research and management positions with Hybritech, Inc., a former subsidiary of Eli Lilly & Company, a pharmaceutical company. Dr. Nova also serves on the board of directors of Adamis Pharmaceuticals Corporation, a commercial-stage specialty pharmaceutical company targeting allergy, respiratory and pediatric medicine market segments. Within the past five years, Dr. Nova also served as a member of the board of directors of Cypress Biosciences, Inc., a company focused on developing drugs for functional somatic syndromes. Dr. Nova was the Chair of the board of directors of BIOCOM from March 2001 to March 2002. Dr. Nova holds a B.S. in Biological Sciences from the University of California, Irvine and a Ph.D. in Biochemistry from the University of California, Riverside.

We believe that Dr. Nova's extensive leadership, business and scientific expertise, including her background of founding, financing, developing and operating companies in the healthcare industry, her service as the President and Chief Executive Officer of a publicly held company in the healthcare industry, her experience in successfully developing, launching and commercializing medical products, and her service on other boards give her the qualifications, attributes and skills to serve as one of our directors.

Phillip M. Schneider has served as a member of our Board of Directors since December 2007. Mr. Schneider held various positions with IDEC Pharmaceuticals Corporation, a biopharmaceutical company, from 1987 to 2002, most recently as Senior Vice President and Chief Financial Officer. Prior to his association with IDEC, Mr. Schneider held various management positions at Syntex Pharmaceuticals Corporation and was previously with KPMG LLP. Mr. Schneider is a member of the board of directors of Gen-Probe Incorporated, a medical diagnostics company. Within the past five years, Mr. Schneider also served as a member of the board of directors of Micromet, Inc., a biopharmaceutical company, and CancerVax Corporation, a biotechnology company that merged with Micromet AG to become Micromet, Inc. Mr. Schneider holds a B.S. in Biochemistry from the University of California, Davis and an M.B.A. from the University of Southern California.

We believe that Mr. Schneider's extensive leadership, business, financial and accounting expertise, including his background as the Chief Financial Officer of a publicly held biopharmaceutical company during the successful development, launch and commercialization of its first product, his experience at a large financial and accounting firm, and his service on other boards in our industry give him an important financial and accounting perspective and the qualifications, attributes and skills to serve as one of our directors.

Christine A. White, M.D., has served as a member of our Board of Directors since August 2006. Dr. White served in various senior positions with Biogen Idec Inc., a biopharmaceutical company, from 1996 to 2005, most recently as Senior Vice President, Global Medical Affairs; as the Director of Clinical Oncology Research at the Sidney Kimmel Cancer Center in San Diego from 1994 to 1996; and on the clinical staff and in various positions in the Department of Medicine at Scripps Memorial Hospitals in La Jolla and Encinitas, California, from 1984 to 1994, most recently as Chairman, Department of Medicine. Dr. White serves as a member of the board of directors of Marshall Edwards, Inc., an oncology company focused on the clinical development of novel anti-cancer therapeutics. Within the past five years, Dr. White also served as a member of the board of directors of

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Genoptix, Inc., a medical laboratory diagnostics company, Pharmacyclics, Inc, a pharmaceutical company developing products to treat cancer and other diseases, and Monogram Biosciences, Inc., a life sciences company. Dr. White holds a B.A. in Biology and an M.D. from the University of Chicago and is Board certified in both Internal Medicine and Medical Oncology.

We believe that Dr. White's extensive medical, scientific and business expertise, including her background in the clinical practice of medicine, basic science and clinical research, clinical development and regulatory affairs, her experience with the successful development, launch and commercialization of medicinal products, her senior management experience at a publicly held company in our industry, and her service on other boards give her a deep understanding of pharmaceutical development and commercialization and the qualifications, attributes and skills to serve as one of our directors.

Randall E. Woods has served as a member of our Board of Directors since December 2007. Mr. Woods is the President and Chief Executive Officer and a member of the board of directors of Sequel Pharmaceuticals, Inc., a pharmaceutical company. Mr. Woods served as the President and Chief Executive Officer of NovaCardia, Inc., a pharmaceutical company that was acquired by Merck & Co., Inc., from April 2004 to September 2007; as the President and Chief Executive Officer of Corvas International, Inc., a biopharmaceutical company, from 1996 to 2003; in various senior positions at Boehringer Mannheim's US pharmaceutical operations, from 1993 to 1996, most recently as President; and before then served more than 20 years at Eli Lilly & Company in sales and marketing positions. Mr. Woods is the chairman emeritus of the advisory board of the University of California, San Diego's Sulpizio Family Cardiovascular Center. Mr. Woods is also an Executive Board Member of BIOCOM, and was the Chairman of the board of directors of BIOCOM for 2009. Mr. Woods holds a B.S. in Biology and Chemistry from Ball State University and an M.B.A. from Western Michigan University.

We believe that Mr. Woods' extensive leadership, business and financial expertise, including his background of founding, financing and developing companies in our industry, and his senior management experience, including as Chief Executive Officer and President of multiple biopharmaceutical companies, his background in sales, marketing and pharmaceutical operations, and his service on other boards give him the qualifications, attributes and skills to serve as one of our directors.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR EACH NAMED NOMINEE.

Director Independence

Our common stock is listed on the NASDAQ Global Select Market, which requires that a majority of a listed company's board of directors qualify as independent under the applicable NASDAQ listing standards. The board of directors must affirmatively make this determination.

Our Board of Directors consults with our General Counsel to ensure that our Board's independence determinations, including with respect to directors, director nominees and members of its committees, comply with all applicable securities and other laws and regulations regarding the definition of independent, including but not limited to those set forth in pertinent listing standards of NASDAQ, as in effect from time to time. Consistent with these considerations, our Board of Directors has reviewed relevant transactions and relationships between each non-employee director and Arena, other non-employee directors, our senior management and our independent auditors and has affirmatively determined that all of our non-employee directors are independent directors under the applicable NASDAQ listing standards.

Corporate Governance Guidelines

Our Board of Directors has adopted Corporate Governance Guidelines for the conduct and operation of our Board. The guidelines cover such topics as board composition and selection, the board's role, director orientation and education, director compensation, board meetings, board committees, board access to management and use of outside advisors, succession planning, and the evaluation of the board and our Chief Executive Officer.

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Board Leadership Structure; Lead Independent Director

Our Board of Directors believes that there is no single, generally accepted approach to providing board leadership and that, given the dynamic and competitive environment in which we operate, the appropriate board leadership structure may vary as circumstances change. As such, our Board of Directors periodically reviews its leadership structure to confirm that it is an appropriate structure for our company at such time.

In considering its leadership structure, our Board of Directors has taken into account that it consists of a substantial majority of independent directors who are highly qualified and experienced, its standing committees (Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee) are comprised entirely of independent directors and that, as discussed below, it has a lead independent director with a clear mandate and authority. In addition, a number of Board and committee processes and procedures, including regular executive sessions of independent directors, regular conference calls with our Chief Executive Officer outside of Board of Directors and committee meetings, and annual evaluations of our executive officers' performance, including against pre-established corporate and individual goals, provide substantial independent oversight over our management. Our Board of Directors believes that these factors provide an appropriate balance between the authority of those who oversee our company and those who manage it on a day-to-day basis.

As set forth in our Board of Directors' Corporate Governance Guidelines, our Board currently combines the role of chairman of the board with the role of chief executive officer. We also have a lead independent director with defined corporate governance responsibilities. Our Board of Directors believes that this structure provides an efficient and effective leadership model for our company, and that combining the chairman and CEO roles fosters accountability, effective decision-making and alignment on corporate strategy.

Our Board of Directors' lead independent director is elected by our independent directors to serve for a minimum of one year or until replaced by the independent directors. It is generally expected that the lead independent director will serve for more than a year, and Dr. White has been our lead independent director since November 2008. As detailed in our Board of Directors' Corporate Governance Guidelines, the lead independent director's responsibilities and authority include the following:

With the Chairman, establish the schedule and agenda for Board meetings and approve information to be sent to our Board;

Serve as chair of Board meetings in the absence of the Chairman, including during executive sessions of the independent directors;

Preside over any portion of Board meetings at which the performance of our Board is presented or discussed;

Establish the agenda for meetings of the independent directors and preside over such meetings;

Coordinate with the committee chairs, as needed, regarding meeting agendas, informational requirements and other matters, as appropriate;

Serve as liaison between the Chairman and the independent directors;

Be available for communications with our stockholders, as appropriate and in accordance with our policy on stockholder communications with our Board; and

Perform such other duties as may be established or delegated by the Chairman or our Board.

Board's Role in Risk Oversight

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Our management has the primary responsibility for identifying and managing our business risks, including by overseeing and implementing our enterprise risk management program. Our Board of Directors actively oversees potential risks and our risk management activities, including by discussing with management our risks and the management of such risks at meetings of the Board and its committees. Our Board of Directors also

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makes use of the independent understanding and knowledge of many of such risks possessed by our directors. Our Board of Directors regularly reviews our corporate strategy in light of the evolving nature of such risks and makes adjustments to that strategy when appropriate.

Our Board of Directors has also delegated risk oversight to each of its standing committees within their areas of responsibility. The Audit Committee assists our Board of Directors in its risk oversight function with regard to, among other things, our internal control over financial reporting, periodic filings, investment policy, procedures relating to the receipt and treatment of complaints, and policies and procedures designed to ensure adherence to applicable laws and regulations. The Compensation Committee assists our Board of Directors in its risk oversight function with regard to, among other things, assessing risk created by current and proposed compensation policies and practices for all of our employees. The Corporate Governance and Nominating Committee assists our Board of Directors in its risk oversight function with regard to, among other things, our management succession plans and related procedures, the agendas for our Board of Directors' strategy sessions, and our compliance-related policies and practices that are not within the purview of the Audit Committee or are referred to the committee by our Board.

Our management assessed our compensation policies and practices on a company-wide basis to determine if such programs of practices create undesirable or unintentional risks of a material nature. Based on such assessment, our management concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on our company.

Annual Performance Evaluations and Assessment of Charters

Our Board of Directors, as well as each of its standing committees, conducts an annual self-evaluation, which includes a review of its performance and, in the case of each of the committees, an assessment of the adequacy and appropriateness of its charter. Our Board of Directors also reviews each of our directors. The Corporate Governance and Nominating Committee is responsible for overseeing this evaluation process, evaluating all standing committees and their charters and recommending to our Board of Directors any changes to our Board and the authority, charters, compositions and chairs of such committees.

Code of Business Conduct and Ethics

Our Board of Directors has adopted a Code of Business Conduct and Ethics that applies to our directors and employees (including our principal executive officer, principal financial officer, principal accounting officer and controller), and we have posted the text of the policy on our website (www.arenapharm.com) under Investors' Corporate Governance. To facilitate compliance with this policy, we periodically conduct a program of awareness, training and review. The Code of Business Conduct and Ethics complies with the applicable NASDAQ listing standards and SEC rules and regulations, and includes procedures for (i) the filing, receipt and treatment of complaints regarding suspected improper conduct by our employees, directors, collaborators, vendors and others associated with us and (ii) the confidential, anonymous submission by employees of concerns regarding any matter covered by the policy. In addition, we intend to promptly disclose (i) the date and nature of any amendment to the policy that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and (ii) the nature of any waiver, including an implicit waiver, from a provision of the policy that is granted to one of these specified individuals that relates to one or more of the elements of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, the name of such person who is granted the waiver and the date of the waiver on our website and, as applicable, in filings on Form 8-K in the future.

Non-employee Director Meetings

Our independent directors meet in regularly scheduled executive sessions without management. These executive sessions occur in conjunction with regularly scheduled meetings of our Board of Directors and its standing committees and otherwise as needed.

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Director Meeting Attendance

Our Board of Directors held seven meetings during the fiscal year ended December 31, 2010. Each incumbent director attended at least 75% of the aggregate of the total number of meetings of our Board of Directors and the total number of meetings held by all committees of our Board on which such director served, in each case during the periods in which he or she served. In addition to regularly scheduled meetings, the directors participate in a considerable number of telephone interactions, including telephone calls among the independent directors and Mr. Lief, and other communications with each other and our executive officers, as well as with our independent auditors and external advisors, such as legal counsel, consultants and investment bankers.

As stated in our Board of Directors Corporate Governance Guidelines, our directors are encouraged to attend our annual meetings of stockholders. Eight out of our then ten directors attended our 2010 annual meeting of stockholders.

Board Standing Committees

The standing committees of our Board of Directors are the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. All of the standing committees of our Board of Directors are comprised entirely of independent directors. The chairs of the standing committees are appointed by our Board of Directors and may change in the future. Our Board of Directors has no set policy for rotation of committee members or chairs, but it annually reviews committee composition and chair positions, seeking the appropriate blend of continuity and fresh perspectives on the committees.

Pursuant to their charters, each of the committees is authorized to access, at our expense, such internal and external resources as the particular committee deems necessary or appropriate to fulfill its defined responsibilities. Each committee has sole authority to approve fees, costs and other terms of engagement of such outside resources.

Below is a chart showing the composition of the standing committees of our Board of Directors as of March 31, 2011.

Member	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
Donald D. Belcher			
Scott H. Bice			
Harry F. Hixson, Jr., Ph.D.			
Tina S. Nova, Ph.D.			
Phillip M. Schneider			
Christine A. White, M.D.			
Randall E. Woods			

= Committee member

= Committee chair

Audit Committee

The Audit Committee's responsibilities include:

- (i) selecting and evaluating the performance of our independent auditors;

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- (ii) reviewing the scope of the audit to be conducted by our independent auditors, as well as the results of their audit, and approving audit and non-audit services to be provided by them;
- (iii) reviewing and assessing our financial reporting activities, including our periodic reports, and the accounting standards and principles followed;
- (iv) reviewing the organization and scope of our internal system of financial controls and reporting;
- (v) reviewing and assessing our guidelines and policies with respect to risk assessment and management, our tax strategy and our investment policy;
- (vi) reviewing and approving related-party transactions; and

(vii) overseeing our Code of Business Conduct and Ethics and our Policy on Filing, Receipt and Treatment of Complaints. Our Board of Directors has determined that each of the Audit Committee members meets the independence and experience requirements included in the applicable NASDAQ listing standards and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Our Board of Directors has also determined that Mr. Schneider, the Chair of the Audit Committee, is an audit committee financial expert as defined in Item 407(d) of Regulation S-K.

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. Our Board of Directors has adopted a written charter for the Audit Committee, which is available on our website at www.arenapharm.com. The Audit Committee held seven meetings in 2010. The Audit Committee's report is set forth below under Audit Committee Report.

Compensation Committee

The Compensation Committee's responsibilities include:

- (i) reviewing, modifying and approving our overall compensation strategy and policies;
- (ii) assessing risk created by current and proposed compensation policies and practices for all of our employees;
- (iii) reviewing and approving corporate and individual performance goals relevant to the compensation of our executive officers;
- (iv) evaluating and recommending to our Board of Directors compensation plans and programs for us, as well as modifying or terminating existing plans and programs;
- (v) reviewing and approving compensation and benefits for our non-employee directors and executive officers, and making recommendations to our Board of Directors regarding these matters;
- (vi) authorizing and approving equity grants under our equity compensation plans; and

- (vii) overseeing preparation and review of the committee's report and the compensation discussion and analysis included in our proxy statement.

Our Board of Directors has adopted a written charter for the Compensation Committee, which is available on our website at www.arenapharm.com. Mr. Bice is the Chair of the Compensation Committee. The Compensation Committee held seven meetings in 2010. The Compensation Committee's report is set forth below under Compensation Committee Report.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee's responsibilities include:

- (i) recommending guidelines to our Board of Directors for our corporate governance, including the structure and function of our Board and its committees and our management;

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- (ii) reviewing and approving a management succession plan and related procedures;
- (iii) making recommendations regarding the agenda for our Board of Directors strategy discussions;
- (iv) overseeing compliance related policies and practices that are not within the purview of the Audit Committee or are referred by our Board of Directors;
- (v) establishing criteria for membership on our Board of Directors;
- (vi) identifying, evaluating, reviewing and recommending to our Board of Directors qualified candidates to serve on our Board;
- (vii) making recommendations to our Board of Directors regarding the appointment of officers;
- (viii) serving as a focal point for communications between director candidates, non-committee directors and management; and
- (ix) reviewing and assessing the performance of our Board of Directors and each of its committees.

The Corporate Governance and Nominating Committee uses many sources to identify potential director candidates, including the network of contacts among our directors, officers and other employees, and may engage outside consultants and recruiters in this process. As set forth below under Stockholder Director Recommendations, the Corporate Governance and Nominating Committee will consider director candidates recommended by our stockholders.

The Corporate Governance and Nominating Committee believes that candidates for director should have certain minimum qualifications, including being able to understand basic financial statements. In considering candidates for director, the Corporate Governance and Nominating Committee will consider all relevant factors, which may include, among others, the candidate's experience and accomplishments, the relevance of such experience to our business, the availability of the candidate to devote sufficient time and attention to our company, the candidate's reputation for integrity and ethics and the candidate's ability to exercise sound business judgment. Director candidates are reviewed in the context of the then current composition of our Board of Directors, our requirements and the interests of our stockholders. In conducting this assessment, our Board of Directors considers skills, diversity, age, and such other factors as it deems appropriate given the current needs of our Board of Directors and our company, to maintain a balance of knowledge, experience and capability. Our Board of Directors believes that its membership should reflect diversity in a broad sense that includes such things as differences of viewpoint, background, professional experience, expertise, education, skills, specialized knowledge, and other individual qualities and attributes. In the case of incumbent directors whose terms of office are set to expire, when determining whether such directors should be nominated for reelection, our Board of Directors reviews such directors overall service to us during their term, including the number of meetings attended, level of participation, quality of performance, and any relationships and transactions that might impair such directors' independence. In the case of new director candidates, our Board of Directors also determines whether the nominee is independent for NASDAQ purposes. The Corporate Governance and Nominating Committee retains the right to modify these qualifications from time to time.

The Corporate Governance and Nominating Committee recommended the nominations of each of the directors nominated for election at our 2011 Annual Meeting.

Our Board of Directors has adopted a written charter for the Corporate Governance and Nominating Committee, which is available on our website at www.arenapharm.com. Dr. White is the Chair of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee held three meetings in 2010.

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Stockholder Director Recommendations

The Corporate Governance and Nominating Committee will consider director candidates recommended by our stockholders. A candidate must be highly qualified and be willing and expressly interested in serving on our Board of Directors. To be considered by the Corporate Governance and Nominating Committee, a stockholder recommendation for director candidates for an annual meeting of stockholders must be received by the committee by December 31 of the year before such annual meeting. A stockholder who wishes to recommend a candidate for the Corporate Governance and Nominating Committee's consideration should forward the candidate's name and information about the candidate's qualifications to Corporate Secretary, Arena Pharmaceuticals, Inc., 6166 Nancy Ridge Drive, San Diego, California 92121. **Submissions must include a representation that the nominating stockholder is a beneficial or record owner of our stock. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected.** This procedure does not affect the deadline for submitting other stockholder proposals for inclusion in the proxy statement, nor does it apply to questions a stockholder may wish to ask at an annual meeting. Additional information regarding submitting stockholder proposals is set forth in our Bylaws. Stockholders may request a copy of the bylaw provisions relating to stockholder proposals from our Corporate Secretary.

Stockholder Communications with our Board of Directors

Our Board of Directors has a formal process by which stockholders may communicate with our Board or any of our directors or officers. Stockholders who wish to communicate with our Board of Directors or any of our directors or officers may do so by sending written communications addressed to such person or persons in care of Corporate Secretary, Arena Pharmaceuticals, Inc., 6166 Nancy Ridge Drive, San Diego, California 92121. All such communications will be compiled by our Corporate Secretary and submitted to the addressees on a periodic basis. If our Board of Directors modifies this process, we will post the revised process on our website.

Compensation Committee Interlocks and Insider Participation

Messrs. Belcher, Bice and Woods and Drs. Hixson, Nova and White each served on the Compensation Committee for at least part of 2010, and the committee currently consists of Messrs. Belcher, Bice and Woods and Dr. Nova. No director serving on the Compensation Committee during any part of 2010 was, at any time during or before such fiscal year, one of our employees. None of our executive officers served during any part of 2010 as a member of the board of directors or compensation committee of any other entity that had one or more of its executive officers serving as members of our Board of Directors or its Compensation Committee.

Certain Relationships and Related Transactions

Except for the compensation arrangements between us and our executive officers and directors described below under Compensation Discussion and Analysis, since January 1, 2010, we have not been a party to any transactions involving more than \$120,000 and in which any director, nominee for director, executive officer, holder of more than 5% of our common stock or any immediate family member of the foregoing has a direct or indirect material interest, nor are any such transactions currently proposed.

The Audit Committee's charter requires that it reviews and approves any related-party transactions. In considering related-party transactions, the Audit Committee considers the relevant available facts and circumstances, including, but not limited to, (i) the risks, costs and benefits to us, (ii) the impact on a director's independence in the event the related party is a director, immediate family member of a director or an entity with which a director is affiliated, (iii) the terms of the transaction, (iv) the availability of other sources for comparable services or products, and (v) the terms available to or from, as the case may be, unrelated third parties or to or from employees generally. In the event a director has an interest in the proposed transaction, the director must recuse himself or herself from the deliberations and approval. In determining whether to approve, ratify or reject a related-party transaction, the Audit Committee evaluates whether, in light of known circumstances, the transaction is in, or is not inconsistent with, our best interests and those of our stockholders.

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Advisory Vote on Executive Compensation (*Proposal 2*)

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and Section 14A of the Exchange Act, our stockholders are now entitled to vote to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with SEC rules. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement.

The compensation of our named executive officers subject to the vote is disclosed in the Compensation Discussion and Analysis, the compensation tables and the related narrative disclosure contained in this proxy statement. As discussed in those disclosures, we believe that our compensation policies and decisions are focused on pay-for-performance principles, aligned with our stockholders' interests and consistent with current market practices. Compensation of our named executive officers is intended to enhance stockholder value by attracting, motivating and retaining qualified individuals to perform at the highest of professional levels and to contribute to our growth and success.

We urge stockholders to read the Compensation Discussion and Analysis, as well as the related compensation tables and narrative, that begins on page 20 of this proxy statement, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives. Our Board of Directors and the Compensation Committee believe that our compensation policies and practices are effective in implementing our compensation philosophy and in helping us achieve our strategic goals.

Accordingly, our Board of Directors is asking the stockholders to indicate their support for the compensation of our named executive officers as described in this proxy statement by casting a non-binding advisory vote **FOR** the following resolution:

RESOLVED, that the compensation paid to Arena Pharmaceuticals, Inc.'s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion is hereby APPROVED.

Because the vote is advisory, it is not binding on us or our Board of Directors. Nevertheless, the views expressed by our stockholders, whether through this vote or otherwise, are important to us and our Board of Directors and, accordingly, our Board and the Compensation Committee intend to consider the results of this vote in making determinations in the future regarding executive compensation arrangements.

Advisory approval of this proposal requires the vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT.

Advisory Vote on the Frequency of Solicitation of

Advisory Stockholder Approval of Executive Compensation (*Proposal 3*)

The Dodd-Frank Act and Section 14A of the Exchange Act also enable our stockholders to indicate their preference regarding how frequently we should solicit a non-binding advisory vote on the compensation of our named executive officers as disclosed in our proxy statements. Accordingly, we are asking stockholders to indicate whether they would prefer an advisory vote every year, every two years or every three years. Alternatively, stockholders may abstain from casting a vote. For the reasons described below, our Board of Directors recommends that the stockholders select a frequency of every year.

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After careful consideration, our Board of Directors has determined that holding an advisory vote on executive compensation every year is the most appropriate policy for us at this time, and recommends that stockholders vote for future advisory votes on executive compensation to occur every year. While our executive compensation program is designed to promote a long-term connection between pay and performance, our Board of Directors recognizes that executive compensation disclosures are made annually. Our Board of Directors considered that an annual advisory vote on executive compensation will allow our stockholders to provide us with their direct input on our compensation philosophy, policies and practices as disclosed in the proxy statement every year. However, stockholders should note that because the advisory vote on executive compensation occurs well into the compensation year, and because the different elements of our executive compensation program are designed to operate as part of an integrated program, it may not be appropriate or feasible to modify our executive compensation program in consideration of any one year's advisory vote on executive compensation by the time of the following year's annual meeting of stockholders.

We understand that our stockholders may have different views as to what is the best approach for us, and we look forward to hearing from our stockholders on this proposal.

Accordingly, our Board of Directors is asking stockholders to indicate their preferred voting frequency by voting for every year, every two years or every three years.

While our Board of Directors believes that its recommendation is appropriate at this time, the stockholders are not voting to approve or disapprove that recommendation, but are instead asked to indicate their preferences, on an advisory basis, as to whether the non-binding advisory vote on the approval of our executive officer compensation practices should be held every year, every two years or every three years. The option among those choices that receives the highest number of votes from the holders of shares present in person or represented by proxy and entitled to vote at the annual meeting will be deemed to be the frequency preferred by the stockholders.

Our Board of Directors and the Compensation Committee value the opinions of our stockholders in this matter, and, to the extent there is any significant vote in favor of one frequency over the other options, our Board will consider the stockholders' concerns and evaluate any appropriate next steps. However, because this vote is advisory and, therefore, not binding on us or our Board of Directors, our Board may decide that it is in the best interests of our stockholders that we hold an advisory vote on executive compensation more or less frequently than the option preferred by our stockholders. The vote will not be construed to create or imply any change or addition to our fiduciary duties or those of our Board.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR EVERY YEAR AS THE FREQUENCY WITH WHICH STOCKHOLDERS ARE PROVIDED AN ADVISORY VOTE ON EXECUTIVE COMPENSATION.

Compensation and Other Information

Concerning Executive Officers, Directors and Certain Stockholders

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information known to us with respect to the beneficial ownership of our common stock as of March 31, 2011, by:

Each person, group or entity who is the beneficial owner of 5% or more of our common stock;

Each director and nominee for director;

Our Named Executive Officers; and

All directors and executive officers as a group.

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Unless otherwise indicated in the footnotes below, the address for the beneficial owners listed in this table is in care of Corporate Secretary, Arena Pharmaceuticals, Inc., 6166 Nancy Ridge Drive, San Diego, California 92121. This table is based on information supplied by executive officers, directors and principal stockholders and Schedules 13D, 13G and other filings made with the SEC on or before March 31, 2011. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that the stockholders named in this table have sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 133,744,281 shares of common stock outstanding on March 31, 2011, as adjusted as required by the rules promulgated by the SEC. This table includes shares issuable pursuant to warrants, Series C Convertible Preferred Stock, or Series C Stock, stock options and other rights to purchase shares of our common stock exercisable within 60 days of March 31, 2011.

Name and Address of Beneficial Owner	Shares	
	Beneficially Owned	Percentage of Total
Wellington Management Company, LLP (1)	14,443,111	10.80%
Deerfield Capital, L.P. and affiliates (2)	13,581,275	9.98%
BlackRock Inc. (3)	7,548,296	5.64%
Jack Lief (4)	1,441,670	1.07%
Dominic P. Behan, Ph.D. (5)	784,448	*
Steven W. Spector, J.D. (6)	399,233	*
Harry F. Hixson, Jr., Ph.D. (7)	268,206	*
William R. Shanahan, Jr., M.D., J.D. (8)	245,000	*
Robert E. Hoffman (9)	243,981	*
Donald D. Belcher (10)	228,196	*
Christine A. White, M.D. (11)	148,164	*
Scott H. Bice (12)	113,190	*
Phillip M. Schneider (13)	103,720	*
Tina S. Nova, Ph.D. (14)	95,000	*
Randall E. Woods (15)	94,720	*
All directors and executive officers as a group (13 persons) (16)	4,283,404	3.13%

* Less than one percent

- (1) The principal business office of Wellington Management Company, LLP is 75 State Street, Boston, Massachusetts 02109.
- (2) As of March 31, 2011, subject to the limitation set forth in the below paragraph, Deerfield Capital, L.P. and affiliates own, or have rights to purchase within 60 days of March 31, 2011, shares of our common stock, as follows: (a) for Deerfield Private Design Fund, L.P., 2,297,166 shares of common stock underlying warrants that are exercisable within 60 days of March 31, 2011, 2,047,518 shares of common stock underlying shares of Series C Stock that are convertible within 60 days of March 31, 2011, and 1,894,272 shares of outstanding common stock; (b) for Deerfield Private Design International, L.P., 3,700,655 shares of common stock underlying warrants that are exercisable within 60 days of March 31, 2011, 3,298,482 shares of common stock underlying shares of Series C Stock that are convertible within 60 days of March 31, 2011, and 3,051,605 shares of outstanding common stock; (c) for Deerfield Partners, L.P., 2,699,019 shares of common stock underlying warrants that are exercisable within 60 days of March 31, 2011, 2,405,700 shares of common stock underlying shares of Series C Stock that are convertible within 60 days of March 31, 2011, and 2,223,096 shares of outstanding common stock; (d) for Deerfield International Limited, 4,116,686 shares of common stock underlying warrants that are exercisable within 60 days of March 31, 2011, 3,669,300 shares of common stock underlying shares of Series C Stock that are convertible within 60 days of March 31, 2011, and 3,397,219 shares of outstanding common stock; (e) for Deerfield Special Situations Fund, L.P., 287,895 shares of common stock underlying warrants that are exercisable within 60 days of March 31, 2011, 256,608 shares of common stock underlying shares of Series C Stock that are convertible within 60 days of March 31, 2011, and 237,883 shares of outstanding common stock; and (f) for Deerfield Special Situations Fund International Limited, 529,989 shares of common stock

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underlying warrants that are exercisable within 60 days of March 31, 2011, 472,392 shares of common stock underlying shares of Series C Stock that are convertible within 60 days of March 31, 2011, and 436,555 shares of outstanding common stock. James E. Flynn has the power to vote or dispose of the shares held by these entities, and, therefore, may be deemed to beneficially own these shares. Mr. Flynn and these entities disclaim beneficial ownership of our common stock that exceeds 9.98% of our outstanding common stock. Under the terms of the warrants held by these entities, as well as the provisions of our Series C Stock, the number of shares of our common stock that may be acquired upon any exercise of the warrants or conversion of our Series C Stock is limited so that, following such exercise or conversion, the total number of shares of our common stock then beneficially owned by the applicable stockholder, together with its affiliates and any other persons or entities whose beneficial ownership of our common stock would be aggregated with such stockholder for purposes of Section 13(d) of the Exchange Act and the applicable regulations of the SEC, cannot exceed 9.98% of the total number of shares of our common stock then issued and outstanding. The number of shares included in the table as being beneficially owned by all such persons, and the related percentage ownership, reflects the foregoing limitation. The principal business office of Deerfield Capital, L.P., Deerfield Partners, L.P., Deerfield Special Situations Fund, L.P., Deerfield Management Company, L.P., Deerfield Private Design Fund, L.P. and James E. Flynn is 780 Third Avenue, 37th Floor, New York, New York 10017. The principal business office of Deerfield International Limited, Deerfield Private Design International, L.P. and Deerfield Special Situations Fund International Limited is c/o Citi Hedge Fund Services (B.V.I.), Bison Court, P.O. Box 3460, Road Town, Tortola, British Virgin Islands.

- (3) The principal business office of BlackRock Inc. is 40 East 52nd Street, New York, NY 10022.
- (4) Includes 945,538 shares issuable to Mr. Lief upon the exercise of stock options that are exercisable within 60 days of March 31, 2011.
- (5) Includes 361,448 shares issuable to Dr. Behan upon the exercise of stock options that are exercisable within 60 days of March 31, 2011.
- (6) Includes 340,000 shares issuable to Mr. Spector upon the exercise of stock options that are exercisable within 60 days of March 31, 2011.
- (7) Includes 178,206 shares issuable to Dr. Hixson upon the exercise of stock options that are exercisable within 60 days of March 31, 2011.
- (8) Includes 245,000 shares issuable to Dr. Shanahan upon the exercise of stock options that are exercisable within 60 days of March 31, 2011.
- (9) Includes 185,000 shares issuable to Mr. Hoffman upon the exercise of stock options that are exercisable within 60 days of March 31, 2011.
- (10) Includes 178,196 shares issuable to Mr. Belcher upon the exercise of stock options that are exercisable within 60 days of March 31, 2011.
- (11) Includes 128,164 shares issuable to Dr. White upon the exercise of stock options that are exercisable within 60 days of March 31, 2011.
- (12) Includes 108,290 shares issuable to Mr. Bice upon the exercise of stock options that are exercisable within 60 days of March 31, 2011.
- (13) Includes 93,720 shares issuable to Mr. Schneider upon the exercise of stock options that are exercisable within 60 days of March 31, 2011.
- (14) Includes 95,000 shares issuable to Dr. Nova upon the exercise of stock options that are exercisable within 60 days of March 31, 2011.

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- (15) Includes 93,720 shares issuable to Mr. Woods upon the exercise of stock options that are exercisable within 60 days of March 31, 2011.

- (16) Includes 3,066,032 shares issuable upon the exercise of stock options held by our current directors and executive officers and Mr. Hoffman that are exercisable within 60 days of March 31, 2011.

Table of Contents**Executive Officers**

Our executive officers are appointed by our Board of Directors and serve at the discretion of our Board. The following table sets forth information as of March 31, 2011 regarding our executive officers.

Name	Age	Position
Jack Lief	65	Chairman, President and Chief Executive Officer
K.A. Ajit-Simh	58	Senior Vice President, Quality & Regulatory Compliance
Dominic P. Behan, Ph.D.	47	Senior Vice President and Chief Scientific Officer
William R. Shanahan, Jr., M.D., J.D.	62	Senior Vice President and Chief Medical Officer
Steven W. Spector, J.D.	46	Senior Vice President, General Counsel and Secretary

See Election of Directors (*Proposal 1*) for biographical information regarding Mr. Lief and Dr. Behan, who are also directors nominated for reelection at our 2011 Annual Meeting.

K.A. Ajit-Simh has served as our Senior Vice President, Quality & Regulatory Compliance since December 2010. Mr. Ajit-Simh served as our Vice President, Quality & Regulatory Compliance from July 2010 to December 2010, and as our Vice President, Quality Systems from January 2004 to July 2010. Mr. Ajit-Simh provided quality and regulatory compliance services to several companies in the United States and internationally from 1999 to 2003. Mr. Ajit-Simh held various positions of increasing responsibility at Cytel Corporation, a biotechnology company, from 1992 to 1999; Abbott BioTech, a health products company and subsidiary of Abbott Laboratories, from 1989 to 1991; Baxter Healthcare, a health products company, from 1986 to 1989; and Mallinckrodt Inc., a pharmaceutical/chemical company, from 1975 to 1985. In addition, Mr. Ajit-Simh has been an instructor at the University of California, San Diego since 1994, teaching classes in regulatory compliance and quality control/assurance. Mr. Ajit-Simh also teaches courses in Good Manufacturing Practices and Advanced Quality Control and Assurance at San Diego State University as part of the graduate program in Regulatory Affairs. Mr. Ajit-Simh received a B.Sc. degree in Biology and Chemistry from Bangalore University and an M.S. in Cell Biology from St. Louis University.

William R. Shanahan, Jr., M.D., J.D., has served as our Senior Vice President and Chief Medical Officer since June 2010. Dr. Shanahan served as our Vice President and Chief Medical Officer from March 2004 to June 2010. Dr. Shanahan served as Chief Medical Officer for Tanox, Inc., a biopharmaceutical company, from 2000 to March 2004; in various positions at Isis Pharmaceuticals, Inc., a biopharmaceutical company, from 1994 to 2000, most recently as Vice President, Drug Development; as Director, Clinical Research for Pfizer Central Research, a pharmaceutical company, from 1989 to 1994; and in various positions at Searle Research & Development, a pharmaceutical company subsequently acquired by Pfizer, from 1986 to 1989, most recently as Director, Clinical Research. Dr. Shanahan holds an A.B. from Dartmouth College, an M.D. from the University of California, San Francisco and a J.D. from Loyola University, Chicago.

Steven W. Spector, J.D., has served as our Senior Vice President and General Counsel since June 2004. Mr. Spector served as our Vice President and General Counsel from October 2001 to June 2004. Mr. Spector has also served as our Secretary since November 2001. Prior to joining Arena, Mr. Spector was a partner with the law firm of Morgan, Lewis & Bockius LLP, where he worked from 1991 to October 2001. Mr. Spector was our outside corporate counsel from 1998 to October 2001. Mr. Spector holds a B.A. and a J.D. from the University of Pennsylvania.

Compensation Discussion and Analysis

This section provides an overview and analysis of our executive officer compensation program and policies, material compensation decisions we have made under such program and policies, and material factors that we considered in making those decisions. Later in this proxy statement, you will find a series of tables containing specific information about the compensation earned or paid in 2010 to the following individuals, whom we refer

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to as our Named Executive Officers: Messrs. Lief and Spector, Drs. Behan and Shanahan and our former Vice President, Finance and Chief Financial Officer, Mr. Hoffman. Mr. Hoffman resigned as one of our employees on March 15, 2011. The below discussion is intended to help you understand the detailed information provided in those tables and to put that information into context with our overall executive officer compensation program.

Executive Summary

Our compensation program is intended to align our executive officers' interests with those of our stockholders by incentivizing and rewarding performance. In line with this pay-for-performance philosophy, the total compensation received by our Named Executive Officers will vary based on individual and corporate performance, including as measured against annual goals that are pre-established by the Compensation Committee. Our Named Executive Officers' total compensation is comprised of base salary, performance-based cash incentives and stock-based compensation.

In early 2010, the Compensation Committee determined to place more emphasis on cash incentives and stock-based compensation in order to more closely link executive compensation to corporate and individual performance, including as measured against pre-established goals, than to base salary. Consistent with this approach and as described below, in early 2010, the Compensation Committee did not increase the base salaries of our Named Executive Officers and granted our Named Executive Officers, with the exception of Mr. Lief, a higher number of options in 2010 than they received in 2009. In the case of Mr. Lief, the Compensation Committee determined to grant him a lower number of options than in the 2009 based, in part, on our stock performance.

In 2010, we achieved some significant goals, including the acceptance by the US Food and Drug Administration, or FDA, of our New Drug Application, or NDA, for lorcaserin, our entry into a collaborative agreement for the potential commercialization of lorcaserin in the United States, and our announcement of positive results of our lorcaserin BLOOM-DM (Behavioral modification and Lorcaserin for Overweight and Obesity Management in Diabetes Mellitus) trial. However, we did not achieve our goal of obtaining FDA approval of our lorcaserin NDA in 2010. In determining cash incentive awards for 2010, the Compensation Committee sought to balance, among other things, their desire to reward the achievement of the majority of our pre-established 2010 goals and to retain and motivate our Named Executive Officers, on the one hand, and our failure to obtain FDA approval of lorcaserin in 2010, our stock performance and our financial condition, on the other hand. Accordingly, in early 2011, the Compensation Committee determined to pay our Named Executive Officers cash incentive awards for achieving pre-established goals, but in amounts that were less than such individuals would have received if the grants were based solely on goal achievement percentages. In addition, in the case of Mr. Lief, the Compensation Committee determined to further reduce his cash incentive award due to his role and responsibilities as our President and Chief Executive Officer. As a result of his reduced incentive award, together with the grant of the above-described options to him, Mr. Lief's total compensation in 2010 was lower than it was in 2009.

The Compensation Committee believes that its decisions for 2010 compensation are consistent with its pay-for-performance philosophy.

Executive Officer Compensation Philosophy, Objectives and Development

We believe that the performance of our executive officers has the potential to significantly impact our ability to achieve our corporate goals. We, therefore, place considerable importance on the design and administration of our executive officer compensation program. This program is intended to enhance stockholder value by attracting, motivating and retaining qualified individuals to perform at the highest of professional levels and to contribute to our growth and success. Accordingly, our executive officer compensation program is designed to provide executive officers with compensation opportunities that are tied to individual and our overall corporate performance. Each executive officer's compensation package is comprised of three key elements: (i) base salary, (ii) performance-based cash incentives and (iii) stock-based compensation. Our executive officers

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are also entitled to health and welfare benefits, and, as described below, certain of them may be entitled to receive additional benefits upon termination of their employment. These additional elements of executive compensation, together with the three key elements, are intended to align the interests of our executive officers with those of our stockholders.

Our compensation packages are also designed to be competitive in our industry. The Compensation Committee may consult with compensation consultants, legal counsel and other advisors in designing our compensation program, including in evaluating the competitiveness of individual compensation packages and in relation to our corporate goals. In such evaluation, the Compensation Committee periodically reviews and analyzes executive officer compensation provided by other companies in our industry.

Our overall compensation philosophy in recent years has been to pay our executive officers annual base salary that was at approximately the median level relative to a selected peer group of companies and to provide opportunities, through cash and equity incentives, to provide above the median total compensation relative to our peer group if we satisfied certain key performance goals. In 2010, the Compensation Committee decided to not increase base salaries for executive officers and to rely more on cash incentive compensation and stock-based incentives to encourage superior performance. The main principles of our compensation strategy include the following:

Compensation decisions are driven by a pay-for-performance philosophy;

Compensation should reflect individual and corporate performance; and

Higher than median compensation can be earned through an executive officer's and the company's extraordinary performance. As part of the process for setting executive compensation, our Chief Executive Officer provides the Compensation Committee with his performance assessments of the company and our executive officers. He also recommends to the Compensation Committee base salaries, cash incentive opportunities, cash incentive awards and stock-based compensation for executive officers other than himself. The Compensation Committee can accept, reject or modify such recommendations in its discretion. The Compensation Committee also considers the recommendations and views of its independent consultant, peer company data, Southern California and national industry compensation surveys, and factors such as the past, current and expected contributions of each executive officer, our corporate performance, global economic conditions, the mix of compensation that would be most appropriate for each executive officer and the executive officer's particular responsibilities, experience, level of accountability and decision authority.

While the Compensation Committee meets regularly in executive session, various members of management, including our Chief Executive Officer, and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, provide financial or other background information or advice or otherwise participate in Compensation Committee meetings. Our General Counsel attends meetings of the Compensation Committee as the Secretary. Our Chief Executive Officer is not present during any deliberations or determinations of the Compensation Committee regarding his compensation.

In developing our 2010 executive compensation program, the Compensation Committee considered our success in meeting key pre-established goals, the importance of keeping our executive officers focused on current and future goals that the committee believes will increase stockholder value and our stock performance and financial condition.

The Compensation Committee has retained Frederic W. Cook & Co., Inc., as its independent compensation consultant from time to time since 2003 to advise it regarding compensation matters, including our compensation programs for directors and executive officers. The Compensation Committee retained such consultant near the end of 2009 to assist in reviewing the public company executive pay landscape more generally and specific elements of our executive officer compensation in relation to emerging legislative, regulatory and governance

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trends. The Compensation Committee again retained this consultant near the end of 2010 to assist in reviewing (i) the competitiveness and structure of the compensation program for our executive officers and (ii) recent legislative and regulatory changes and governance trends affecting executive compensation.

The compensation consultant's findings and recommendations regarding compensation have been based in part on market data from a peer group of biotechnology and biopharmaceutical companies, which changes from time to time based on corporate developments, including clinical and commercial progress, affecting us and other companies in our industry. The Compensation Committee selects the peer group in consultation with its compensation consultant and other members of the Board of Directors, including our Chief Executive Officer, and taking into account our and the selected companies' development stages and market capitalizations.

Around the end of 2008, the Compensation Committee updated our peer group for compensation purposes. This 2008 peer group consisted of the following companies: Cell Genesys, Inc., Dendreon Corporation, Dyax Corp., Enzo Biochem, Inc., Enzon Pharmaceuticals, Inc., Exelixis, Inc., Geron Corporation, Human Genome Sciences, Inc., Infinity Pharmaceuticals, Inc., InterMune, Inc., Isis Pharmaceuticals, Inc., Lexicon Pharmaceuticals, Inc., Medarex, Inc., The Medicines Company, Noven Pharmaceuticals, Inc., Progenics Pharmaceuticals, Inc., Theravance, Inc., and XOMA Ltd. The Compensation Committee referred to the 2008 peer group, as well as other data provided by its compensation consultant, in determining the 2010 cash compensation and 2010 option awards for our executive officers.

Elements of Our Compensation Program

1. Base Salary

Our general philosophy and practice has been to target annual base salaries to be at approximately the market median of our peer group for executive officers having similar responsibilities, but the salary for any particular executive officer may be higher or lower than the market median depending on such factors as the individual's overall mix of base salary, performance-based cash incentives and stock-based compensation, the individual's historical base salary, the individual's experience and background, the individual's past performance and expected future contribution, the movement of base salaries in the marketplace, and our corporate performance during the prior year. The purpose of base salary is to provide fixed compensation to attract and retain an employee with the qualifications desired for the particular position.

In determining our Named Executive Officers' base salaries in 2010, the committee considered its compensation consultant's views and our overall corporate performance, stock performance, financial condition, and Chief Executive Officers' recommendation to not increase the base salaries of our executive officers. As set forth in the below Summary Compensation Table, the Compensation Committee determined to not increase the base salaries of any of our executive officers, including our Named Executive Officers, for 2010. The Compensation Committee's rationale for not raising base salaries was to place more emphasis on cash incentives and stock-based compensation in order to more closely link executive compensation to corporate and individual performance, including as measured against pre-established goals.

2. Performance-based cash incentives

In early 2010, the Compensation Committee approved the 2010 Annual Incentive Plan for our executive officers, and all of our executive officers participated in this cash incentive plan. Under this plan, each participant was assigned an incentive target that was expressed as a percentage of annual base salary, and the participant's actual incentive award was based on the level of achievement of pre-established corporate and individual goals, the quality of such achievement and the relative weighting of the goals. All participants had the same corporate goals, which we believed would align the interests of our executive officers with one another and with our stockholders. Corporate and individual goals were intended to reflect a mix of short- and long-term performance objectives. The corporate and individual goals were approved by the Compensation Committee after taking into account the views and recommendations of other members of our Board of Directors, including our Chief Executive Officer.

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The following table lists our Named Executive Officers, their incentive targets under the 2010 Annual Incentive Plan expressed as a percentage of their annual base salaries, and the relative weighting assigned to corporate and individual goals:

Named Executive Officer	Incentive Target	Relative Weighting Corporate Goals
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