Time Inc.
Form 3
May 23, 2014

FORM 3

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

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â Rolfe Ronald S

(Last) (First) (Middle)

C/O TIME INC.,Â 1271 AVENUE OF THE AMERICAS

(Street)

NEW YORK,Â NYÂ 10011

(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
05/19/2014

3. Issuer Name **and** Ticker or Trading Symbol
Time Inc. [TIME]

4. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect (I)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of Shares			

(Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Rolfe Ronald S C/O TIME INC. 1271 AVENUE OF THE AMERICAS NEW YORK,Â NYÂ 10011	Â X	Â	Â	Â

Signatures

/s/ Kevin Tang, Attorney-in-Fact for Ronald S. Rolfe	05/23/2014
**Signature of Reporting Person	Date

Explanation of Responses:

No securities are beneficially owned

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

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Remarks:

ExhibitÂ 24Â -Â PowerÂ ofÂ Attorney

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

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Total assets of disposal group held for sale

$

17,140

$

37,606

Liabilities

Current liabilities:

Accounts payable and other accrued liabilities

$

2,145

$

6,440

Explanation of Responses:

Payable to Eisai

—

9,074

Deferred revenues

25,450

30,878

Total liabilities of disposal group held for sale (all current)

$

27,595

$

46,392

(1) The assets and liabilities of the Manufacturing Operations classified as held for sale are classified as current in the consolidated balance sheet at December 31, 2017, because it is probable that the sale will occur and proceeds will be collected within one year.

6. Derivative Liabilities

In August 2008, we issued seven-year warrants, which we refer to as the Series B Warrants, to purchase 110,634 shares of our common stock at an exercise price of $77.10 per share. As a result of the warrants' anti-dilution provision and certain of our subsequent equity issuances, the number of shares issuable upon exercise of the warrants increased and the exercise price decreased.

In August 2015, the August 2008 Series B Warrant, which was recorded as a current derivative liability of $0.5 million in our consolidated balance sheet at December 31, 2014, expired pursuant to its terms. Therefore, we recorded a gain in our consolidated statement of operations and comprehensive loss for the year ended December 31, 2015.

The warrants were revalued on each balance sheet date, with changes in the fair value between reporting periods recorded in the interest and other income (expense) section of our consolidated statements of operations and comprehensive loss.

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7. Commitments

We have four properties in California under sale and leaseback agreements. The terms of these leases stipulate annual increases in monthly rental payments of 2.5%. We accounted for our sale and leaseback transactions using the financing method. Under the financing method, the book value of the properties and related accumulated depreciation remain on our balance sheet and no sale is recognized. The sales price of the properties is recorded as a financing obligation, and a portion of each lease payment is recorded as interest expense. We recorded interest expense of $6.1 million, $6.4 million, and $6.7 million for the years ended December 31, 2017, 2016, and 2015, respectively, related to these leases. We expect interest expense related to our facilities to total $31.6 million from December 31, 2017, through the remaining terms of the leases in fiscal year 2027. At December 31, 2017, the total financing obligation for these facilities was $61.7 million. The aggregate residual value of the facilities at the end of the lease terms is $10.0 million.

We lease an additional property in California under an operating lease, which expires in May 2027, and contains a purchase option and stipulates annual increases in monthly rental payments of 2.5%. We also lease office space in Zug, Switzerland under an operating lease which expires in September 2020. Additionally, we also lease space in various facilities in Zofingen, Switzerland pertaining to the Manufacturing Operations.

In accordance with the lease terms for certain of our properties, we are required to maintain deposits for the benefit of the landlord throughout the term of the leases. A total of $0.7 million and $0.7 million were recorded in other non-current assets in our consolidated balance sheets at December 31, 2017, and 2016, respectively, related to such leases.

We recognize rent expense on a straight-line basis over the term of each lease. Rent expense of $1.5 million, $1.2 million and $1.1 million was recognized for the years ended December 31, 2017, 2016, and 2015, respectively.

At December 31, 2017, the future minimum lease payments under our existing financing and operating lease obligations are as follows, in thousands:

Year ending December 31,	Financing Obligations	Operating Leases
2018	$ 8,930	$ 1,299
2019	8,053	1,396
2020	8,254	1,280
2021	8,461	976
2022	8,672	1,000
Thereafter	40,939	4,724
Total minimum lease payments	83,309	$ 10,675
Less amounts representing interest	(31,551)	
Add amounts representing residual value	9,990	
Lease financing obligations	61,748	
Less current portion	(4,000)	

	$ 57,748

In May 2016, we entered into an agreement to sublease one of our other California properties to a third party. This sublease commenced in August 2016 and expires in May 2027. The terms of the sublease stipulate annual increases in monthly rental payments of 3.19%.

In September 2016, we entered into an agreement to sublease one of our California properties to Beacon, which commenced in September 2016 and expires in August 2021. The monthly rental payments are fixed for the terms of this sublease.

In April 2017, we entered into an agreement to sublease another of our California properties, which commenced in July 2017 and expires in May 2027. The terms of the sublease stipulate annual increases in monthly rental payments of 3.00%.

We recognize rent income on a straight-line basis over the term of the subleases. Expected minimum rental payments to be received under the sublease are as follows:

Year ending December 31,	
2018	$1,205
2019	1,526
2020	1,567
2021	1,551
2022	1,476
Thereafter	7,076
Total	$14,401

8. Stockholders' Equity

In January 2017, we entered into an Equity Distribution Agreement, or ATM, with Citigroup Global Markets, Inc., or the Sales Agent, under which we may offer and sell common stock having an aggregate offering price of up to $50.0 million from time to time though our Sales Agent. Sales of the shares under the ATM were made in transactions that are deemed to be "at the market" equity offerings as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made by means of ordinary brokers' transactions, including on the Nasdaq Stock Market. During the period from February through April 2017, we sold 489,023 shares of our common stock at an average market price of $15.05 per share under the ATM for aggregate net proceeds of approximately $7.0 million after deducting commissions and expenses.

In April 2017, we completed the sale of an aggregate of 6,900,000 shares of our common stock under an underwritten public offering. Net proceeds from the offering were approximately $74.4 million after deducting underwriting discounts and commissions, and offering expenses payable by us.

In July 2017, we completed the sale of an additional 7,187,500 shares of our common stock under an underwritten public offering. Net proceeds from the offering were $162.0 million after deducting underwriting discounts and commissions, and offering expenses payable by us.

Equity Compensation Plans.

On June 13, 2017, our stockholders approved our 2017 Long-Term Incentive Plan, or 2017 LTIP. Upon such approval, our 2013 Long-Term Incentive Plan, or 2013 LTIP, was terminated. However, notwithstanding such termination or the previous termination of our 2012 Long-Term Incentive Plan, 2009 Long-Term Incentive Plan, and 2006 Long-Term Incentive Plan, as amended, or, together with the 2013 LTIP, the Prior Plans, all outstanding awards under the Prior Plans will continue to be governed under the terms of the Prior Plans. The number of shares of common stock authorized for issuance under the 2017 LTIP may be increased by the number of shares subject to any stock awards under the Prior Plans that are forfeited, expire or otherwise terminate without the issuance of such shares and would otherwise be returned to the share reserve under the Prior Plans but for their termination and as otherwise provided in the 2017 LTIP.

The 2017 LTIP provides for the grant of a total of 3.1 million shares of our common stock (subject to adjustment for certain corporate events), as (i) decreased for grants made under the 2013 LTIP between March 30, 2017, and the approval of the 2017 LTIP and (ii) increased by the number of shares subject to any stock awards under the Prior Plans that, between March 30, 2017, and the approval of the 2017 LTIP, were forfeited, expired or settled for cash and as otherwise provided in the 2017 LTIP.

Shares under the 2017 LTIP may be granted as incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards and performance awards. Subject to certain limited exceptions, stock options and stock appreciation rights granted under the 2017 LTIP reduce the available number of shares by one share for every share issued while awards other than stock options and stock appreciation rights granted under the 2017 LTIP reduce the available number of shares by 1.6 shares for every share issued. In addition, shares that are released from awards granted under the Prior Plans or the 2017 LTIP because the awards expire, are forfeited or are settled for cash will increase the number of shares available under the 2017 LTIP by one share for each share released from a stock option or stock appreciation right and by 1.6 shares for each share released from a restricted stock award or restricted stock unit.

Stock options granted under the 2017 LTIP generally vest over four years with 25% of the shares subject to each option vesting on the first anniversary of the grant date and the remainder of the shares vesting monthly over the following three years in equal installments and are exercisable for up to seven years from the date of grant. The recipient of a restricted stock award has all rights of a stockholder at the date of grant, subject to certain restrictions on transferability and a risk of forfeiture. Restricted stock unit awards generally vest over one or four years from the date of grant. The minimum performance period under a performance award is 12 months. Neither the exercise price of an option nor the grant price of a stock appreciation right may be less than 100% of the fair

market value of the common stock on the date such equity award is granted, except in specified situations. The 2017 LTIP prohibits option and stock appreciation right repricings (other than to reflect stock splits, spin-offs or certain other corporate events) without stockholder approval.

The following table summarizes our stock option activity under the Prior Plans and the 2017 LTIP, or collectively, our Equity Compensation Plans, for the year ended December 31, 2017, in thousands (except per share data):

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2016	2,520	$ 30.30		
Granted	2,241	$ 16.53		
Exercised	(323)	$ 16.71		
Forfeited/cancelled/expired	(683)	$ 47.24		
Outstanding at December 31, 2017	3,755	$ 20.00	5.46	$ 60,003
Vested and expected to vest at December 31, 2017	3,755	$ 20.00	5.46	$ 60,003
Vested and exercisable at December 31, 2017	1,094	$ 27.35	4.01	$ 14,385

The aggregate intrinsic value in the above table is calculated as the difference between the closing price of our common stock at December 31, 2017, of $33.97 per share and the exercise price of stock options that had strike prices below the closing price. The intrinsic value of all stock options exercised during the years ended December 31, 2017, 2016, and 2015, was $2.8 million, $0.1 million, and $2.2 million, respectively. During the year ended December 31, 2017, cash of $5.4 million was received from stock option exercises. There is no tax impact related to share-based compensation or stock option exercises because we are in a net operating loss position with a full valuation allowance on our deferred tax assets. Subsequent to December 31, 2017, we granted an additional 2,088,625 stock options to our employees and directors under the 2017 LTIP.

In March 2015, March 2014 and March 2013, we granted our executive officers PRSU awards. The PRSUs may be earned and converted into outstanding shares of our common stock based on the TSR of our common stock relative to the TSR over a three-year performance period beginning March 1 of the year granted of the Nasdaq Biotechnology Index. In the aggregate, the target number of shares of common stock that could be earned under the PRSUs granted in March 2015, March 2014 and March 2013 were originally 74,500, 69,500 and 78,000, respectively; however, the actual number of shares that could be earned ranges from 0% to 200% of such amounts. In addition, there is a cap on the number of shares that could be earned under the PRSUs equal to six times the grant-date fair value of each award, and funding is capped at 100% if the absolute 3-year TSR is negative even if performance is above the median. As these awards contain a market condition, we used a Monte Carlo simulation model to estimate the grant-date fair value, which totaled $3.4 million, $5.0 million and $5.9 million for the March 2015, 2014 and March 2013 grants, respectively. The grant-date fair value is recognized as compensation expense over the performance period as service is provided; no compensation expense is recognized for service not provided in case of separation from the Company. There is no adjustment of compensation expense recognized for service performed regardless of the number of PRSUs, if any, that ultimately vest.

In February 2016, the remaining PRSUs granted in March 2013 were forfeited without any earnout based on the TSR of our common stock relative to the TSR of the Nasdaq Biotechnology Index over the three-year performance period that began on March 1, 2013. In February 2017, the remaining PRSUs granted in March 2014 were forfeited without any earnout based on the TSR of our common stock relative to the TSR Nasdaq Biotechnology Index over the three-year performance period that began on March 1, 2014. In March 2018, 32,322 shares were issued to the holders of the remaining PRSUs granted in March 2015 based on the TSR of our common stock relative to the TSR Nasdaq Biotechnology Index over the three-year performance period that began on March 1, 2015.

Employee Stock Purchase Plan.

In June 2015, our stockholders approved our 2009 Employee Stock Purchase Plan, as amended, or 2009 ESPP. Under the 2009 ESPP substantially all employees could choose to have up to 15% of their annual compensation withheld to purchase up to 625 shares of our common stock per purchase period, subject to certain limitations. The shares of our common stock could be purchased over an offering period with a maximum duration of 24 months and at a price of not less than 85% of the lesser of the fair market value of the common stock on (i) the first trading day of the applicable offering period or (ii) the last trading day of the applicable three-month purchase period. Under applicable accounting guidance, the 2009 ESPP was considered a compensatory plan. The 2009 ESPP was terminated in June 2017.

During the years ended December 31, 2017, 2016, and 2015, a total of 2,236, 14,140, and 32,795 shares, respectively, were purchased by our employees under the 2009 ESPP.

Share-based Compensation.

We estimate the grant-date fair value of all of our share-based awards in determining our share-based compensation expense. Our share-based awards include stock options, options to purchase stock granted under our employee stock purchase plan, RSUs, and PRSU awards.

The table below sets forth the weighted-average assumptions and estimated fair value of stock options we granted under our Equity Compensation Plans during the years presented:

	Years ended December 31,		
	2017	2016	2015
Risk-free interest rate	1.9 %	1.4 %	1.8 %
Dividend yield	0 %	0 %	0 %
Expected volatility	69 %	79 %	80 %
Expected life (years)	4.58	4.81	6.08
Weighted-average estimated fair value per share of stock options granted	$9.17	$10.17	$25.48

We recognized share-based compensation expense as follows for the years presented, in thousands, except per share data:

	Years ended December 31,		
	2017	2016	2015
Research and development	$1,945	$5,596	$7,512
General and administrative	5,925	4,447	6,458
Restructuring charges	—	1,032	142
Discontinued operations	120	42	351
Total share-based compensation expense	$7,990	$11,117	$14,463
Impact on net loss per share, basic and diluted	$0.24	$0.46	$0.60

The table below sets forth our total unrecognized estimated compensation expense at December 31, 2017, by type of award and the weighted-average remaining requisite service period over which such expense is expected to be recognized:

	Unrecognized Expense (in thousands)	Remaining Weighted-Average Recognition Period (in years)

Unvested stock options	$	20,311	2.89
PRSUs		55	0.16
RSUs		22	0.96

Common Stock Reserved for Future Issuance.

A total of 6,813,713 shares of our common stock are reserved for future issuance at December 31, 2017, pursuant to our Equity Compensation Plans.

9. Collaborations

Everest.

In December 2017, we and Everest entered into an exclusive agreement to conduct joint development for the ralinepag and etrasimod programs. Under this agreement, we granted Everest an exclusive, royalty-bearing license to develop and commercialize ralinepag (in any formulation) and etrasimod (in oral formulations), in mainland China, Taiwan, Hong Kong, Macau and South Korea, or collectively, the Territories. Everest is generally responsible for development and commercialization of the licensed products in the Territories, and may participate in the portion of our global clinical trials that is conducted in the Territories.

We received from Everest an upfront payment of $12.0 million in December 2017. Revenues from this upfront payment were recognized in December 2017 as we determined (i) that the license is a deliverable with standalone value to Everest and (ii) the upfront payment represents consideration to be allocated to the delivered license.

We are also eligible to receive up to an aggregate of $212.0 million in success milestones in case of full commercial success of multiple drug products. Of these payments, six development milestones totaling $49.5 million are substantive, nine regulatory milestones totaling $22.5 million are substantive and six commercial milestones totaling $140.0 million are non-substantive. We are further eligible to receive tiered royalties on net sales of ralinepag and etrasimod products in the Territories.

Eisai.

In July 2010, we granted Eisai exclusive commercialization rights for lorcaserin (marketed as BELVIQ® / BELVIQ XR®) solely in the United States and its territories and possessions. In May 2012, we and Eisai entered into the first amended and restated agreement, which expanded Eisai's exclusive commercialization rights to include most of North and South America. In November 2013, we and Eisai entered into the second amended and restated agreement, or Second Amended Agreement, which expanded Eisai's exclusive commercialization rights for lorcaserin to all of the countries in the world, except for South Korea, Taiwan, Australia, New Zealand and Israel.

In December 2016, we and Eisai amended and restated the terms of marketing and supply agreement for lorcaserin with Eisai by entering into a Transaction Agreement and a Supply Agreement (collectively, the Eisai Agreement) with Eisai. Under the Transaction Agreement, Eisai acquired an exclusive royalty-bearing license or transfer of intellectual property to global commercialization and manufacturing rights to lorcaserin, including in the territories retained by us under the prior agreement, with control over global development and commercialization decisions. Eisai is responsible for all lorcaserin development expenses going forward. We also assigned to Eisai our rights under the commercial lorcaserin distribution agreements with Ildong Pharmaceutical Co., Ltd., or Ildong, for South Korea; CY Biotech Company Limited, or CYB, for Taiwan; and Teva Pharmaceuticals Ltd.'s Israeli subsidiary, Abic Marketing Limited, or Teva, for Israel. This is collectively referred to as License Deliverable.

Under the Supply Agreement, Eisai paid us $10.0 million to acquire our entire on-hand inventory of bulk lorcaserin and the precursor material for manufacturing lorcaserin, which is referred to as Inventory Deliverable. Eisai is also paying us for finished drug product plus up to CHF 13.0 million in manufacturing support payments over an initial two-year supply period.

We manufacture lorcaserin at our facility in Zofingen, Switzerland. Revenues earned for (i) lorcaserin sold by us to Eisai under the manufacturing and supply commitment within the Supply Agreement, or Manufacturing and Supply Commitment Deliverable, and formerly sold by us to Eisai, Ildong, CYB and Teva for commercial or development purposes under the prior lorcaserin collaboration agreements and (ii) the manufacturing support payments are classified within discontinued operations as part of the Manufacturing Operations on the consolidated statements of operations (see Note 5). All other revenues earned under the Transaction Agreement and the prior lorcaserin collaboration agreements, such as royalties, licenses, milestones and development expense reimbursements, are classified within continuing operations on the consolidated statements of operations.

Royalty payments.

Pursuant to the Transaction Agreement, we are eligible to receive royalty payments from Eisai based on the global net sales of lorcaserin. The royalty rates are as follows:

- 9.5% on annual net sales less than or equal to $175.0 million
- 13.5% on annual net sales greater than $175.0 million but less than or equal to $500.0 million
- 18.5% of annual net sales greater than $500.0 million

We record revenues from the royalty payments in the period in which the net sales upon which the royalties are calculated occur as reported to us by Eisai. For the year ended December 31, 2017, we recognized royalty revenue of

$1.7 million under the Eisai Agreement.

Upfront payments.

Prior to the Transaction Agreement, we received from Eisai total upfront payments of $115.0 million under prior lorcaserin collaboration agreements. Revenues from these upfront payments were previously deferred, as we determined that the exclusive rights did not have standalone value without our ongoing development and regulatory activities. Accordingly, these payments were recognized ratably as revenue over the periods in which we expected the services to be rendered. The Transaction Agreement effectively eliminated our obligation to continue performing the development and regulatory activities required in the original agreement, which resulted in acceleration of upfront payment revenue recognition in 2016. For the years ended December 31, 2016, and 2015, we recognized revenue of $66.0 million and $7.5 million, respectively, related to these upfront payments.

Milestone payments.

In July 2016, the US Food and Drug Administration, or FDA, approved the New Drug Application for BELVIQ XR. We earned from Eisai a $10.0 million substantive milestone payment from this achievement. In October 2016, Eisai announced the commercial launch of BELVIQ XR in the United States.

In July 2016, the Federal Commission for the Protection Against Sanitary Risk approved the Marketing Authorization Application in Mexico for our twice-daily formulation of lorcaserin for chronic weight management. We earned from Eisai a $1.0 million substantive milestone payment from this achievement.

In December 2016, the Brazilian Health Surveillance Agency provided regulatory approval in Brazil for BELVIQ. We earned from Eisai a $1.0 million substantive milestone payment from this achievement.

We are eligible to receive an additional substantive commercial milestone of $25.0 million upon the achievement of global net sales of lorcaserin for a calendar year first exceeding $250.0 million.

Product purchase price and inventory purchase.

We manufacture lorcaserin at our facility in Zofingen, Switzerland. Under the Eisai Agreement, we have agreed to manufacture and supply, and Eisai has agreed to purchase from us, all of Eisai’s requirements (or specified minimum quantities if such quantities are greater than Eisai’s requirements), subject to certain exceptions, for lorcaserin for development and commercial use for an initial two-year period. The initial period may be extended by Eisai for an additional six months upon payment of an extension fee of CHF 2.0 million. Eisai will pay us agreed upon prices to deliver finished drug product during this time. Additionally, Eisai has agreed to pay up to CHF 13.0 million in manufacturing support payments during the initial two-year period supply period, and pay up to CHF 6.0 million in manufacturing support payments during the six-month extension period, if the extension option is exercised by Eisai.

Under the Second Amended Agreement, we sold lorcaserin to Eisai for Eisai’s commercialization in the United States for a purchase price of 31.5% of Eisai’s aggregate annual net product sales (which are the gross invoiced sales less certain deductions described in the Second Amended Agreement), or the Product Purchase Price. The amount that Eisai paid us for lorcaserin product supply was based on Eisai’s estimated price at the time the order was shipped, which was Eisai’s estimate of the Eisai Product Purchase Price, and was subject to change on April 1 and October 1 of each year. The Eisai Product Purchase Price for the product Eisai sold under the Second Amended Agreement was lower than the estimated price that Eisai paid us for such product, primarily due to an increase in deductions from savings cards and returns, partially offset by a decrease in vouchers. At the end of Eisai’s fiscal year (March 31), the estimated price paid to us for product that Eisai sold to its distributors was compared to the Eisai Product Purchase Price of such product, and the difference was refunded back to Eisai for the overpayments. The $9.1 million classified as Payable to Eisai within the total liabilities of disposal group held for sale at December 31, 2016, relates to product sold by Eisai to its distributors from April 1, 2015, through March 31, 2016. Under the Eisai Agreement, we were not required to refund to Eisai any net overpayment which would have been otherwise due to Eisai under the Second Amended Agreement for product we sold to Eisai under the Second Amended Agreement which Eisai did not sell to its distributors on or before March 31, 2016. For product which Eisai sold to its distributors from April 1, 2016, through December 28, 2016, we recognized the net overpayment which would have been otherwise due to Eisai under the Second Amended Agreement of $2.0 million as revenues and included this amount in net product sales for the year ended December 31, 2016, which is a component of discontinued operations in the consolidated statement of operations.

Prior to December 2016, we deferred recognition of revenue and the related cost at the time we sold lorcaserin to Eisai because we did not have the ability to estimate the amount of product that could have been returned to us and thus

recognized revenues and the related costs from net product sales when Eisai shipped BELVIQ to its distributors. Pursuant to a change in the terms of the Eisai Agreement, we determined that we achieved the ability to reasonably estimate the amount of product returns and recognize revenue and the related cost from product sales when we ship BELVIQ to Eisai. On December 28, 2016, we recognized revenues of $6.7 million and costs of $1.9 million on net product sales which had been previously deferred, which is a component of discontinued operations in the consolidated statement of operations.

Allocation of Eisai Agreement arrangement consideration to the units of accounting.

The total arrangement consideration of $115.6 million primarily consists of (i) the December 28, 2016, balances of deferred revenues from the upfront payments received under the prior Eisai agreements and the distribution agreements with Ildong, CYB and Teva; (ii) the $10.0 million payment received from Eisai on December 28, 2016; and (iii) the product purchase payments and manufacturing support payments we expect to receive from Eisai for the initial two-year manufacturing and supply commitment period.

All of the deliverables were determined to have standalone value and to meet the criteria to be accounted for as separate units of accounting. Factors considered in the determination included, among other things, for the license, the manufacturing experience and capabilities of Eisai and their sublicense rights, and for the remaining deliverables the fact that they are not proprietary and can be provided by other vendors. The total arrangement consideration was allocated to the units of accounting on the basis of their relative estimated selling prices as follows:

- $64.0 million was allocated to the License Deliverable. As the License Deliverable was delivered on December 28, 2016, this amount was recognized as collaboration revenue of continuing operations for the year ended December 31, 2016.
- $30.8 million was allocated to the Inventory Deliverable. Title to this entire inventory passed to Eisai on December 28, 2016. However, none of this inventory was physically transferred from the manufacturing facility on that date. There is no fixed schedule for delivery given a portion has been and will be delivered on a continuous basis as we perform under the manufacturing commitment, another portion has been and will be physically transferred to Eisai upon request by Eisai and the rest is expected to be physically transferred at the end of the manufacturing and supply commitment period. Also, the risks of ownership for this inventory did not pass to Eisai in 2016 as we have financial responsibility for loss, damage or destruction which occurs while in our possession. Therefore, none of the arrangement consideration allocated to this deliverable was recognized as revenue and none of the carrying value of this inventory was recognized as cost of product sales for the year ended December 31, 2016. For the year ended December 31, 2017, we recognized $6.4 million as revenue of discontinued operations related to this deliverable and $0.9 million of the carrying value of this inventory as cost of product sales of discontinued operations.
- $20.8 million was allocated to the Manufacturing and Supply Commitment Deliverable. This deliverable is being provided over 2017 and 2018 as product is shipped to Eisai. Therefore, none of the arrangement consideration allocated to this deliverable was recognized as revenue for the year ended December 31, 2016. For the year ended December 31, 2017, we recognized $9.5 million as revenue of discontinued operations related to this deliverable.

The estimated selling price represents the price at which we would contract if the deliverable was sold regularly on a standalone basis. The estimated selling price for each unit of accounting was determined as follows:

- The estimated selling price for the License Deliverable was determined using an income approach that estimates the net present value of royalties Eisai is expected to earn under the Eisai Agreement as compared to the Second Amended Agreement, net of the development costs we are no longer obligated to spend. This model includes several assumptions, including the potential market for lorcaserin in each relevant jurisdiction, probabilities of obtaining regulatory approval in additional jurisdictions, the impact of competition, the potential impact of Eisai’s ongoing development and regulatory activities related to lorcaserin, and the appropriate discount rate.
- The estimated selling price for the Inventory Deliverable was determined by considering the historical cost of the precursor materials, adjusted for any changes in market condition and supplier relationships. We believe that the Eisai Agreement pricing represents pricing that would be charged if it were sold on a standalone basis.
- The estimated selling price for the Manufacturing and Supply Commitment Deliverable was determined to be the aggregate product purchase payments we expect to receive from Eisai for the initial two-year manufacturing and supply commitment period. As noted above, we believe that the Eisai Agreement pricing represents pricing that would be charged if it were sold on a standalone basis.

Development payments.

As part of the US approval of BELVIQ, the FDA, is requiring the evaluation of the effect of long-term treatment with BELVIQ on the incidence of major adverse cardiovascular events, or MACE, in overweight and obese patients with cardiovascular disease or multiple cardiovascular risk factors (which is the FDA-required portion of the cardiovascular outcomes trial), as well as the conduct of postmarketing studies to assess the safety and efficacy of BELVIQ for weight management in obese pediatric and adolescent patients. Under the Second Amended Agreement, Eisai and we were responsible for 90% and 10%, respectively, of the cost for the FDA-required portion of the cardiovascular outcomes trial, or CVOT, 50% and 50%, respectively, of the non-FDA portion of the studies and we were also obligated to share the cost of FDA-required studies in obese pediatric patients and for additional clinical studies in other territories.

Under the Eisai Agreement, Eisai is solely responsible for all costs and expenses in connection with further development of lorcaserin from and after July 1, 2016, and we were relieved of any obligations under the Second Amended Agreement to pay our share of future development costs of lorcaserin. Accordingly, on December 28, 2016, we recorded a reduction of research and development expenses which would have been otherwise due to Eisai under the Second Amended Agreement of $3.7 million for the period from July 1, 2016, through December 28, 2016.

For the years ended December 31, 2016, and 2015, we recognized expenses of $4.2 million, and $10.8 million, respectively, for external clinical study fees related to lorcaserin, which are included in continuing operations. There were no such expenses in 2017. Additionally, for the years ended December 31, 2017, 2016, and 2015 we recognized expenses of $1.4 million, $3.1 million, and $5.4 million, respectively for internal non-commercial manufacturing costs primarily related to lorcaserin, which are included in discontinued operations.

Ildong Pharmaceutical Co., Ltd.

In November 2012, we and Ildong entered into the Marketing and Supply Agreement, or Ildong Agreement. Under this agreement, we granted Ildong exclusive rights to commercialize BELVIQ in South Korea for weight loss or weight management in obese and overweight patients. We also provided certain services and manufacture and sold BELVIQ to Ildong. As noted above, the Ildong Agreement was assigned to Eisai pursuant to the Eisai Agreement on December 28, 2016.

In connection with entering into the Ildong Agreement, we received from Ildong an upfront payment of $5.0 million, less withholding taxes. Revenues from this upfront payment were deferred, as we determined that the exclusive rights did not have standalone value without our ongoing development and regulatory activities. Accordingly, this payment was recognized ratably as revenue over the period in which we expected the services to be rendered. The assignment of the Ildong Agreement pursuant to the Eisai Agreement effectively eliminated our obligation to continue performing the development and regulatory activities required in the Ildong Agreement. Therefore, on December 28, 2016, the $3.5 million of deferred revenues from this upfront payment was allocated to the value of the License provided to Eisai and recognized as revenue in 2016.

In February 2015, we earned a substantive milestone payment of $3.0 million upon the approval of BELVIQ for marketing in South Korea for weight management. We received the payment, less withholding taxes, in March 2015.

Under the Ildong Agreement, we manufactured BELVIQ at our facility in Zofingen, Switzerland, and sold BELVIQ to Ildong for a purchase price starting at the higher of the defined minimum amount or 35% of Ildong’s annual net product sales (which are the gross invoiced sales less certain deductions described in the Ildong Agreement), or the Ildong Product Purchase Price. The Ildong Product Purchase Price increased on a tiered basis up to the higher of the defined minimum amount or 45% on the portion of annual net product sales exceeding $15.0 million. Since the inception of commercial sales of BELVIQ in South Korea in 2015, the Ildong Product Purchase Price equaled the defined minimum amount (which exceeded the amounts calculated using the applicable percentages for the applicable tiers of Ildong’s annual net product sales).

Prior to December 2016, we deferred recognition of revenue and the related cost at the time we sold BELVIQ to Ildong because we did not have the ability to estimate the amount of product that could have been returned to us and thus recognized revenues and the related costs from net product sales when Ildong shipped BELVIQ to its distributors. In December 2016, we determined that we achieved the ability to reasonably estimate product returns under the Ildong Agreement. Accordingly, we recognized revenues of $2.0 million and costs of $0.7 million in December 2016 on net product sales which had been previously deferred, of which is a component of discontinued operations in the consolidated statement of operations.

For the years ended December 31, 2016 and 2015, we recognized revenues of $11.4 million and $8.9 million, respectively, under the Ildong agreement, of which $7.2 million and $5.5 million, respectively are included in discontinued operations. No revenues were recognized during the year ended December 31, 2017 under this agreement.

CY Biotech Company Limited.

In July 2013, we entered into the CYB Agreement. Under this agreement, we granted CYB exclusive rights to commercialize BELVIQ in Taiwan for weight loss or weight management in obese and overweight patients, subject to regulatory approval of BELVIQ by the Taiwan Food and Drug Administration, or TFDA. The CYB Agreement provided for us to perform certain services and to manufacture and sell BELVIQ to CYB. As noted above, the CYB Agreement was assigned to Eisai pursuant to the Eisai Agreement on December 28, 2016.

In connection with entering into the CYB agreement, we received from CYB an upfront payment of $2.0 million, less withholding taxes. Revenues from this upfront payment were deferred, as we determined that the exclusive rights did not have standalone value without our ongoing development and regulatory activities. Accordingly, this payment was recognized ratably as revenue over the period in which we expected the services to be rendered. The assignment of the CYB Agreement pursuant to the Eisai Agreement effectively eliminated our obligation to continue performing the development and regulatory activities required in the CYB Agreement. Therefore, on December 28, 2016, the $1.7 million of deferred revenues from this upfront payment was allocated to the value of the License provided to Eisai and recognized as revenue in 2016.

For the years ended December 31, 2016 and 2015, we recognized revenues of $1.8 million and $0.2 million, respectively, under this agreement. No revenues were recognized during the year ended December 31, 2017 under this agreement.

Axovant Sciences GmbH.

In May 2015, we entered into a Development, Marketing and Supply Agreement with Roivant Sciences Ltd., or Roivant. In October 2015, Roivant, assigned the exclusive rights to develop and commercialize nelotanserin to its subsidiary, Axovant. Under this agreement, Axovant has exclusive worldwide rights to develop and commercialize nelotanserin, subject to regulatory approval. We also provide certain services and will manufacture and sell nelotanserin to Axovant.

We received an upfront payment of $4.0 million, which was recorded as deferred revenues and is being recognized as revenue ratably over approximately five years, which is the period in which we expect to provide services under the arrangement. We are entitled to receive payments from sales of nelotanserin under the agreement and are eligible to receive purchase price adjustment payments based on Axovant’s annual net product sales. We are also eligible to receive up to an aggregate of $41.5 million in success milestones in case of full development and regulatory success of nelotanserin. Of these payments, two development milestones totaling $4.0 million are substantive and four regulatory milestones totaling $37.5 million are substantive.

For the years ended December 31, 2017, 2016, and 2015, and we recognized revenues of $2.2 million, $2.1 million and $1.1 million, respectively, under this agreement.

Boehringer Ingelheim International GmbH.

In December 2015, we and Boehringer Ingelheim entered into an exclusive agreement, under which we and Boehringer Ingelheim conduct joint research to identify drug candidates targeting an undisclosed G protein-coupled receptor, or GPCR, that belongs to the group of orphan central nervous system, or CNS, receptors. Under this agreement, we granted Boehringer Ingelheim exclusive rights to our internally discovered, novel compounds and intellectual property for an orphan CNS receptor. We jointly conduct research with Boehringer Ingelheim to identify additional drug candidates that are suitable for continued research and development as therapeutic compounds for various disease indications, with the initial focus expected to be psychiatric diseases such as schizophrenia. The agreement grants Boehringer Ingelheim exclusive worldwide rights to develop, manufacture and commercialize products resulting from the collaboration.

In part consideration of the rights to our intellectual property necessary or useful to conduct the joint research under the agreement, we received from Boehringer Ingelheim an upfront payment of $7.5 million in January 2016, less $1.2 million of withholding taxes which was refunded to us in October 2016. Revenues from this upfront payment were deferred, as we determined that the exclusive rights did not have standalone value without our ongoing participation in the joint research, and are being recognized ratably as revenues over the period in which we expect the services to be rendered, which is approximately two years.

We are also eligible to receive up to an aggregate of $251.0 million (of which up to $12.0 million is payable to Beacon) in success milestones in case of full commercial success of multiple drug products. Of these payments, three development milestones totaling $7.0 million are substantive, three development milestones totaling $30.0 million are non-substantive, nine regulatory milestones totaling $84.0 million are non-substantive and four commercial milestones totaling $130.0 million are non-substantive.

For the years ended December 31, 2017, and 2016, we recognized revenues of $5.1 million and $5.1 million, respectively under this agreement. We did not recognize any revenues under this agreement during the year ended December 31, 2015.

10. Employee Benefit Plans

401(k) Plan.

All of our US employees are eligible to participate in our defined contribution retirement plan that complies with Section 401(k) of the Internal Revenue Code, or IRC. We match 100% of each participant’s voluntary contributions, subject to a maximum of 6% of the participant’s eligible compensation. Our matching portion, which totaled $0.5 million, $1.0 million, and $1.7 million for the years ended December 31, 2017, 2016, and 2015, respectively, vests over a five-year period from the date of hire.

Pension Plan.

Arena GmbH contributes to a multiemployer defined benefit pension plan, established under an affiliated group of employers, for the purpose of providing mandatory occupational pension benefits for its employees. The risks of participating in a multiemployer plan are different from a single-employer plan in that (i) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (ii) if a participating employer stops contributing to the plan, the

unfunded obligations of the plan may be borne by the remaining participating employers, (iii) if Arena GmbH elects to stop participating in the multiemployer plan, Arena GmbH may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability, and (iv) Arena GmbH has no involvement in the management of the multiemployer plan's investments. We currently have no intention of withdrawing from the multiemployer plan.

Our contributions to the multiemployer plan were $0.5 million, $0.8 million and $0.7 million for the years ended December 31, 2017, 2016, and 2015, respectively.

APD GmbH contributes to a single employer defined contribution pension plan. Our contributions to the multiemployer plan were $0.2 million for the year ended December 31, 2017. There were no such contributions in 2016 and 2015.

11. Income Taxes

The following table summarizes our loss attributable to stockholders of Arena before benefit for income taxes by region for the years presented, in thousands:

	Years ended December 31,		
	2017	2016	2015
United States	$(62,109)	$(10,268)	$(64,109)
Foreign	(29,298)	(12,248)	(43,870)
Total loss attributable to stockholders of Arena before income taxes	$(91,407)	$(22,516)	$(107,979)

We have not recorded a benefit for income taxes for the years ended December 31, 2017, 2016, and 2015, because we have a full valuation allowance.

Our effective income tax rate differs from the statutory federal rate of 34% for the years presented due to the following, in thousands:

	Years ended December 31,		
	2017	2016	2015
Benefit for income taxes at statutory federal rate	$(32,140)	$(4,053)	$(37,641)
Change in valuation allowance due to tax reform	96,333	—	—
Change in federal and foreign valuation allowance	(68,604)	(3,867)	22,240
Permanent differences and other	(782)	3,412	2,349
Share-based compensation expense	7,071	4,001	1,820
Foreign losses at lower effective rates	1,428	3,944	15,041

Research and development and Orphan Drug credits	(3,306)	(3,437)	(3,647)
Gain from valuation of derivative liabilities	—	—	(162)
Benefit for income taxes	$—	$—	$—

The components of our net deferred tax assets are as follows, in thousands:

	December 31,	
	2017	2016
Deferred tax assets:		
Federal and California NOL carryforwards	$179,323	$255,317
Federal and California research and development credit carryforwards	61,272	53,059
Foreign NOL carryforwards	15,425	4,238
Share-based compensation expense	4,884	10,395
Depreciation	3,896	5,441
Deferred revenues	3,554	9,357
Other, net	5,758	5,164
Total deferred tax assets	274,112	342,971
Deferred tax liabilities	—	—
Net deferred tax assets	274,112	342,971
Valuation allowance	(274,112)	(342,971)
Net deferred tax liabilities	$—	$—

A valuation allowance is recorded against all of our deferred tax assets, as realization of such assets is not more-likely-than-not. The realization of our deferred tax assets is dependent upon future taxable income. Our ability to generate taxable income is analyzed regularly on a jurisdiction-by-jurisdiction basis. At such time as it is more-likely-than-not that we will generate taxable income in a jurisdiction, we will reduce or remove the valuation allowance. The valuation allowance decreased by $69.5 million from December 31, 2016, to December 31, 2017.

On December 22, 2017, H.R. 1/Public Law No. 115-97 known as the Tax Cuts and Jobs Act, or the Tax Act, was signed into law. The effects of this new federal legislation are recognized upon enactment, which is the date a bill is signed into law. The Act includes numerous changes in existing tax law, including a permanent reduction in the federal corporate income tax rate from 35% to 21%. The rate reduction takes effect on January 1, 2018. As a result of the Tax Act, we have revalued our net deferred tax assets as of December 31, 2017 to reflect the rate reduction. Based on currently available information, we recorded a reduction in our net deferred tax assets of $96.3 million in the fourth quarter of 2017 related to the revaluation of our net deferred tax assets as a result of the Tax Act; however, the revaluation does not result in any additional net income tax expense as our net deferred tax assets are fully offset by the valuation allowance.

At December 31, 2017, we had federal NOL carryforwards of $721.4 million that will begin to expire in 2023 unless previously utilized. At the same date, we had California NOL carryforwards of $398.6 million, which begin expiring in 2028 and foreign NOL carryforwards of $184.8 million, which begin expiring in 2018. At December 31, 2017, we also had federal and California research and development tax credit carryforwards, net of reserves, of $31.7 million and $23.8 million, respectively. At December 31, 2017, we had a Federal Orphan Drug Credit carryforward, net of reserves, of $10.1 million. Federal credit carryforwards will begin to expire after 2026 unless previously utilized. The California research and development credit carries forward indefinitely.

Sections 382 and 383 of the IRC limit the utilization of tax attribute carryforwards that arise prior to certain cumulative changes in a corporation’s ownership. We have completed an IRC Section 382/383 analysis through 2015 and identified ownership changes that limit our utilization of tax attribute carryforwards. We reduced deferred tax assets associated with such tax attribute carryforwards to remove deferred tax assets that will expire prior to

utilization. Pursuant to IRC Section 382 and 383, use of the Company's net operating loss and research and development income tax credit carryforwards may be limited in the event of cumulative changes in ownership subsequent to 2015 of more than 50% within a three-year period.

In accordance with authoritative guidance, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

The following table reconciles the beginning and ending amount of unrecognized tax benefits for the years presented, in thousands:

	Years ended December 31,		
	2017	2016	2015
Gross unrecognized tax benefits at the beginning of the year	$5,906	$5,619	$5,214
Additions from tax positions taken in the current year	1,133	287	405
Additions from tax positions taken in prior years	723	—	—
Reductions from tax positions taken in prior years	—	—	—
Tax settlements	—	—	—
Gross unrecognized tax benefits at end of the year	$7,762	$5,906	$5,619

Of our total unrecognized tax benefits at December 31, 2017, $6.2 million will impact our effective tax rate in the event the valuation allowance is removed. We do not anticipate that there will be a substantial change in unrecognized tax benefits within the next 12 months.

Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. Because we have incurred net losses since our inception, we did not have any accrued interest or penalties included in our consolidated balance sheets at December 31, 2017, or 2016, and did not recognize any interest and/or penalties in our consolidated statements of operations and comprehensive loss for the years ended December 31, 2017, 2016, and 2015.

We are subject to income taxation in the United States at the Federal and state levels. All tax years are subject to examination by US and California tax authorities due to the carryforward of unutilized NOLs and tax credits. We are also subject to foreign income taxes in the countries in which we operate. To our knowledge, we are not currently under examination by any taxing authorities.

At December 31, 2017, no foreign subsidiaries have accumulated earnings and, as such, there are no unrepatriated earnings.

Our Swiss subsidiary, Arena GmbH, has been granted a conditional incentive tax holiday by the Canton of Aargau for its operations in Switzerland. Without a tax holiday or other tax incentives, the standard effective tax rate of a company located in Aargau is approximately 19%. As a result of the tax holiday and other tax incentives, we expect the effective tax rate for Arena GmbH to be approximately half of such rate. The tax holiday came into effect on January 1, 2013, and will continue for a period of up to 10 years, not to extend beyond December 31, 2022. As a result of foreign losses and a full valuation allowance, no net tax benefit was derived for the years ended December 31, 2017, 2016, and 2015, as a result of the tax holiday.

12. Legal Proceedings

Beginning on September 20, 2010, a number of complaints were filed in the US District Court for the Southern District of California, or District Court, against us and certain of our current and former employees and directors on behalf of certain purchasers of our common stock. The complaints were brought as purported stockholder class actions, and, in general, include allegations that we and certain of our current and former employees and directors violated federal securities laws by making materially false and misleading statements regarding our BELVIQ program, thereby artificially inflating the price of our common stock. The plaintiffs sought unspecified monetary damages and other relief. On August 8, 2011, the District Court consolidated the actions and appointed a lead plaintiff and lead counsel. On November 1, 2011, the lead plaintiff filed a consolidated amended complaint. On March 28, 2013, the District Court dismissed the consolidated amended complaint without prejudice. On May 13, 2013, the lead plaintiff filed a second consolidated amended complaint. On November 5, 2013, the District Court dismissed the second consolidated amended complaint without prejudice as to all parties except for Robert E. Hoffman, who was dismissed from the action with prejudice. On November 27, 2013, the lead plaintiff filed a motion for leave to amend the second consolidated amended complaint. On March 20, 2014, the District Court denied plaintiff's motion and dismissed the second consolidated amended complaint with prejudice. On April 18, 2014, the lead plaintiff filed a notice of appeal, and on August 27, 2014, the lead plaintiff filed his appellate brief in the US Court of Appeals for the Ninth Circuit, or Ninth Circuit. On October 24, 2014, we filed our answering brief in response to the lead plaintiff's appeal. On December 5, 2014, the lead plaintiff filed his reply brief. A panel of the Ninth Circuit heard oral argument on the appeal on May 4, 2016. On October 26, 2016, the Ninth Circuit panel reversed the District Court's dismissal of the second consolidated amended complaint and remanded the case back to the District Court for further proceedings. On January 25, 2017, the District Court permitted us to submit a renewed motion to dismiss the second consolidated amended complaint. On February 2, 2017, we filed the renewed motion to dismiss. On February 23, 2017, the lead plaintiff filed his opposition, and on March 2, 2017, we filed our reply. On April 28, 2017, the District Court denied our renewed motion to dismiss. On November 3, 2017, we and the Lead Plaintiff signed a stipulation and agreement of settlement, or Stipulation, to resolve the consolidated class action. Under the terms of the Stipulation, and in exchange for a release of all claims by class members and a dismissal of the consolidated class action with prejudice, we have agreed (i) our insurers will pay class members and their attorneys a total of approximately $12.025 million and (ii) Arena will pay

class members and their attorneys approximately $11.975 million in either shares of our common stock or cash at our election. On November 30, 2017, the District Court preliminary approved the settlement and the form of notice to potential class members of the proposed settlement and the procedure by which they can become class members. On March 8, 2018, the lead plaintiff filed motions for final approval of the settlement, the plan of allocation and award of attorney fees. The settlement and related matters remain subject to final approval by the District Court. We recognized $11.975 million of net expense for the portion of the settlement that we will pay in either common stock or cash in the consolidated statements of operations for the year ended December 31, 2017, and $24.0 million as a current liability in the consolidated balance sheet as of December 31, 2017 for the gross settlement liability, with a corresponding $12.025 million insurance recovery receivable.

On September 30, 2016, we and Eisai Inc. filed a patent infringement lawsuit against Lupin Limited and Lupin Pharmaceuticals, Inc. (collectively, Lupin) in the U.S. District Court for the District of Delaware. The lawsuit relates to a “Paragraph IV certification” notification that we and Eisai Inc. received regarding an abbreviated new drug application, or ANDA, submitted to the FDA by Lupin requesting approval to engage in the commercial manufacture, use, importation, offer for sale or sale of a generic version of BELVIQ (lorcaserin hydrochloride tablets, 10 mg). In its notification, Lupin alleged that no valid, enforceable claim of any of the patents that are listed in the FDA’s Approved Drug Products with Therapeutic Equivalence Evaluations, or Orange Book, for BELVIQ will be infringed by Lupin’s manufacture, importation, use, sale or offer for sale of the product described in its ANDA for 10 mg lorcaserin hydrochloride tablets. Lupin is accused of infringing U.S. Patent Nos. 6,953,787; 7,514,422; 7,977,329; 8,207,158 and 8,273,734. In accordance with the Hatch-Waxman Act, as a result of filing a patent infringement lawsuit within 45 days of receipt of Lupin’s notification, the FDA cannot approve Lupin’s ANDA any earlier than 7.5 years from NDA approval unless a District Court finds that all of the asserted claims of the patents-in-suit are invalid, unenforceable or not infringed. On January 11, 2017, Lupin filed an answer, defenses and counterclaims to the September 30, 2016 complaint. We and Eisai Inc. filed an answer to Lupin’s counterclaims on February 1, 2017. We and Eisai Inc. are seeking a determination from the court that, among other things, Lupin has infringed our patents, Lupin’s ANDA for 10 mg lorcaserin hydrochloride tablets should not be approved until the expiration date of our patents, and Lupin should be enjoined from commercializing a product that infringes our patents. Trial is currently scheduled for April 15, 2019. The parties are currently in the fact discovery phase of the case. We cannot predict the ultimate outcome of any proceeding.

On March 6, 2017, we and Eisai Inc. filed a patent infringement lawsuit against Teva Pharmaceuticals USA, Inc. and Teva Pharmaceutical Industries Ltd. (collectively, Teva) in the U.S. District Court for the District of Delaware. The lawsuit also relates to a “Paragraph IV certification” notification that we and Eisai Inc. received regarding an ANDA submitted to the FDA by Teva requesting approval to engage in the commercial manufacture, use, importation, offer for sale or sale of a generic version of BELVIQ XR (lorcaserin hydrochloride extended-release tablets, 20 mg). In its notification, Teva alleged that no valid, enforceable claim of any of the patents that are listed in the Orange Book for BELVIQ XR will be infringed by Teva’s manufacture, importation, use, sale or offer for sale of the product described in its ANDA. Teva is accused of infringing U.S. Patent Nos. 6,953,787; 7,514,422; 7,977,329; 8,207,158 and 8,273,734. In accordance with the Hatch-Waxman Act, as a result of filing a patent infringement lawsuit within 45 days of receipt of Teva’s notification, the FDA cannot approve Teva’s ANDA any earlier than 7.5 years from NDA approval unless a District Court finds that all of the asserted claims of the patents-in-suit are invalid, unenforceable or not infringed. On April 18, 2017, Teva filed an amended answer, defenses and counterclaims to the March 6, 2017 complaint. We and Eisai Inc. are seeking a determination from the court that, among other things, Teva has infringed our patents, Teva’s ANDA should not be approved until the expiration date of our patents, and Teva should be enjoined from commercializing a product that infringes our patents. On May 1, 2017, the Teva and Lupin actions were consolidated for all purposes and will follow the case schedule that was previously entered in the Lupin action. We and Eisai Inc. filed an answer to Teva’s amended counterclaims on May 3, 2017. On or about October 16, 2017, we and Eisai Inc. received a “Paragraph IV certification” notification from Teva alleging that no valid, enforceable claim of U.S. Patent No. 9,770,455, which was listed in the Orange Book for BELVIQ and BELVIQ XR after the patent issued

on September 26, 2017, will be infringed by Teva's manufacture, importation, use, offer for sale or sale of the product described in its ANDA. On October 25, 2017, we and Eisai Inc. filed a first amended complaint against Lupin and Teva, adding infringement of U.S. Patent No. 9,770,455 by their respective ANDA products to the consolidated lawsuit. On or about November 6, 2017, we and Eisai Inc. received a "Paragraph IV certification" notification from Lupin alleging that no valid, enforceable claim of U.S. Patent No. 9,770,455 will be infringed by Lupin's manufacture, importation, use, offer for sale or sale of the product described in its ANDA for 10 mg lorcaserin hydrochloride tablets. We cannot predict the ultimate outcome of any proceeding.

We and Eisai Inc. also received a "Paragraph IV certification" notification from Lupin alleging that no valid, enforceable claim of any of the patents that are listed in the Orange Book for BELVIQ and BELVIQ XR will be infringed by Lupin's manufacture, importation, use, sale or offer for sale of the product described in its ANDA for 20 mg lorcaserin hydrochloride extended-release tablets. Because Lupin is not the first applicant to submit a substantially complete application containing a Paragraph IV certification for approval of a generic equivalent of BELVIQ XR, absent extenuating circumstances, Lupin would not be able to launch its 20 mg lorcaserin hydrochloride extended-release tablets before Teva was able to launch its respective product.

13. Restructuring Activities

In the fourth quarter of 2015, we committed to a reduction in our US workforce of approximately 35%, or approximately 80 employees, which we substantially completed by the end of 2015. As a result of this workforce reduction, we recorded a restructuring charge in the fourth quarter of 2015 for termination benefits, including severance and other benefits, of $3.3 million, which was paid by December 31, 2016.

In the second quarter of 2016, we committed to a reduction in our US workforce of approximately 73%, or approximately 100 employees, which we substantially completed in the third quarter of 2016. As a result of this workforce reduction, we recorded a restructuring charge in the second quarter of 2016 of $6.1 million for termination benefits, including severance and other benefits. Included within this amount is non-cash, share-based compensation expense of $1.0 million related to the accelerated vesting of stock options and the extension of the exercise period of vested options for employees impacted by the workforce reduction. At December 31, 2016, substantially all of this charge had been paid.

14. Quarterly Financial Data (Unaudited)

The following tables present selected quarterly financial data for the years presented, in thousands, except per share data:

2017	Quarter ended December 31	Quarter ended September 30	Quarter ended June 30	Quarter ended March 31
Revenues	$ 15,364	$ 2,415	$ 1,898	$ 1,660
Operating costs and expenses	28,964	36,626	24,850	22,864
Net income (loss):				
Loss from continuing operations	$ (14,270)	$ (35,270)	$ (23,763)	$ (22,551)
Income from discontinued operations	315	2,606	147	54
	$ (13,955)	$ (32,664)	$ (23,616)	$ (22,497)
Amounts attributable to stockholders of Arena:				
Loss from continuing operations	$ (13,999)	$ (34,959)	$ (23,464)	$ (22,107)
Income from discontinued operations	315	2,606	147	54
	$ (13,684)	$ (32,353)	$ (23,317)	$ (22,053)
Net income (loss) attributable to stockholders of Arena per share, basic and diluted:				
Continuing operations	$ (0.36)	$ (0.93)	$ (0.77)	$ (0.90)
Discontinued operations	0.01	0.07	—	—
	$ (0.35)	$ (0.86)	$ (0.77)	$ (0.90)

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2016	Quarter ended December 31	Quarter ended September 30	Quarter ended June 30	Quarter ended March 31
Revenues	$ 69,224	$ 14,637	$ 4,219	$ 4,083
Operating costs and expenses	18,548	24,534	31,522	22,822
Net income (loss):				
Income (loss) from continuing operations	$ 48,925	$ (12,257)	$ (28,789)	$ (20,179)
Income (loss) from discontinued operations	(10,611)	(222)	1,606	(1,369)
	$ 38,314	$ (12,479)	$ (27,183)	$ (21,548)
Amounts attributable to stockholders of Arena:				
Income (loss) from continuing operations	$ 49,183	$ (12,135)	$ (28,789)	$ (20,179)
Income (loss) from discontinued operations	(10,611)	(222)	1,606	(1,369)
	$ 38,572	$ (12,357)	$ (27,183)	$ (21,548)
Net income (loss) attributable to stockholders of Arena per share, basic:				
Continuing operations	$ 2.02	$ (0.50)	$ (1.18)	$ (0.83)
Discontinued operations	(0.43)	(0.01)	0.06	(0.06)
	$ 1.59	$ (0.51)	$ (1.12)	$ (0.89)
Net income (loss) attributable to stockholders of Arena per share, diluted:				
Continuing operations	$ 2.02	$ (0.50)	$ (1.18)	$ (0.83)
Discontinued operations	(0.44)	(0.01)	0.06	(0.06)
	$ 1.58	$ (0.51)	$ (1.12)	$ (0.89)

15. Beacon Discovery, Inc.

On September 1, 2016, we entered into a series of agreements with Beacon. Beacon, a privately held drug discovery incubator which focuses on identifying and advancing molecules targeting GCPRs, was founded and is owned by several of our former employees.

We entered into an agreement, or License and Collaboration Agreement, with Beacon, pursuant to which we transferred certain equipment to Beacon and granted Beacon a non-exclusive, non-assignable and non-sublicensable license to certain database information relating to compounds, receptors and pharmacology, and transferred certain equipment to Beacon. Beacon will seek to engage global partners to facilitate discovery and development. Beacon has agreed to assign to us any intellectual property relating to our existing research and development programs developed in the course of performing research for us, and grant us a non-exclusive license to any intellectual property developed outside the course of performing work for us that is reasonably necessary or useful for developing or commercializing the products under our research and development programs. We are also entitled to rights of negotiation and rights of

first refusal to potentially obtain licenses to compounds discovered and developed by Beacon. In addition, we are entitled to receive (i) a percentage of any revenue received by Beacon on or after the second anniversary of the effective date of the agreement from any third party pursuant to a third-party license, including upfront payments, milestone payments and royalties; (ii) single-digit royalties on the aggregate net sales of any related products sold by Beacon and its affiliates; and (iii) in the event that Beacon is sold, a percentage of the consideration for such sale transaction.

We entered a services agreement with Beacon, or Master Services Agreement, pursuant to which Beacon performs certain research services for us.

We also entered into a separate services agreement with Beacon, or Beacon Services Agreement, pursuant to which Beacon now performs our research obligations under our December 2015 agreement with Boehringer Ingelheim. In consideration for performing these research obligations, Beacon is entitled to receive the applicable FTE payments that are paid to us by Boehringer Ingelheim for the research services and certain milestone payments.

We also entered into a sublease agreement, or Sublease, with Beacon, pursuant to which we sublease approximately 15,000 square feet of laboratory, office and meeting room space to Beacon until August 2021. Beacon can defer payments due to us under the Sublease by increasing the outstanding principal amount under a secured promissory note, or Note, we issued to Beacon. The outstanding principal amount and all accrued or unpaid interest thereon (calculated at a simple interest rate of 7% per annum) shall be

due and payable on the earlier of (i) August 31, 2022 or (ii) Beacon receiving cumulative cash proceeds of $10 million from the sale of equity, issuance of debt or third-party license revenue.

As Beacon's equity investment at risk is not sufficient to permit Beacon to finance its activities without subordinated financial support, Beacon is considered a variable interest entity in which we hold a significant variable interest pursuant to the License and Collaboration Agreement. We do not own any equity interest in Beacon; however, as the agreements described above provided us the controlling financial interest in Beacon until December 2017, we consolidated Beacon's balances and activity within our consolidated financial statements until December 2017 as we were determined to be the primary beneficiary of Beacon. Pursuant to a contract Beacon entered into with a third party in December 2017 which provided Beacon with a certain amount of upfront funding, we determined we no longer held the controlling financial interest as of that date and, therefore, deconsolidated Beacon from our consolidated financial statements as we were no longer deemed to be the primary beneficiary. Our consolidated financial statements for the year ended December 31, 2017, includes Beacon's results of operations and cash flows until the December 2017 deconsolidation. As of December 31, 2017, Beacon's total assets of $1.0 million, total liabilities of $1.8 million and total stockholders' deficit of $0.8 million are excluded from our consolidated balance sheet.

For the year ended December 31, 2017, Beacon recognized revenues of $2.7 million of which less than $0.1 million was earned from third parties and is included on our consolidated statement of operations. For the year ended December 31, 2017, Beacon incurred a net and comprehensive loss of $1.3 million which is fully presented as net loss attributable to noncontrolling interest in consolidated variable interest entity in our consolidated statement of operations and comprehensive loss as we do not own any equity interest in Beacon.

As of December 31, 2017, the following balances pertaining to our transactions with Beacon are included in our consolidated balance sheet, in thousands:

Description	Classification		
Prepaid costs under the Master Services Agreement	Prepaid expenses and other current assets	$	368
Receivable under the Sublease and the Note	Other non-current assets		477
Payable under the Beacon Services Agreement	Accounts payable and other accrued liabilities		139

We believe that our maximum exposure to loss as a result of our involvement with Beacon is limited to the receivable due to us from Beacon under the Sublease and the Note.

16. Subsequent Events

See Notes 1 and 5 regarding the Sale Agreement with Siegfried to divest our Manufacturing Operations and Note 12 for the update to our legal proceedings, which occurred subsequent to December 31, 2017.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As of December 31, 2017, we conducted an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this Annual Report on Form 10-K.

Management’s Report on Internal Control Over Financial Reporting

Our management is also responsible for establishing and maintaining for us adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the Internal Control—Integrated Framework (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under this framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

The registered public accounting firm that audited our financial statements as of and for the year ended December 31, 2017, included in this Annual Report on Form 10-K, has issued an attestation report on our internal control over financial reporting, and such report is included below.

Changes in Internal Control Over Financial Reporting

An evaluation was also performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of any changes in our internal control over financial reporting that occurred during our last fiscal quarter and that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. That evaluation did not identify any change in our internal control over financial reporting during the fourth quarter of the year ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Stockholders and Board of Directors

Arena Pharmaceuticals, Inc.:

Opinion on Internal Control over Financial Reporting

We have audited Arena Pharmaceuticals, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive loss, equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the "consolidated financial statements"), and our report dated March 14, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit

also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

San Diego, California
March 14, 2018

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

We have 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 have posted the text of the policy on our website (www.arenapharm.com) in connection with “Investor” materials. In addition, we intend to promptly disclose on our website in the future (i) the date and nature of any amendment (other than technical, administrative or other non-substantive amendments) to the policy that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, 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.

The other information required by this item will be included under the captions “Election of Directors,” “Compensation and Other Information Concerning Executive Officers, Directors and Certain Stockholders” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive proxy statement for the annual meeting of stockholders to be held in June 2018 to be filed with the SEC on or before April 30, 2018, or the Proxy Statement, and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this item will be included under the captions “Compensation and Other Information Concerning Executive Officers, Directors and Certain Stockholders” and “Compensation Committee Interlocks and Insider Participation” in the Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table summarizes our compensation plans under which our equity securities are authorized for issuance at December 31, 2017:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)		Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by	3,184,801	*	$ 20.20	2,934,785***

security holders					
Equity compensation plans not approved by security holders	669,350	**	16.08		—
Total	3,854,151	$	19.49	2,934,785***	

*Includes stock options to purchase 3,085,693 shares of our common stock with a per share weighted-average exercise price of $20.85. Also includes (i) 21,220 restricted stock unit awards with no exercise price and (ii) 38,944 performance restricted stock unit awards with no exercise price. In the aggregate, the target number of shares of common stock that may be earned under the performance restricted stock unit awards is 77,888; however, the actual number of shares that may be earned ranges from 0% to 200% of such amount, and this table reflects 200%.

**Represents inducement stock options to purchase 669,350 shares of our common stock reserved for inducement awards.

***Stock options and stock appreciation rights granted under our 2017 Long-Term Incentive Plan, or 2017 LTIP, reduce the available number of shares under our 2017 LTIP by 1 share for every share issued while awards other than stock options and stock appreciation rights granted under our 2017 LTIP reduce the available number of shares by 1.6 shares for every share issued. In addition, shares that are released from awards granted under any of our prior long-term incentive plans or the 2017 LTIP because the awards expire, are forfeited or are settled for cash will increase the number of shares available under our 2017 LTIP by 1 share for each share released from a stock option or stock appreciation right and by 1.6 shares for each share released from a restricted stock award or restricted stock unit award. Each share we withhold to satisfy any tax withholding obligation with respect to an award other than an option or stock appreciation right under any of our prior long-term incentive plans or the 2017 LTIP will increase the share reserve by 1.6 shares.

The other information required by this item will be included under the caption “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included under the captions “Certain Relationships and Related Transactions” and “Election of Directors” in the Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item will be included under the captions “Independent Auditors’ Fees” and “Pre-approval Policies and Procedures” in the Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) 1. FINANCIAL STATEMENTS
Reference is made to the Index to Financial Statements under Item 8, Part II hereof.

2. FINANCIAL STATEMENT SCHEDULES

The financial statement schedules have been omitted either because they are not required or because the information has been included in the consolidated financial statements or the notes thereto included in this annual report.

3. EXHIBITS

Exhibit No.	Exhibit Description
2.1*	Agreement of Purchase and Sale, dated as of March 21, 2007, by and between Arena and BMR-6114-6154 Nancy Ridge Drive LLP (as assignee of BioMed Realty, L.P.) (incorporated by reference to Exhibit 2.1 to Arena’s current report on Form 8-K filed with the Securities and Exchange Commission on May 8, 2007, Commission File No. 000-31161)
3.1	Fifth Amended and Restated Certificate of Incorporation of Arena (incorporated by reference to Exhibit 3.1 to Arena’s quarterly report on Form 10-Q for the quarter ended June 30, 2002, filed with the Securities and Exchange Commission on August 14, 2002, Commission File No. 000-31161)
3.2	Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Arena (incorporated by reference to Exhibit 4.2 to Arena’s registration statement on Form S-8

	filed with the Securities and Exchange Commission on June 28, 2006, Commission File No. 333-135398)
3.3	Certificate of Amendment No. 2 of the Fifth Amended and Restated Certificate of Incorporation of Arena, as amended (incorporated by reference to Exhibit 4.3 to Arena's registration statement on Form S-8 filed with the Securities and Exchange Commission on June 30, 2009, Commission File No. 333-160329)
3.4	Certificate of Amendment No. 3 of the Fifth Amended and Restated Certificate of Incorporation of Arena, as amended (incorporated by reference to Exhibit 3.4 to Arena's registration statement on Form S-8 filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 333-182238)
3.5	Certificate of Amendment No. 4 of the Fifth Amended and Restated Certificate of Incorporation of Arena, as amended (incorporated by reference to Exhibit 3.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 15, 2017, Commission File No. 000-31161)
3.6	Amended and Restated Bylaws of Arena (incorporated by reference to Exhibit 3.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on October 9, 2014, Commission File No. 000-31161)
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4, 3.5 and 3.6
4.2	Form of common stock certificate (incorporated by reference to Exhibit 4.7 to Arena's registration statement on Form S-8, filed with the Securities and Exchange Commission on June 22, 2017, Commission File No. 333-218905)
99	

Exhibit

No. Exhibit Description

10.1 Lease Agreement, dated December 30, 2003, between Arena and ARE—Nancy Ridge No. 3, LLC (incorporated by reference to Exhibit 10.2 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on January 6, 2004, Commission File No. 000-31161)

10.2** 2006 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on April 13, 2007, Commission File No. 000-31161)

10.3** Form of Stock Option Grant Agreement under the Arena 2006 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on August 1, 2006, Commission File No. 000-31161)

10.4** Form of Stock Option Grant Agreement—Director under the Arena 2006 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.2 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on August 1, 2006, Commission File No. 000-31161)

10.5** Form of Incentive Stock Option Grant Agreement under the Arena 2006 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.3 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on August 1, 2006, Commission File No. 000-31161)

10.6** Form of Indemnification Agreement between Arena and its directors (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 18, 2007, Commission File No. 000-31161)

10.7** Form of Indemnification Agreement between Arena and its executive officers (incorporated by reference to Exhibit 10.2 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 18, 2007, Commission File No. 000-31161)

10.8** Form of Indemnification Agreement between Arena and individuals serving as its directors and executive officers (incorporated by reference to Exhibit 10.3 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 18, 2007, Commission File No. 000-31161)

10.9 Lease agreement between BMR-6114-6154 Nancy Ridge Drive LLC and Arena for 6114 Nancy Ridge Drive, San Diego, California (incorporated by reference to Exhibit 10.5 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2007, filed with the Securities and Exchange Commission on August 9, 2007, Commission File No. 000-31161)

10.10 Lease agreement between BMR-6114-6154 Nancy Ridge Drive LLC and Arena for 6118 Nancy Ridge Drive, San Diego, California (incorporated by reference to Exhibit 10.6 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2007, filed with the Securities and Exchange Commission on August 9, 2007, Commission File No. 000-31161)

10.11 Lease agreement between BMR-6114-6154 Nancy Ridge Drive LLC and Arena for 6122, 6124 and 6126 Nancy Ridge Drive, San Diego, California (incorporated by reference to Exhibit 10.7 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2007, filed with the Securities and Exchange

Commission on August 9, 2007, Commission File No. 000-31161)

10.12 Lease agreement between BMR-6114-6154 Nancy Ridge Drive LLC and Arena for 6154 Nancy Ridge Drive, San Diego, California (incorporated by reference to Exhibit 10.8 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2007, filed with the Securities and Exchange Commission on August 9, 2007, Commission File No. 000-31161)

10.13** Form of Amended and Restated Termination Protection Agreement, dated December 30, 2008, by and between Arena and Mr. Spector (incorporated by reference to Exhibit 10.2 to Arena's Form 8-K filed with the Securities and Exchange Commission on December 31, 2008, Commission File No. 000-31161)

10.14** Arena's 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to Arena's registration statement on Form S-8 filed with the Securities and Exchange Commission on June 30, 2009, Commission File No. 333-160329)

10.15** Form of Incentive Stock Option Grant Agreement for Employees under the Arena 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.7 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2009, filed with the Securities and Exchange Commission on August 7, 2009, Commission File No. 000-31161)

10.16** Form of Stock Option Grant Agreement for Employees or Consultants under the Arena 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.8 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2009, filed with the Securities and Exchange Commission on August 7, 2009, Commission File No. 000-31161)

Exhibit

No. Exhibit Description

10.17** Form of Stock Option Grant Agreement for Non-Employee Directors under the Arena 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.9 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2009, filed with the Securities and Exchange Commission on August 7, 2009, Commission File No. 000-31161)

10.18** Arena's 2009 Employee Stock Purchase Plan, as amended (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 16, 2015, Commission File No. 000-31161)

10.19** Arena's 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to Arena's registration statement on Form S-8 filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 333-182238)

10.20** Form of Incentive Stock Option Grant Agreement for Employees for grants prior to December 13, 2012, under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 000-31161)

10.21** Form of Stock Option Grant Agreement for Employees or Consultants for grants prior to December 13, 2012, under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 000-31161)

10.22** Form of Stock Option Grant Agreement for Non-Employee Directors under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 000-31161)

10.23** Form of Restricted Stock Grant Agreement under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.6 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 000-31161)

10.24** Form of Incentive Stock Option Grant Agreement for Employees for grants beginning on December 13, 2012, under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.45 to Arena's annual report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on March 1, 2013, Commission File No. 000-31161)

10.25** Form of Stock Option Grant Agreement for Employees or Consultants for grants beginning on December 13, 2012, under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.46 to Arena's annual report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on March 1, 2013, Commission File No. 000-31161)

10.26** Form of Restricted Stock Unit Grant Agreement under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.47 to Arena's annual report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on March 1, 2013, Commission File No. 000-31161)

10.27** Form of Performance Restricted Stock Unit Grant Agreement under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Arena's quarterly report on Form 10-Q for the quarter ended March 31, 2013, filed with the Securities and Exchange Commission on May 9, 2013, Commission File No. 000-31161)

10.28** Arena's 2013 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.3 to Arena's quarterly report on Form 10-Q for the quarter ended March 31, 2017, filed with the Securities and Exchange Commission on May 9, 2017, Commission File No. 000-31161)

10.29** Form of Stock Option Grant Agreement for Employees or Consultants under the Arena 2013 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.3 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2016, filed with the Securities and Exchange Commission on August 9, 2016, Commission File No. 000-31161)

10.30** Form of Incentive Stock Option Grant Agreement for Employees under the Arena 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2013, Commission File No. 000-31161)

10.31** Form of Restricted Stock Unit Grant Agreement (other than for non-employee directors) under the Arena 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2013, Commission File No. 000-31161)

10.32** Form of Restricted Stock Unit Grant Agreement for Non-Employee Directors under the Arena 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2013, Commission File No. 000-31161)

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Exhibit

No. Exhibit Description

10.33** Form of Performance Restricted Stock Unit Grant Agreement under the Arena 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.42 to Arena's annual report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission on February 29, 2016, Commission File No. 000-31161)

10.34** Executive Employment Agreement, dated as of May 6, 2016, by and between Arena and Amit D. Munshi (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2016, Commission File No. 000-31161)

10.35** Severance Agreement, dated as of May 6, 2016, by and between Arena and Amit D. Munshi (incorporated by reference to Exhibit 10.2 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2016, Commission File No. 000-31161)

10.36** Form of Amendment to Amended and Restated Termination Protection Agreement, dated May 9, 2016, by and between Arena and Steven W. Spector (incorporated by reference to Exhibit 10.3 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2016, Commission File No. 000-31161)

10.37** Amended and Restated Severance Benefit Plan, effective May 9, 2016, and providing benefits for certain of Arena's executive officers (incorporated by reference to Exhibit 10.4 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2016, Commission File No. 000-31161)

10.38** Employment Agreement, dated as of June 14, 2016, by and between Arena and Kevin R. Lind (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 16, 2016, Commission File No. 000-31161)

10.39** Amendment No. 1, effective June 15, 2016, to Amended and Restated Severance Benefit Plan, effective May 9, 2016, and providing benefits for certain of Arena's executive officers (incorporated by reference to Exhibit 10.2 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 16, 2016, Commission File No. 000-31161)

10.40** Summary of compensation for Arena's non-employee directors, approved June 13, 2017 (incorporated by reference to Exhibit 10.7 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2017, filed with the Securities and Exchange Commission on August 8, 2017, Commission File No. 000-31161)

10.41** Annual Incentive Plan for Arena's executive officers (incorporated by reference to Exhibit 10.11 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2016, filed with the Securities and Exchange Commission on August 9, 2016, Commission File No. 000-31161)

10.42** Amendment No. 2, effective August 15, 2016, to Amended and Restated Severance Benefit Plan, effective May 9, 2016, and amended on June 13, 2016, and, as amended, providing benefits for certain of Arena's executive officers (incorporated by reference to Exhibit 10.2 to Arena's quarterly report on Form 10-Q for the quarter ended September 30, 2016, filed with the Securities and Exchange Commission on November 9, 2016, Commission File No. 000-31161)

10.43**	Employment Agreement, dated as of August 9, 2016, by and between Arena and Vincent E. Aurentz (incorporated by reference to Exhibit 10.3 to Arena's quarterly report on Form 10-Q for the quarter ended September 30, 2016, filed with the Securities and Exchange Commission on November 9, 2016, Commission File No. 000-31161)
10.44**	Summary of housing allowance for Vincent E. Aurentz, effective February 2018
10.45+	Transaction Agreement, dated as of December 28, 2016, by and among 356 Royalty Inc., Eisai Inc. and Eisai Co., Ltd. (incorporated by reference to Exhibit 10.52 to Arena's annual report on Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission on March 15, 2017, Commission File No. 000-31161)
10.46	Amendment No. 1 dated as of March 9, 2018, to Transaction Agreement, dated as of December 29, 2016, by and among 356 Royalty Inc., Eisai Inc. and Eisai Co. Ltd.
10.47+	Supply Agreement, dated as of December 28, 2016, by and among Arena Pharmaceuticals GmbH, Eisai Inc. and Eisai Co., Ltd. (incorporated by reference to Exhibit 10.53 to Arena's annual report on Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission on March 15, 2017, Commission File No. 000-31161)
10.48	Amendment No. 1 dated as of March 9, 2018, to Supply Agreement, dated as of December 28, 2016, by and among Arena Pharmaceuticals GmbH, Eisai Inc. and Eisai Co., Ltd.

Exhibit

No.	Exhibit Description
10.49	Equity Distribution Agreement, dated as of January 4, 2017, by and between Arena and Citigroup Global Markets Inc. (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on January 4, 2017, Commission File No. 000-31161)
10.50**	Letter Agreement, dated as of December 12, 2016, by and between Arena and Craig M. Audet, Ph.D. (incorporated by reference to Exhibit 10.55 to Arena's annual report on Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission on March 15, 2017, Commission File No. 000-31161)
10.51**	Employment Agreement, dated as of February 15, 2017, by and between Arena and Preston Klassen, M.D. (incorporated by reference to Exhibit 10.1 to Arena's quarterly report on Form 10-Q for the quarter ended March 31, 2017, filed with the Securities and Exchange Commission on May 9, 2017, Commission File No. 000-31161)
10.52**	Amendment No. 3, effective March 20, 2017, to Amended and Restated Severance Benefit Plan, effective May 9, 2016, and amended on June 13, 2016 and August 15, 2016, and, as amended, providing benefits for certain of Arena's executive officers (incorporated by reference to Exhibit 10.2 to Arena's quarterly report on Form 10-Q for the quarter ended March 31, 2017, filed with the Securities and Exchange Commission on May 9, 2017, Commission File No. 000-31161)
10.53**	Arena's 2017 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to Arena's registration statement on Form S-8 filed with the Securities and Exchange Commission on June 22, 2017, Commission File No. 333-218905)
10.54**	Form of Nonqualified Stock Option Grant Agreement for Employees and Consultants under the Arena 2017 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.2 to Arena's registration statement on Form S-8 filed with the Securities and Exchange Commission on June 22, 2017, Commission File No. 333-218905)
10.55**	Form of Incentive Stock Option Grant Agreement under the Arena 2017 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.3 to Arena's registration statement on Form S-8 filed with the Securities and Exchange Commission on June 22, 2017, Commission File No. 333-218905)
10.56**	Form of Restricted Stock Unit Grant Agreement (other than for non-employee directors) under the Arena 2017 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.4 to Arena's registration statement on Form S-8 filed with the Securities and Exchange Commission on June 22, 2017, Commission File No. 333-218905)
10.57**	Form of Restricted Stock Unit Grant Agreement for Non-Employee Directors under the Arena 2017 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.5 to Arena's registration statement on Form S-8 filed with the Securities and Exchange Commission on June 22, 2017, Commission File No. 333-218905)
10.58**	Form of Nonqualified Stock Option Grant Agreement for Non-Employee Directors under the Arena 2017 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.6 to Arena's registration statement on Form S-8 filed with the Securities and Exchange Commission on June 22, 2017, Commission File No.

333-218905)

21.1 Subsidiaries of the Registrant

23.1 Consent of Independent Registered Public Accounting Firm

31.1 Certification of principal executive officer pursuant to Rule 13a-14(A) promulgated under the Securities Exchange Act of 1934

31.2 Certification of principal financial and accounting officer pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(B) promulgated under the Securities Exchange Act of 1934

32.1 Certification of principal executive officer and principal financial and accounting officer pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(B) promulgated under the Securities Exchange Act of 1934

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

+ Confidential treatment has been requested or granted with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.
* Exhibits and schedules to this agreement have been omitted pursuant to the rules of the Securities and Exchange Commission. We will submit copies of such exhibits and schedules to the Securities and Exchange Commission upon request.
** Management contract or compensatory plan or arrangement.

(b)EXHIBITS

See Item 15(a)(3) above.

(c)FINANCIAL STATEMENT SCHEDULES

See Item 15(a)(2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARENA PHARMACEUTICALS, INC.

Date: March 14, 2018 By:/ S / AMIT D. MUNSHI
Amit D. Munshi

President and Chief Executive Officer

(principal executive office)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
By: / S / AMIT D. MUNSHI Amit D. Munshi	President and Chief Executive Officer and Director (principal executive officer)	March 14, 2018
By: / S / KEVIN R. LIND Kevin R. Lind	Executive Vice President and Chief Financial Officer (principal financial and accounting officer)	March 14, 2018
By: / S / SCOTT H. BICE Scott H. Bice	Director	March 14, 2018
By: / S / JAYSON DALLAS Jayson Dallas, M.D.	Director	March 14, 2018
By: / S / OLIVER FETZER Oliver Fetzer, Ph.D.	Director	March 14, 2018
By: / S / JENNIFER JARRETT Jennifer Jarrett	Director	March 14, 2018
By: / S / GARRY A. NEIL	Director	

	Garry A. Neil, M.D.		March 14, 2018
By:	/ S / TINA S. NOVA Tina S. Nova, Ph.D.	Director	March 14, 2018
By:	/ S / PHILLIP M. SCHNEIDER Phillip M. Schneider	Director	March 14, 2018
By:	/ S / CHRISTINE A. WHITE Christine A. White, M.D.	Director	March 14, 2018
By:	/ S / RANDALL E. WOODS Randall E. Woods	Director	March 14, 2018

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