ARENA PHARMACEUTICALS INC
Form PRE 14A
April 13, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:
Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

Arena Pharmaceuticals, Inc.

(Name of Registrant as Specified In Its Charter)

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

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(3) Filing Party:

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ARENA PHARMACEUTICALS, INC.

[ ], 2017

Dear Arena Stockholder:

You are cordially invited to attend the 2017 Annual Meeting of Stockholders of Arena Pharmaceuticals, Inc., a Delaware corporation. The Annual Meeting will be held on Tuesday, June 13, 2017, at 9:00 a.m. (Pacific Time), at our offices located at 6154 Nancy Ridge Drive, San Diego, California 92121. Details regarding admission to the meeting and the business to be conducted are more fully described in the Notice of Annual Meeting of Stockholders and proxy statement.

Your vote is very important. Whether or not you attend the annual meeting, we hope you will vote as soon as possible. There are three ways that you can cast your ballot without attending the meeting – by telephone, by Internet or by returning your signed and completed proxy card. Please review the instructions included in the proxy statement.

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

Sincerely,

Amit D. Munshi

President, Chief Executive Officer and Director

6154 Nancy Ridge Drive, San Diego, CA 92121

PRELIMINARY PROXY STATEMENT, SUBJECT TO COMPLETION

Notice of Annual Meeting of Stockholders

To be held on June 13, 2017

ARENA PHARMACEUTICALS, INC.

6154 Nancy Ridge Drive

San Diego, CA 92121

[ ], 2017

To the Stockholders of Arena Pharmaceuticals, Inc.:

The Annual Meeting of Stockholders of Arena Pharmaceuticals, Inc., a Delaware corporation, will be held on Tuesday June 13, 2017, at 9:00 a.m. (Pacific Time), at our offices located at 6154 Nancy Ridge Drive, San Diego, California 92121, for the following purposes, which are more fully described in the proxy statement accompanying this notice:

1. To elect the nine nominees for director named herein to our Board of Directors to serve until the next annual meeting of stockholders and until their respective successors are elected and qualified or until their earlier resignation or removal (Proposal 1);
2. To approve, on an advisory basis, the compensation of our named executive officers, as disclosed in the proxy statement accompanying this notice (Proposal 2);
3. To indicate, on an advisory basis, the preferred frequency of stockholder advisory votes on the compensation of our named executive officers (Proposal 3);
4. To approve a series of alternate amendments to our Amended and Restated Certificate of Incorporation to effect, at the option of the Board of Directors, a reverse stock split of our common stock at a reverse stock split ratio ranging from one-for-six (1:6) to one-for-ten (1:10), inclusive, with the effectiveness of one of such amendments and the abandonment of the other amendments, or the abandonment of all amendments, to be determined by the Board of Directors prior to the date of our 2018 Annual Meeting of Stockholders (Proposal 4);
5. To approve a series of alternate amendments to our Amended and Restated Certificate of Incorporation to effect, if and only if Proposal 4 is both approved and implemented, a reduction in the total number of authorized shares of our common stock as illustrated in the table under the caption "Effects of Authorized Shares Reduction" in the section of the accompanying proxy statement entitled "Approval of Reduction in the Number of Authorized Shares of Common Stock" (Proposal 5);
6. To approve the Arena Pharmaceuticals, Inc., 2017 Long-Term Incentive Plan (Proposal 6);
7. To ratify the appointment of KPMG LLP, an independent registered public accounting firm, as our independent auditors for the fiscal year ending December 31, 2017 (Proposal 7); and
8. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The record date for the Annual Meeting is April [•], 2017. Only stockholders of record at the close of business on April [•], 2017, are entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement thereof.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on June 13, 2017 at 9:00 a.m. (Pacific Time) at 6154 Nancy Ridge Drive, San Diego, California 92121.

The proxy statement and annual report to stockholders

are available at on the home page of our website at www.arenapharm.com.

Whether or not you expect to attend the meeting in person, we urge you to submit your proxy on the Internet or by telephone or, if applicable, complete, sign, date and return the enclosed proxy card or proxy mailed to you at your earliest convenience, in order to ensure your representation at the meeting. Promptly submitting your vote will save us the expense and work of additional solicitation. If you received a printed copy of these materials by mail, you may return your proxy card in the enclosed envelope, which does not require postage if mailed in the United States. You may also vote on the Internet or by telephone pursuant to the instructions that accompanied your proxy card or were included in the Internet Notice. Sending in your proxy card or voting on the Internet or by telephone will not prevent you from voting at the meeting if you desire to do so, as your proxy may be cancelled at your option. Please note, however, that if your shares are held of record by a bank, broker or other agent and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

By Order of our Board of Directors

Steven W. Spector

Executive Vice President, General Counsel and

Secretary

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In this proxy statement, "Arena Pharmaceuticals," "Arena," "we," "us", "our" and the "Company" each refers to Arena Pharmaceuticals, Inc., unless the context otherwise provides.

ARENA PHARMACEUTICALS, INC.

6154 Nancy Ridge Drive

San Diego, CA 92121

PROXY STATEMENT FOR ANNUAL MEETING

OF STOCKHOLDERS

To Be Held On Tuesday, June 13, 2017, at 9:00 a.m. (Pacific Time)

GENERAL INFORMATION

Important Notice Regarding the Availability of Proxy Materials for the Stockholders' Meeting to Be Held on June 13, 2017

We have elected to provide access to our proxy materials over the Internet under the "notice and access" rules of the Securities and Exchange Commission, or SEC. On or about [ ], 2017, we intend to mail to beneficial owners of our stock a Notice of Internet Availability of Proxy Materials, or Internet Notice, containing instructions on how to access our 2017 Proxy Statement and annual report and vote online. In addition, on or about [ ], 2017, we intend to send a printed copy of our proxy materials to our stockholders of record as of April [•], 2017, or Record Date. Our proxy statement and annual report are available on the home page of our website at www.arenapharm.com.

Information Concerning Solicitation and Voting

1. Why am I receiving these materials?
We have provided you these proxy materials because our Board of Directors (sometimes referred to as the "Board") is soliciting your proxy to vote at our 2017 Annual Meeting of Stockholders, or 2017 Annual Meeting, which is to be held on Tuesday, June 13, 2017, at 9:00 a.m. (Pacific Time), or at any adjournments or postponements thereof, for the purposes set forth in this proxy statement. You are invited to attend our 2017 Annual Meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares.

If you have received a printed copy of these materials by mail, you may complete, sign and return the enclosed proxy card or follow the instructions below to submit your proxy on the Internet or by telephone. If you did not receive a printed copy of these materials by mail and are accessing them on the Internet, you may submit your proxy on the Internet or by telephone, as described below.

2. Why did I receive a Notice Regarding the Availability of Proxy Materials?
In accordance with rules and regulations adopted by the SEC, we make our proxy materials available to our stockholders on the Internet. We are sending certain of our stockholders an Internet Notice. If you received the Internet Notice, such notice will instruct you how you may access and review all of the important information contained in the proxy materials. The Internet Notice also instructs you how you may submit your proxy on the Internet. If you would like to receive a printed copy of the proxy materials, including a proxy card, you should follow the instructions for requesting such materials included in the Internet Notice.

We may also send you a proxy card, along with a second Internet Notice, on or after [________], 2017.

3. How can I attend our 2017 Annual Meeting?

Our 2017 Annual Meeting will be held on Tuesday, June 13, 2017, at 9:00 a.m. (Pacific Time) at our offices located at 6154 Nancy Ridge Drive, San Diego, California 92121. Directions to our 2017 Annual Meeting may be found at www.arenapharm.com, where you will find a map and directions under “contact us.” For further information about our 2017 Annual Meeting, please call 858.453.7200 and ask for Investor Relations. Information on how to vote in person at our 2017 Annual Meeting is described below.

Backpacks, packages, suitcases, briefcases, bags, personal communication devices (e.g., cell phones, smartphones and tablets), cameras, recording equipment and other electronic devices will not be permitted in the meeting, and attendees will be subject to a security inspection.

4. Who can vote at our 2017 Annual Meeting?
Each person who owns or has the right to vote shares of our common stock as of the Record Date has the right to vote at our 2017 Annual Meeting. As of the Record Date, there were [___________] shares of our common stock outstanding, and each of such shares is entitled to one vote.

Stockholder of Record: Shares Registered in Your Name.

If on the Record Date your shares of common stock were registered directly in your name with our transfer agent, Computershare, then you are a stockholder of record. As a stockholder of record, you may vote by proxy or vote in person at our 2017 Annual Meeting. Whether or not you plan to attend our 2017 Annual Meeting, we urge you to vote by proxy on the Internet or by telephone as instructed below or to complete, sign, date and return a proxy card to ensure your vote is counted.

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

If on the Record Date your shares of common stock were held in an account by a bank, broker or other agent, then you are the beneficial owner of shares held in "street name" and these proxy materials or the Internet Notice are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at our 2017 Annual Meeting. As a beneficial owner, you have the right to direct your bank, broker or other agent on how to vote the shares in your account. You are also invited to attend our 2017 Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at our 2017 Annual Meeting unless you obtain a legal proxy from your bank, broker or other agent.

5. What is a proxy?
If you vote on the Internet or by telephone or return a signed and dated proxy card, you will be appointing Amit D. Munshi, our Chief Executive Officer, and Steven W. Spector, our Secretary, as your representatives at our 2017 Annual Meeting and authorizing them, or each of them, to vote your shares at the meeting as indicated by you. This way, you can vote your shares whether or not you attend the meeting.

6. What am I voting on?
We are asking you to vote on the following proposals:

1. Election of the nine nominees for director named herein to our Board of Directors to serve until the next annual meeting of stockholders and until their respective successors are elected and qualified or until their earlier resignation or removal (Proposal 1);
2. Advisory approval of the compensation of our named executive officers, as disclosed in this proxy statement in accordance with rules of the SEC (Proposal 2);
3. Advisory indication of the preferred frequency of stockholder advisory votes on the compensation of our named executive officers (Proposal 3);
4. Approval of a series of alternate amendments to our Amended and Restated Certificate of Incorporation to effect a reverse stock split, or Reverse Stock Split, of our common stock at a ratio ranging from one-for-six (1:6) to one-for-ten (1:10), inclusive, with the effectiveness of one of such amendments and the abandonment of the other amendments, or the abandonment of all amendments, to be determined by the Board of Directors prior to the date of our 2018 Annual Meeting of Stockholders (Proposal 4);
5. Approval of a series of alternate amendments to our Amended and Restated Certificate of Incorporation to effect, if and only if Proposal 4 is both approved and implemented, a reduction in the total number of authorized shares of our common stock, or Authorized Shares Reduction, with the specific number of authorized shares determined by a formula that is based on the ratio utilized for the Reverse Stock Split (Proposal 5);
6. Approval of the Arena Pharmaceuticals, Inc., 2017 Long-Term Incentive Plan (Proposal 6);

7. Ratification of the appointment of KPMG LLP, an independent registered public accounting firm, as our independent auditors for the fiscal year ending December 31, 2017 (Proposal 7); and
8. Such other proposals as may properly come before the meeting or any adjournment or postponement thereof.

7. What if another matter is properly brought before our 2017 Annual Meeting?
Our Board of Directors knows of no other matters that will be presented for consideration at our 2017 Annual Meeting. If any other matters are properly brought before our 2017 Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote on those matters in accordance with their best judgment.

8. What if I return a proxy card or otherwise vote but do not make specific choices?
If you vote on the Internet or by telephone or mark your voting instructions on the proxy card, your shares will be voted as you instruct, or in the best judgment of Mr. Munshi or Mr. Spector with respect to any new proposal that comes up for a vote at our 2017 Annual Meeting.

If you return a signed and dated proxy card or otherwise vote without marking voting selections, your shares will be voted as follows: “FOR” the nine named nominees as directors; “FOR” the approval, on an advisory basis, of the compensation of our named executive officers; “FOR” the approval, on an advisory basis, to conduct an advisory vote on executive compensation “EVERY YEAR”; “FOR” the approval of a series of alternate amendments to our Amended and Restated Certificate of Incorporation to effect a Reverse Stock Split at a ratio ranging from one-for-six (1:6) to one-for-ten (1:10), inclusive, with the effectiveness of one of such amendments and the abandonment of the other amendments, or the abandonment of all amendments, to be determined by our Board of Directors prior to the date of our 2018 Annual Meeting of Stockholders; “FOR” an amendment to our Amended and Restated Certificate of Incorporation to effect, if and only if Proposal 4 is both approved and implemented, an Authorized Shares Reduction, with the specific number of authorized shares determined by a formula that is based on the ratio utilized for the Reverse Stock Split; “FOR” the approval of the Arena Pharmaceuticals, Inc., 2017 Long-Term Incentive Plan; “FOR” the ratification of the appointment of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2017; and according to the best judgment of Mr. Munshi or Mr. Spector if a proposal that is not on the proxy card comes up for a vote at our 2017 Annual Meeting.

9. How do I vote?
Stockholder of Record: Shares Registered in Your Name.

BY INTERNET: Please follow the vote by Internet instructions that are on your proxy card. If you vote by Internet, you do not have to mail in your proxy card. Your vote must be received by 11:59 p.m. (Eastern Time) on June 12, 2017, to be counted.

BY TELEPHONE: Please follow the vote by telephone instructions that are on your proxy card. If you vote by telephone, you do not have to mail in your proxy card. Your vote must be received by 11:59 p.m. (Eastern Time) on June 12, 2017, to be counted.

BY MAIL: If you have received a printed copy of these materials by mail, of if we have mailed you a proxy card pursuant to your request, you may complete, sign and date your proxy card and mail it in the enclosed pre-addressed envelope, which does not require postage if mailed in the United States. Your vote must be received no later than 11:59 p.m. (Eastern Time) on June 12, 2017, to be counted.

IN PERSON: We will pass out written ballots to anyone who wants to vote in person at our 2017 Annual Meeting. However, if you hold your shares in street name, you must obtain a legal proxy from your bank, broker or other agent to vote at our 2017 Annual Meeting.

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

If you are a beneficial owner of shares registered in the name of a bank, broker or other agent, you should have received the Internet Notice (or a proxy card and voting instructions with these proxy materials) from that organization rather than from us. Simply follow the instructions you received from that organization to vote on the Internet or, if you received a proxy card by mail, complete, sign and return the proxy card to ensure that your vote is counted. Please contact that organization if you did not receive the Internet Notice or such materials, as applicable.

To vote in person at our 2017 Annual Meeting, you must obtain a legal proxy from your bank, broker or other agent. Follow the instructions from your bank, broker or other agent included with the Internet Notice or these proxy materials, or contact such agent to obtain a proxy form.

Internet proxy voting may be provided to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

10. What does it mean if I receive more than one Internet Notice or proxy card?
It likely means that you hold our shares in multiple accounts at the transfer agent or with brokers or other custodians of your shares. Please follow the voting instructions included in each Internet Notice and proxy card you receive to ensure that all of your shares are voted.

11. Can I change my vote after submitting my proxy?
Stockholder of Record: Shares Registered in Your Name.

If you are a stockholder of record, you can revoke your proxy and change your vote at any time before the polls close at our 2017 Annual Meeting by: (i) voting on the Internet or by telephone by 11:59 p.m. (Eastern Time) on June 12, 2017 (your latest Internet or telephone vote is counted), (ii) signing a proxy card with a later date and returning it before 11:59 p.m. (Eastern Time) on June 12, 2017, (iii) providing a written notice no later than 11:59 p.m. (Eastern Time) on June 12, 2017, that you are revoking your proxy, or (iv) voting at the meeting. Please note, however, that simply attending our 2017 Annual Meeting will not, by itself, revoke your proxy.

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

If you are a beneficial owner of shares registered in the name of a bank, broker or other agent, you should follow their instructions on how to change your vote. Please contact your bank, broker or other agent if you did not receive such instructions.

12. How many shares must be present to hold our 2017 Annual Meeting?
To hold our 2017 Annual Meeting and conduct business, the holders of a majority of our outstanding common stock as of the Record Date must be present, either in person or represented by proxy, at our 2017 Annual Meeting. This is called a quorum.

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

- is present at the meeting, or
- has properly submitted a proxy (including voting on the Internet or by telephone).

Both abstentions and broker non-votes are counted as present for the purposes of determining the presence of a quorum at our 2017 Annual Meeting.

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

14. When do brokers have discretionary voting authority to vote my shares without my instruction?
If you are a beneficial owner whose shares are held of record by a bank, broker or other agent, such entity has discretionary voting authority, under the rules of the NYSE, to vote your shares on certain routine matters for which it does not receive voting instructions from you by the 10th day before the meeting. For example, such entity has discretionary voting authority with regard to the ratification of the appointment of KPMG LLP (Proposal 7).

When a proposal is not a routine matter and the entity holding the shares has not received voting instructions from the beneficial holder of the shares with respect to that proposal, the entity cannot vote the shares on that proposal.

The election of directors (Proposal 1), say-on-pay vote (Proposal 2), advisory indication of the preferred frequency of stockholder advisory votes on the compensation of our named executive officers (Proposal 3), and vote on the Arena Pharmaceuticals, Inc., 2017 Long-Term Incentive Plan (Proposal 6) are not considered routine. In addition, it is possible that brokers will not have discretionary voting authority with respect to the Reverse Stock Split proposal (Proposal 4) and the Authorized Shares Reduction proposal (Proposal 5), in which case, if you do not instruct your broker how to vote with respect to Proposals 4 and 5, your broker may not vote with respect to those proposals. Accordingly, if you own shares through a nominee, such as a broker or bank, please be sure to instruct your nominee how to vote to ensure that your vote is counted on all of the proposals.

15. How many votes must the nominees receive to be elected as directors, as described in Proposal 1?

Directors are elected by a plurality of votes of common stock present, either in person or represented by proxy, at our 2017 Annual Meeting and entitled to vote. This means that the nine nominees receiving the highest number of votes "FOR" election will be elected. Only votes "FOR" or "WITHHELD" will affect the outcome. However, if the number of votes "FOR" any of the nine nominees does not exceed 50% of the total number of votes cast with respect to such nominee's election (from the holders of votes of shares either present in person or represented by proxy and entitled to vote), such nominee will promptly tender his resignation as a director, and the Corporate Governance and Nominating Committee of the Board will make a recommendation to the Board as to whether it is appropriate to accept such director's resignation. Abstentions and broker non-votes will have no effect on the outcome.

16. How many votes must be received to approve the compensation of our named executive officers, as described in Proposal 2?

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

17. How many votes must be received to indicate the preferred frequency of stockholder advisory votes on the compensation of our named executive officers, as described in Proposal 3?

Pursuant to our Bylaws, the frequency that receives the approval of the majority of the votes cast by stockholders entitled to vote on the proposal will be deemed the frequency adopted by our stockholders. However, in the event that no frequency receives a majority of the votes cast, we will consider the frequency approved by the highest number of votes cast by stockholders entitled to vote on the proposal to be the frequency preferred by the stockholders. Abstentions and broker non-votes will have no effect on the outcome.

18. How many votes must be received to approve the series of alternate amendments to our Amended and Restated Certificate of Incorporation to effect a Reverse Stock Split of our common stock, as described in Proposal 4?

A majority of the shares outstanding on the Record Date must vote "FOR" approval. Abstentions and broker non-votes will have the same effect as "AGAINST" votes.

19. How many votes must be received to approve the series of alternate amendment to our Amended and Restated Certificate of Incorporation to effect, if and only if Proposal 4 is both approved and implemented, an Authorized Shares Reduction, as described in Proposal 5?

A majority of the shares outstanding on the Record Date must vote "FOR" approval. Abstentions and broker non-votes will have the same effect as "AGAINST" votes.

20. How many votes must be received to approve the Arena Pharmaceuticals, Inc., 2017 Long-Term Incentive Plan, as described in Proposal 6?

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

21. How many votes must be received to ratify the appointment of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2017, as described in Proposal 7?

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

22. How are votes counted?

Votes will be counted by the inspector or inspectors of election appointed for our 2017 Annual Meeting, who will separately count, for the proposal to elect directors, votes “FOR” and “WITHHOLD” and broker non-votes; with respect to the proposal regarding frequency of stockholder advisory votes to approve executive compensation, votes for frequencies of every year, every two years, or every three years, abstentions and broker non-votes; and, with respect to other proposals, votes “FOR” and “AGAINST,” proxies marked to “ABSTAIN” from voting, and broker non-votes. With respect to Proposals 4 and 5, regarding the proposed amendments to our Amended and Restated Certificate of Incorporation, abstentions and broker non-votes, if any, will have the same effect as “AGAINST” votes. Abstentions and broker non-votes will have no effect and will not be counted towards the vote total for any other proposal, but will be counted as present for the purposes of determining the presence of a quorum at our 2017 Annual Meeting.

We have retained Broadridge Financial Solutions, Inc. to tabulate and certify the voting results.

23. Who will bear the cost of soliciting votes for our 2017 Annual Meeting?
We are paying for the distribution and solicitation of the proxies. As a part of this process, we reimburse brokers, nominees, fiduciaries and other custodians for reasonable fees and expenses in forwarding proxy materials to our stockholders. Original solicitation of proxies by mail may be supplemented by other mailings, telephone calls, personal solicitation, or use of the Internet by our directors, officers, other employees or, if we choose to engage one, an independent proxy solicitation firm. No additional compensation will be paid to our directors, officers or other employees for such services, and in the event we engage such a proxy solicitation firm, the fees paid by us would not likely exceed $20,000.

24. How can I find out the results of the voting at our 2017 Annual Meeting?
Preliminary voting results will be announced at our 2017 Annual Meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four business days after our 2017 Annual Meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after our 2017 Annual Meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional Form 8-K to publish the final results.

25. How can I obtain the company’s corporate governance information?
We have included various corporate governance materials under the “Investors” tab of our website, www.arenapharm.com. Included in such information are the charters of the following standing committees of our Board of Directors: The Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee. Also included under that tab are our Board of Directors’ Corporate Governance Guidelines, our Code of Business Conduct and Ethics and our Policy on Filing, Receipt and Treatment of Complaints.

ELECTION OF DIRECTORS (PROPOSAL 1)

Nominees and Election Process

Our Board of Directors currently consists of eleven directors. The nine persons named in the table below are nominees for director at our 2017 Annual Meeting to serve until the next annual meeting of stockholders and until their respective successors are elected and qualified or until their earlier resignation or removal. Our Bylaws provide that the authorized number of directors shall be determined by a resolution of our Board of Directors. Our Board of Directors has determined by resolution to reduce the authorized number of directors to nine as of the election of the directors at our 2017 Annual Meeting. Proxies may not be voted for a greater number of persons than the number of nominees named in this proxy statement. Harry F. Hixson, Jr., Ph.D. and Donald D. Belcher will not continue as directors after our 2017 Annual Meeting.

All of the nominees for director at our 2017 Annual Meeting were elected at our 2016 Annual Meeting of Stockholders other than Jayson Dallas, M.D., Oliver Fetzer, Ph.D., and Garry Neil, M.D., who were appointed as directors by our Board of Directors in February 2017. All of the nominees were recommended by the Corporate Governance and Nominating Committee for election to our Board of Directors at our 2017 Annual Meeting. Directors are elected by a plurality of votes of common stock present, either in person or represented by proxy, at the annual meeting and entitled to vote. However, if the number of votes "FOR" any of the nine nominees does not exceed 50% of the total number of votes cast with respect to such nominee's election (from the holders of votes of shares either present in person or represented by proxy and entitled to vote), such nominee will promptly tender his resignation as a director, and the Corporate Governance and Nominating Committee will make a recommendation to the Board as to whether it is appropriate to accept such director's resignation. Unless otherwise instructed to withhold a vote for a particular nominee or all of the nominees, the proxy holders will vote the proxies received by them for the nominees named below. In the event that any of these nominees is unavailable to serve as a director at the time of our 2017 Annual Meeting, the proxies will be voted for any substitute nominee who shall be designated by our Board of Directors, unless our Board reduces the number of directors. We have no reason to believe that any nominee will be unavailable to serve.

Following is information regarding the nominees for director at our 2017 Annual Meeting. Such information includes biographical and other information about the nominees, including information concerning the specific experience, qualifications, attributes or skills that led our Board of Directors and the Corporate Governance and Nominating Committee to conclude that the nominees should serve as our directors.

Name	Positions and Offices Held	Year First Elected or Appointed Director	Age
Scott H. Bice, J.D.	Director	2003	74
Jayson Dallas, M.D.	Director	2017	49
Oliver Fetzer, Ph.D.	Director	2017	52
Amit D. Munshi	Director, President and Chief Executive Officer	2016	49
Garry A. Neil, M.D.	Director	2017	63
Tina S. Nova, Ph.D.	Director, Chair of the Board	2004	63
Phillip M. Schneider	Director	2007	60
Christine A. White, M.D.	Director	2006	65

Randall E. Woods	Director	2007	65

Business Experience of Nominees

Biographical information for each of the nominees is set forth below, together with a draft summary of the key qualifications and experience that led our Board to the conclusion that each of the nominees should serve as a director in the past and/or as a proposed nominee for the 2017 annual meeting.

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

Mr. Bice's extensive legal, corporate governance, and business ethics expertise, his background as a professor and former Dean of a leading law school, and his service on other boards give him an important perspective to contribute and the qualifications, attributes and skills to serve as one of our directors.

Jayson Dallas, M.D., has served on our Board of Directors since February 2017. He has served as Chief Commercial Officer and Senior Vice President of Ultragenyx Pharmaceutical Inc., a publicly held biopharmaceutical company focused on the development of novel products for rare and ultra-rare diseases, since August 2015. Prior to Ultragenyx, Dr. Dallas served as General Manager of Roche, a healthcare company, in the United Kingdom from January 2013 to July 2015. Prior to this, he held two different positions at Genentech, a pharmaceutical company, as Head of Global Oncology Launch Excellence and Biosimilar Strategy and Head of Global Product Strategy for Immunology and Ophthalmology, from May 2010 to December 2012 in South San Francisco. Prior to joining Genentech, Dr. Dallas worked at Novartis and Pfizer / Pharmacia in the United States and previously at Roche in Switzerland. Dr. Dallas holds an M.D. from the University of the Witwatersrand, Johannesburg, South Africa and an M.B.A. from Ashridge Business School in the United Kingdom.

Dr. Dallas's years of global experience at the intersection of drug development, medical and commercial planning for leading biopharmaceutical and healthcare companies gives him the qualifications, attributes and skills to serve as one of our directors.

Oliver Fetzer, Ph.D., has served on our Board of Directors since February 2017. He has served as the Chief Executive Officer of Synthetic Genomics, Inc., a private synthetic biology company commercializing genomic technologies, since November 2014. Prior to Synthetic Genomics, Dr. Fetzer was President and Chief Executive Officer of Cerulean Pharma Inc., a pharmaceutical company that develops nanoparticle drug conjugate oncology therapeutics, from April 2009 to October 2014. Prior to Cerulean Pharma, Dr. Fetzer served in a variety of positions at Cubist Pharmaceuticals, Inc., including Senior Vice President, Corporate Development and Research & Development, Senior Vice President, Corporate Development and Chief Business Officer, and Senior Vice President, Business Development. Dr. Fetzer began his career in 1993 in various positions of increasing responsibility at the Boston Consulting Group (BCG), a global leading management consulting firm, including Consultant, Project Leader, Principal, Partner and Managing Director. Dr. Fetzer served on the boards of Auxilium Pharmaceuticals, Inc., from 2005 to 2015 and Cerulean Pharma, Inc. from 2009 to 2014, and has served on the board of Tecan Group AG, a publicly held provider of laboratory instruments and solutions in biopharmaceuticals, forensics and clinical diagnostics, since 2011. Dr. Fetzer received a B.S. in Biochemistry from the College of Charleston, a Ph.D. in Pharmaceutical Sciences from the Medical University of South Carolina, and an M.B.A. from Carnegie Mellon University.

Dr. Fetzer's experience with transactions and leadership from pre-clinical to late stage development in the biopharmaceutical industry, in addition to his management consulting and prior publicly held company board service, give him the qualifications, attributes and skills to serve as one of our directors.

Amit D. Munshi has served as a member of our Board of Directors since June 2016, and as our President and Chief Executive Officer since May 2016. Previously, Mr. Munshi served as President and Chief Executive Officer and a director of Epirus Biopharmaceuticals, Inc. from May 2012 to May 2016. Prior to Epirus, Mr. Munshi served as Chief Executive Officer of Percivia LLC, a biotechnology company, from 2011 to 2012, was a co-founder and served as Chief Business Officer of Kythera Biopharmaceuticals, Inc., from 2005 to 2010, and held multiple leadership positions at Amgen Inc. from 1997 to 2005, including General Manager, Nephrology Europe. In July 2016, Epirus filed a voluntary Chapter 7 petition in the United States Bankruptcy Court for the District of Massachusetts. Mr. Munshi holds a B.S. in Economics and a B.A. in History from the University of California, Riverside, and an M.B.A. from the Peter F. Drucker Graduate School of Management at Claremont Graduate University. Mr. Munshi has more than 25 years of global biopharmaceutical industry experience in executive management, business development, product development and portfolio management. Mr. Munshi serves on the boards of Oxeia Biopharmaceuticals, Inc., and Cytrellis Biosystems, Inc., both privately held companies.

The Board believes that it is important to have our Company's Chief Executive Officer serve on the Board as he is closest to our company's day-to-day operations. Mr. Munshi's vast executive management and business experience in the global biopharmaceutical industry and in-depth knowledge of product development gives him the qualifications, attributes and skills to serve as one of our directors.

Garry Neil, M.D., has served on our Board of Directors since February 2017. He has served as the Chief Scientific Officer of Aevi Genomic Medicine, a publicly held biotechnology company focused on translating genetic discoveries into novel therapies to improve the lives of children and adults with pediatric onset life altering diseases, since September 2013. Prior to joining Aevi Genomic Medicine, Dr. Neil was a Partner at Apple Tree Partners, a life science private equity firm, from September 2012 to September 2013, and held a number of senior positions in the pharmaceutical industry, including most recently Corporate VP of Science & Technology at Johnson & Johnson from November 2007 to August 2012. Prior to that, Dr. Neil served as Group President at Johnson & Johnson Pharmaceutical Research and Development, VP of R&D at Merck KGaA/EMD Pharmaceuticals, VP of Clinical Research at AstraZeneca and Astra Merck. Under his leadership a number of new medicines for the treatment of cancer, anemia, infections, central nervous system and psychiatric disorders, pain, and genitourinary and gastrointestinal diseases gained initial or expanded approvals. Dr. Neil holds a B.S. from the University of Saskatchewan and an M.D. from the University of Saskatchewan College of Medicine. He completed postdoctoral clinical training in internal medicine and gastroenterology at the University of Toronto. Dr. Neil also completed a postdoctoral research fellowship at the Research Institute of Scripps Clinic. He serves on the board GTx, Inc., a publicly held biopharmaceutical company focused on cancer and other serious medical conditions. He is the Founding Chairman of TransCelerate Biopharma, Inc., a non-profit pharmaceuticals industry R&D consortium, and remains on its board. He also serves on the board of Reagan Udall Foundation and previously served on the board of Foundation for the National Institutes of Health (NIH), and on the Science Management Review Board of the NIH. He is past Chairman of the Pharmaceutical Research and Manufacturers Association (PhRMA) Science and Regulatory Executive Committee and the PhRMA Foundation Board.

Dr. Neil’s years of biopharmaceutical experience with emphasis on unique insight into gastroenterology (or GI) drug development with vast network of global key opinion leaders (or KOLs), his medical degree and specialty training, as well as his global executive positions in research and development, clinical, and regulatory affairs, gives him the qualifications, attributes and skills to serve as one of our directors.

Tina S. Nova, Ph.D., has served as a member of our Board of Directors since September 2004. Dr. Nova has served as President and Chief Executive Officer of Molecular Stethoscope, Inc., a diagnostics company, since September 2015. Dr. Nova served as Senior Vice President and General Manager of Illumina Inc.’s oncology business unit from July 2014 to August 2015. Dr. Nova was a co-founder of Genoptix, Inc., a medical laboratory diagnostics company, and served as its President from 2000 to April 2014. Dr. Nova also served as the Chief Executive Officer of Genoptix and as a member of its board of directors from 2000 until Novartis AG acquired Genoptix in March 2011. Dr. Nova was a co-founder of Nanogen, Inc., and served as its Chief Operating Officer and President from 1994 to 2000. Dr. Nova served as Chief Operating Officer of Selective Genetics from 1992 to 1994, and in various director-level positions with Ligand Pharmaceuticals, Inc., from 1988 to 1992. Dr. Nova has also held various research and management positions with Hybritech, Inc., a former subsidiary of Eli Lilly & Company. Dr. Nova serves as a member of the board of directors of Veracyte, Inc., a diagnostics company. Within the past five years, Dr. Nova also served as a member of the board of directors of Adamis Pharmaceuticals Corporation, a biopharmaceutical company and NanoString Technologies, Inc., a provider of life science tools. Dr. Nova holds a B.S. in Biological Sciences from the University of California, Irvine and a Ph.D. in Biochemistry from the University of California, Riverside.

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

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

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

Christine A. White, M.D., has served as a member of our Board of Directors since August 2006. Dr. White served in various senior positions with Biogen Idec Inc., a biopharmaceutical company, from 1996 to 2005, most recently as Senior Vice President, Global Medical Affairs; as the Director of Clinical Oncology Research at the Sidney Kimmel Cancer Center in San Diego from 1994 to 1996; and on the clinical staff and in various positions in the Department of Medicine at Scripps Memorial Hospitals in La Jolla and Encinitas, California, from 1984 to 1994, most recently as Chairman, Department of Medicine. Dr. White serves as chairman on the board of directors of MEI Pharma, Inc., an oncology company. Dr. White holds a B.A. in Biology and an M.D. from the University of Chicago and is board certified in both Internal Medicine and Medical Oncology.

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

Randall E. Woods has served as a member of our Board of Directors since December 2007. Mr. Woods has served as the President and Chief Executive Officer of Sophiris Bio Inc., a urology company, since August 2012, and as a member of its board of directors since October 2012. Mr. Woods served as the President and Chief Executive Officer and a member of the board of directors of Sequel Pharmaceuticals, Inc., a pharmaceutical company, from September 2007 to June 2011; as the President and Chief Executive Officer of NovaCardia, Inc., a pharmaceutical company that was acquired by Merck & Co., Inc., from April 2004 to September 2007; as the President and Chief Executive Officer of Corvas International, Inc., a biopharmaceutical company, from 1996 to 2003; in various senior positions at Boehringer Mannheim’s US pharmaceutical operations, from 1993 to 1996, most recently as President; and before then served more than 20 years at Eli Lilly & Company in sales and marketing positions. Mr. Woods is the chairman emeritus of the advisory board of the University of California, San Diego’s Sulpizio Cardiovascular Center. Mr. Woods was the Chair of the board of directors of BIOCOM, a life science association representing member companies in Southern California, for 2009. Mr. Woods holds a B.S. in Biology and Chemistry from Ball State University and an M.B.A. from Western Michigan University.

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

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS

VOTE “FOR” EACH NAMED NOMINEE.

Director Independence

Our common stock is listed on the NASDAQ Global Select Market, which requires that a majority of a listed company’s board of directors qualify as “independent” under the applicable NASDAQ listing standards. The board of directors must affirmatively make this determination. In addition, under our Corporate Governance Guidelines, it is our policy that at least two-thirds of the members of our Board of Directors be independent directors.

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

Under our Corporate Governance Guidelines, directors who have been deemed "independent directors" by our Board of Directors will inform the Chair of the Board in writing if he or she believes there has been a change in his or her status as an independent director. The Chair of the Board, in turn, will advise the Corporate Governance and Nominating Committee of such potential change of status so that the committee, with the aid of the Chair of the Board, can determine whether the director continues to qualify as an independent director and whether to recommend to our full Board of Directors to ask for the resignation of such director.

Corporate Governance Guidelines

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

Board Leadership Structure

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

On June 13, 2016, our Board appointed Dr. Nova, an independent director, the Chair of the Board. Our Board's policy is one of the independent directors shall be appointed by a majority of the independent directors as the Chair to serve for a minimum of one year or until the earlier of when replaced by the independent directors or six years from appointment. Our Board's policy provides that the Chief Executive Officer and Chair of the Board shall not be held by the same person. Our Chair's responsibilities and authority includes the following:

- Serving as the chair of Board meetings, including during executive sessions of independent directors;
- Establishing the schedule and agenda for Board meetings and approving information to be sent to our Board;
- Presiding over any portion of Board meetings at which the performance of our Board is presented or discussed;
- Establishing the agenda for meetings of the independent directors and presiding over such meetings;
- Coordinating with the committee chairs, as needed, regarding meeting agendas, informational requirements and other matters, as appropriate;
- Serving as the liaison between the Chief Executive Officer and the independent directors;
- Being available for communications with stockholders, as appropriate and in accordance with our policy on stockholder communications with our Board; and
- Performing such other duties as our Board may establish or delegate.

Our Board of Directors believes that this structure provides an efficient and effective leadership model for our company at this time. In considering its leadership structure, our Board of Directors has taken into account that it consists of a substantial majority of independent directors who are highly qualified and experienced, has a Chair with defined corporate governance responsibilities, the Board's Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee are each comprised entirely of independent directors, and that it has regular interactions outside of Board and committee meetings with our management, including our Chief Executive Officer. Our Board of Directors believes that we have an appropriate balance between the authority of those who oversee our company and those who manage it on a day-to-day basis.

Board's Role in Risk Oversight

Our management has the primary responsibility for identifying and managing our business risks, including by overseeing and implementing our enterprise risk management program. Our Board of Directors actively oversees potential risks and our risk management activities, including by discussing with management our risks and the management of such risks at meetings of the Board and its committees. Our Board of Directors also makes use of the independent understanding and knowledge of many of such risks possessed by our directors. Our Board of Directors regularly reviews our corporate strategy in light of the evolving nature of such risks and makes adjustments to that strategy when appropriate. Our Board of Directors also regularly considers risks facing us when it approves the annual budget, plan and corporate goals and throughout the year as it monitors developments and reviews our financial and other periodic reports.

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

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

Annual Performance Evaluations; Assessment of Charters; Director Education

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

Each director is expected to maintain the necessary level of expertise to perform his or her responsibilities as a director. Our Board of Directors regularly discusses recent developments in legal standards related to corporate governance, disclosure obligations or industry-specific issues. In addition, we may, from time to time and depending on the circumstances, pay for all or a portion of outside continuing education programs to assist our directors in maintaining such level of expertise. It is our Board of Directors' policy for us to reimburse each director for attending one of such continuing education programs per year (and, when possible, for such cost to be shared if the director is a member of more than one board of directors).

Code of Business Conduct and Ethics

Our Board of Directors has adopted a Code of Business Conduct and Ethics that applies to our directors and employees (including our principal executive officer and our principal financial and accounting officer), and we have posted the text of the policy on our website (www.arenapharm.com) under "Investors – Corporate Governance." To facilitate compliance with this policy, we periodically conduct a program of awareness, training and review. The Code of Business Conduct and Ethics complies with the applicable NASDAQ listing standards and SEC rules and regulations, and includes procedures for (i) the filing, receipt and treatment of complaints regarding suspected improper conduct by our employees, directors, collaborators, vendors and others associated with us and (ii) the confidential, anonymous submission by employees of concerns regarding any matter covered by the policy. In addition, we intend to promptly disclose 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, our principal financial and accounting officer, 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.

Non-employee Director Meetings

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

Director Meeting Attendance

Our Board of Directors held ten meetings during the fiscal year ended December 31, 2016. Each incumbent director attended at least 75% of the aggregate of the total number of meetings of our Board of Directors and the total number of meetings held by all committees of our Board on which such director served, in each case during the periods in which he or she served. In addition to regularly scheduled meetings, the directors participate in telephone interactions and other communications with each other and certain of our officers, as well as with our independent auditors and external advisors, counsel and consultants.

As stated in our Corporate Governance Guidelines, our directors are encouraged to attend our annual meetings of stockholders, and all of our directors attended our 2016 Annual Meeting of Stockholders other than Drs. Dallas, Fetzer and Neil, who joined our Board of Directors in February 2017.

Term Limits

Under our Corporate Governance Guidelines, independent directors serving on our Board of Directors as of December 29, 2011, are not to serve more than a total of 16 years. Independent directors who are elected to our Board of Directors after December 29, 2011, are not to serve more than a total of 10 years; provided, however, that if our Board determines, in anticipation of the 10-year term limit of an independent director elected after December 29, 2011, that such new director should continue to serve on our Board, then the 16-year term limit shall apply.

Committees of the Board

The standing committees of our Board of Directors are the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee. Each of these committees is comprised entirely of “independent” directors under the applicable NASDAQ listing standards. The members and chairs of our Board of Directors’ committees are appointed by our Board and may change in the future. Our Board of Directors has no set policy for rotation of committee members or chairs, but it annually reviews committee composition and chair positions, seeking the appropriate blend of continuity and fresh perspectives on the committees. The authority and responsibility of each of these committees are summarized below, and more detailed descriptions of their functions are included in their written charters, which are available on our website at www.arenapharm.com.

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

The following chart provides membership and meeting information for 2016 for the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee.

Member	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
Donald D. Belcher			
Scott H. Bice, J.D.			C
Harry F. Hixson, Jr., Ph.D.			
Phillip M. Schneider	C		
Christine A. White, M.D.			
Randall E. Woods		C	
Total meetings in 2016	6	9	4

- Committee member

C - Committee chair

Audit Committee

The Audit Committee's responsibilities include:

- selecting and evaluating the performance of our independent auditors;
- reviewing the scope of the audit to be conducted by our independent auditors, as well as the results of their audit, and approving audit and non-audit services to be provided by them;
- reviewing and assessing our financial reporting activities and disclosure, including our financial results press releases and periodic reports, and the accounting standards and principles followed;
- reviewing the scope, adequacy and effectiveness of our internal control over financial reporting;
- reviewing management's assessment of our compliance with our disclosure controls and procedures;
- reviewing our public disclosure policies and procedures;
- reviewing our guidelines and policies with respect to risk assessment and management, our tax strategy and our investment policy;
- reviewing and approving related-party transactions;

- overseeing our Code of Business Conduct and Ethics and our Policy on Filing, Receipt and Treatment of Complaints; and
- reviewing threatened or pending litigation matters and investigating matters brought to the committee's attention that are within the scope of its duties.

Our Board of Directors has determined that each of the Audit Committee members meets the independence and experience requirements included in the applicable NASDAQ listing standards and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Our Board of Directors has also determined that each of the committee members is an "audit committee financial expert" as defined in Item 407(d) of Regulation S-K.

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. Our Board of Directors has adopted a written charter for the Audit Committee, which is available on our website at www.arenapharm.com. Mr. Schneider is the Chair of the Audit Committee. The Audit Committee held six meetings in 2016. The Audit Committee's report is set forth below under "Audit Committee Report."

Compensation Committee

The Compensation Committee's responsibilities include:

- reviewing, modifying and approving our overall compensation strategy and policies;
- assessing risk created by current and proposed compensation policies and practices for all of our employees;
- reviewing and approving performance goals relevant to the compensation of our executive officers;
- evaluating and recommending to our Board of Directors compensation plans and programs for us, as well as modifying or terminating existing plans and programs;
- reviewing and approving compensation and benefits for our non-employee directors and executive officers, and making recommendations to our Board of Directors regarding these matters;
- authorizing and approving equity grants under our equity compensation plans; and
- overseeing preparation and review of the committee's report and the compensation discussion and analysis included in our proxy statement.

Our Board of Directors has adopted a written charter for the Compensation Committee, which is available on our website at www.arenapharm.com. Mr. Woods is the Chair of the Compensation Committee. The Compensation Committee held nine meetings in 2016. The Compensation Committee's report is set forth below under "Compensation Committee Report."

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee's responsibilities include:

- recommending guidelines to our Board of Directors for our corporate governance;
- overseeing director orientation and continuing education;
- establishing criteria for membership on our Board of Directors;
- identifying, evaluating, reviewing and recommending to our Board of Directors qualified director candidates;
- reviewing and assessing the performance of our Board of Directors and its standing committees;
- reviewing and approving a management succession plan and related procedures;
- making recommendations to our Board of Directors regarding the appointment of officers;
- establishing the process for receiving and considering stockholder proposals and suggestions for director nominations;
- making recommendations regarding the agenda for our Board of Directors' strategy discussions; and

- overseeing compliance related policies and practices that are not within the purview of the Audit Committee or are referred by our Board of Directors.

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

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

The Corporate Governance and Nominating Committee recommended the nominations of each of the director nominees for election at our 2017 Annual Meeting.

Our Board of Directors has adopted a written charter for the Corporate Governance and Nominating Committee, which is available on our website at www.arenapharm.com. Mr. Bice is the Chair of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee held four meetings in 2016.

Stockholder Director Recommendations

The Corporate Governance and Nominating Committee will consider director candidates recommended by our stockholders. A candidate must be highly qualified and be willing and expressly interested in serving on our Board of Directors. The Corporate Governance and Nominating Committee does not intend to alter the manner in which it evaluates candidates, including the minimum qualifications set forth above, based on whether or not the candidate was recommended by a stockholder. To be considered by the Corporate Governance and Nominating Committee, a stockholder recommendation for director candidates for an annual meeting of stockholders must be received by the committee by December 31 of the year before such annual meeting. A stockholder who wishes to recommend a candidate for the Corporate Governance and Nominating Committee's consideration should forward the candidate's name and information about the candidate's qualifications to Corporate Secretary, Arena Pharmaceuticals, Inc., 6154 Nancy Ridge Drive, San Diego, California 92121. Submissions must include a representation that the nominating stockholder is a beneficial or record owner of our stock. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. This procedure does not affect the deadline for submitting other stockholder proposals for inclusion in the proxy statement, nor does it apply to questions a stockholder may wish to ask at an annual meeting. Additional information regarding submitting stockholder proposals is set forth in our Bylaws. Stockholders may request a copy of the bylaw provisions relating to stockholder proposals from our Corporate Secretary.

Stockholder Communications with our Board of Directors

Our Board of Directors has a formal process by which stockholders may communicate with our Board or any of our directors or officers. Stockholders who wish to communicate with our Board of Directors or any of our directors or officers may do so by sending written communications addressed to such person or persons in care of Corporate Secretary, Arena Pharmaceuticals, Inc., 6154 Nancy Ridge Drive, San Diego, California 92121. All such communications will be compiled by our Corporate Secretary and submitted to the addressees on a periodic basis. If our Board of Directors modifies this process, we will post the revised process on our website.

Compensation Committee Interlocks and Insider Participation

Messrs. Bice and Woods and Dr. White served on the Compensation Committee during 2016. No director serving on the Compensation Committee during 2016 was, at any time during or before such fiscal year, one of our employees. None of our executive officers served during 2016 as a member of the board of directors or compensation committee of any other entity that had one or more of its executive officers serving as members of our Board of Directors or the Compensation Committee.

Certain Relationships and Related Transactions

The following is a description of transactions or series of transactions since January 1, 2016, to which we have been a party, in which the amount involved in the transaction or series of transactions exceeds $120,000, and in which any of our directors, executive officers or persons we knew to be holders of more than 5% of our common stock, or any immediate family member of the foregoing, had or will have a direct or indirect material interest, other than compensation arrangements described below. Each of these transactions was approved by the Audit Committee in accordance with its charter.

Transactions with Beacon Discovery, Inc.

On September 1, 2016, we entered into a series of agreements with Beacon Discovery, Inc., or Beacon, a newly formed entity. Dominic P. Behan, Ph.D., D.Sc., our former Executive Vice President, Chief Scientific Officer and member of our Board of Directors, was a director and greater than 10% stockholder of Beacon at the time of our entering the agreements. Dr. Behan is not currently an employee, director or a greater than 10% stockholder of Beacon.

We entered into a License and Collaboration Agreement, or License Agreement, with Beacon, pursuant to which we transferred certain equipment and other assets to Beacon having a book value of approximately $0.9 million, and granted Beacon a non-exclusive, non-assignable and non-sublicensable license to certain database information relating to compounds, receptors and pharmacology. Beacon is permitted to utilize the license to perform services in connection with a Master Services Agreement we entered with Beacon, and to conduct its own research (and commercialize resulting products) in areas unrelated to our research and development programs. In addition, Beacon is responsible, at its own expense, for maintaining our existing vivarium through December 31, 2017. 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 to 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 will also be entitled to certain rights of first negotiation and rights of first refusal to potentially obtain licenses to certain 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, except for certain payments from Boehringer Ingelheim International GmbH (“BI”) discussed below; (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.

Pursuant to the Master Services Agreement, Beacon is expected to perform certain additional research services to support our clinical-stage pipeline, as such services are requested by us and agreed by Beacon from time to time, in exchange for payments totaling approximately $1.9 million, of which amount $1.5 million has been paid as of April 1, 2017 and the balance of which is expected to become due by May 1, 2017.

We also entered into a services agreement with Beacon (the “BI Services Agreement”), pursuant to which we transferred to Beacon our research obligations under that certain Collaboration and License Agreement, dated December 22, 2015 (the “BI Collaboration Agreement”), by and between us and BI. In consideration for performing these research obligations, Beacon will be entitled to receive the applicable FTE payments that are paid to us by BI for the research services to be performed by Beacon, which are expected to be approximately $3.0 million. In addition, pursuant to the License Agreement (discussed above), we agreed to pay up to $12.0 million of certain milestone payments to Beacon, to the extent such milestone payments are received by us pursuant to the BI Collaboration Agreement.

We also entered into a sublease agreement with Beacon, pursuant to which we sublease approximately 15,000 square feet of office, laboratory and meeting room space to Beacon. The term of the sublease is five years. Under the sublease agreement, Beacon is required to pay us rent at a rate of $15,000 per month, which, at Beacon's option, may be payable in the form of a secured promissory note (the "Note") bearing interest at the annual rate of 7% and payable five years from the commencement date of the sublease, or earlier in the event Beacon obtains financing or receives certain license or collaboration payments in excess of a specified aggregate amount. As of December 31, 2016, the outstanding principal amount under the Note was $60,962, which is also the largest principal amount outstanding under the Note during 2016. The aggregate amount of interest accrued under the Note during 2016 was $962. Beacon has not repaid any principal or paid any accrued interest to us since the issuance of the Note.

Policies and Procedures for the Review and Approval of Transaction with Related Persons

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

ADVISORY VOTE ON EXECUTIVE COMPENSATION (PROPOSAL 2)

At our 2011 Annual Meeting of Stockholders, the stockholders indicated their preference that we solicit a non-binding advisory vote on the compensation of our named executive officers, commonly referred to as a “say-on-pay vote,” every year. Our Board of Directors has adopted a policy that is consistent with that preference. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement.

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

We urge stockholders to read the below “Compensation Discussion and Analysis” and the compensation tables and related narrative, which describe in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives. Our Board of Directors and the Compensation Committee believe that our compensation policies and practices are effective in implementing our compensation philosophy and in helping us achieve our strategic goals.

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

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

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

Advisory approval of this proposal requires a majority of the votes cast by stockholders entitled to vote on the proposal voting “FOR” approval. Abstentions and broker non-votes will have no effect.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS

DISCLOSED IN THIS PROXY STATEMENT.

ADVISORY VOTE ON THE FREQUENCY OF SOLICITATION OF ADVISORY STOCKHOLDER APPROVAL OF EXECUTIVE COMPENSATION (PROPOSAL 3)

The Dodd-Frank Act and Section 14A of the Exchange Act enable our stockholders, at least once every six years, to indicate their preference regarding how frequently we should solicit a non-binding advisory vote on the compensation of our named executive officers as disclosed in our proxy statements. Currently, consistent with the preference expressed by our stockholders at our 2011 Annual Meeting of Stockholders, the policy of the Board is to solicit a non-binding advisory vote on the compensation of our named executive officers every year. In accordance with the Dodd-Frank Act, we are again asking stockholders to indicate whether they would prefer an advisory vote every year, every two years or every three years. Alternatively, stockholders may abstain from casting a vote. For the reasons described below, our Board of Directors recommends that the stockholders select a frequency of every year.

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

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

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

While our Board of Directors believes that its recommendation is appropriate at this time, the stockholders are not voting to approve or disapprove that recommendation, but are instead asked to indicate their preferences, on an advisory basis, as to whether the non-binding advisory vote on the approval of our executive officer compensation practices should be held every year, every two years or every three years. Pursuant to our Bylaws, the frequency among those choices that receives the approval of the majority of the votes cast by stockholders entitled to vote on this proposal will be deemed the frequency adopted by our stockholders. However, in the event that no frequency receives a majority of the votes cast, we will consider the frequency approved by the highest number of votes cast by stockholders entitled to vote on this proposal to be the frequency preferred by our stockholders.

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

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

Compensation and Other Information

Concerning Executive Officers, Directors and Certain Stockholders

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information known to us with respect to the beneficial ownership of our common stock as of March 31, 2017, by:

- Each person, group or entity who is the beneficial owner of more than 5% of our common stock;
- Each director and nominee for director;
- Our Named Executive Officers (as defined below in "Compensation Discussion and Analysis"); and
- All directors and executive officers as a group.

Unless otherwise indicated in the footnotes below, the address for the beneficial owners listed in this table is in care of Corporate Secretary, Arena Pharmaceuticals, Inc., 6154 Nancy Ridge Drive, San Diego, California 92121. This table is based on information supplied by our current and former executive officers, directors and principal stockholders and Schedules 13D, 13G and other filings made with the SEC on or before March 31, 2017. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that the stockholders named in this table have sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 247,148,747 shares of common stock outstanding on March 31, 2017, as adjusted as required by the rules promulgated by the SEC. This table includes shares issuable pursuant to stock options and other rights to purchase shares of our common stock exercisable within 60 days of March 31, 2017.

Name of Beneficial Owner	Shares Beneficially Owned	Percentage of Total
Wellington Management Group, LLP (1)	23,035,452	9.32%
The Vanguard Group (2)	18,994,955	7.69%
BlackRock, Inc. (3)	18,924,133	7.66%
Dominic Behan, Ph.D., D.Sc. (4)	1,993,103	*
Steven W. Spector, J.D. (5)	1,247,495	*
Amit D. Munshi (6)	951,875	*
Craig M. Audet, Ph.D. (7)	516,196	*
Harry F. Hixson, Jr., Ph.D. (8)	411,736	*
Donald D. Belcher (9)	397,588	*
Christine A. White, M.D. (10)	367,588	*
Phillip M. Schneider (11)	364,588	*
Scott H. Bice, J.D. (12)	290,780	*
Randall E. Woods (13)	279,320	*
Tina S. Nova, Ph.D. (14)	265,311	*
Jayson Dallas, M.D. (15)	49,999	*
Oliver Fetzer, Ph.D. (16)	49,999	*
Garry Neil, M.D. (17)	49,999	*
Kevin R. Lind	1,875	*
Vincent Aurentz	—	*
Preston Klassen	—	*
All current directors and executive officers as a group (15 persons) (18)	4,728,153	1.88%

* Less than one percent

(1) Wellington Management Group LLP, had shared voting power with respect to 16,091,035 shares and shared dispositive power with respect to 23,035,452 shares. The principal business office of Wellington Management Company LLP, is 280 Congress Street, Boston, Massachusetts 02210.

(2) The Vanguard Group had sole voting power with respect to 484,132 shares, sole dispositive power with respect to 18,487,505 shares and shared dispositive power with respect to 507,450 shares. The principal business office of The Vanguard Group is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

(3) BlackRock, Inc., had sole voting power with respect to 18,400,585 shares and sole dispositive power with respect to 18,924,133 shares. The principal business office of BlackRock, Inc., is 55 East 52nd Street, New York, New York 10055.

(4) Includes 1,490,312 shares issuable to Dr. Behan upon the exercise of stock options that are exercisable within 60 days of March 31, 2017, and 62,501 shares of common stock that will be released within 60 days of March 31, 2017.
(5) Includes 1,138,751 shares issuable to Mr. Spector upon the exercise of stock options that are exercisable within 60 days of March 31, 2017.
(6) Includes 950,000 shares issuable to Mr. Munshi upon the exercise of stock options that are exercisable within 60 days of March 31, 2017.
(7) Includes 472,134 shares issuable to Dr. Audet upon the exercise of stock options that are exercisable within 60 days of March 31, 2017.
(8) Includes 328,860 shares issuable to Dr. Hixson upon the exercise of stock options that are exercisable within 60 days of March 31, 2017.
(9) Includes 328,860 shares issuable to Mr. Belcher upon the exercise of stock options that are exercisable within 60 days of March 31, 2017.
(10) Includes 328,860 shares issuable to Dr. White upon the exercise of stock options that are exercisable within 60 days of March 31, 2017.
(11) Includes 335,860 shares issuable to Mr. Schneider upon the exercise of stock options that are exercisable within 60 days of March 31, 2017.
(12) Includes 267,152 shares issuable to Mr. Bice upon the exercise of stock options that are exercisable within 60 days of March 31, 2017.
(13) Includes 259,592 shares issuable to Mr. Woods upon the exercise of stock options that are exercisable within 60 days of March 31, 2017.
(14) Includes 246,583 shares issuable to Dr. Nova upon the exercise of stock options that are exercisable within 60 days of March 31, 2017.
(15) Includes 49,999 shares issuable to Dr. Dallas upon the exercise of stock options that are exercisable within 60 days of March 31, 2017.
(16) Includes 49,999 shares issuable to Dr. Fetzer upon the exercise of stock options that are exercisable within 60 days of March 31, 2017.
(17) Includes 49,999 shares issuable to Dr. Neil upon the exercise of stock options that are exercisable within 60 days of March 31, 2017.
(18) Includes 4,334,515 shares issuable upon the exercise of stock options held by our current directors and executive officers that are exercisable within 60 days of March 31, 2017.

Executive Officers and Certain Directors

Our executive officers are appointed by our Board of Directors and serve at the discretion of our Board. The following table sets forth information regarding our executive officers and two directors who are not standing for reelection at our 2017 Annual Meeting.

Name	Age	Position
Executive officers		
Vincent Aurentz	49	Executive Vice President and Chief Business Officer
Preston Klassen, M.D., M.H.S.	48	Executive Vice President, R&D, Chief Medical Officer
Kevin R. Lind	41	Executive Vice President and Chief Financial Officer
Amit D. Munshi	49	President and Chief Executive Officer
Steven W. Spector, J.D.	52	Executive Vice President, General Counsel and Secretary
Directors not standing for reelection		
Donald D. Belcher	78	Director

Harry F. Hixson, Jr., Ph.D.	78	Director

Executive Officers

See "ELECTION OF DIRECTORS (PROPOSAL 1)" for biographical information regarding Mr. Munshi, our President and Chief Executive Officer, who is also a director nominated for reelection at our 2017 Annual Meeting.

Vincent Aurentz, has served as our Executive Vice President and Chief Business Officer since August 2016. Previously, Mr. Aurentz served as the Chief Business Officer of Epirus Biopharmaceuticals, Inc. from November 2015 to July 2016. Prior to Epirus, Mr. Aurentz served as President of HemoShear Therapeutics, LLC from July 2013 to November 2015, where he oversaw the scientific research and business development efforts including collaborations with global organizations such as Pfizer Inc., Eli Lilly, Janssen R&D and Children's National Health System. Prior to HemoShear, Mr. Aurentz served as Executive-in-Residence at Catenion GmbH from July 2012 to December 2014, and served as Executive Vice President of Quintiles Transnational from October 2010 to April 2012. Prior to that, Mr. Aurentz was Executive Vice President and member of the Executive Management Board at Merck KGaA (Merck Serono S.A.) where he directed R&D programs, portfolio strategy and headed all deal activity and venture investments, Co-founder and Managing Director of a venture capital and advisory business, and started his career at Andersen Consulting (now Accenture). In July 2016, Epirus filed a voluntary Chapter 7 petition in the United States Bankruptcy Court for the District of Massachusetts. Mr. Aurentz received a B.S. in mathematics from Villanova University.

Preston Klassen, M.D., M.H.S., has served as our Executive Vice President, Research and Development and Chief Medical Officer since March 2017. Previously, he was Chief Medical Officer of Laboratoris Sanifit S.L. from May 2016 to March 2017, and was Executive Vice President, Head of Global Development at Orexigen Therapeutics, Inc. from November 2009 to May 2016. Dr. Klassen has held several positions of increasing responsibility at Amgen, Inc., including Therapeutic Area Head for Nephrology. Prior to joining Amgen, he was a faculty member in the Division of Nephrology at Duke University Medical Center from 1997 to 2002. Dr. Klassen received his medical degree from the University of Nebraska College of Medicine and completed his residency in internal medicine, fellowship in nephrology, and masters in health sciences degree at Duke University.

Kevin R. Lind, has served as our Executive Vice President and Chief Financial Officer since June 2016. Previously, Mr. Lind was a Principal focused on healthcare at TPG Special Situations Partners, a global investment firm, from January 2009 to June 2016. Mr. Lind was a member of the TPG Pharma Partners effort at TPG-Axon Capital, a global investment firm, from 2006 to 2008. He served in various capacities as a healthcare investment banker at Lehman Brothers, Inc., a former global financial services firm, from 1998 to 2002 and 2004 to 2006. Mr. Lind received a B.S. from Stanford University in Biological Sciences and an M.B.A. from UCLA Anderson School of Management.

Steven W. Spector, J.D., has served as our Executive Vice President and General Counsel since February 2012, and previously served as our Senior Vice President and General Counsel from June 2004 to February 2012 and as our Vice President and General Counsel from October 2001 to June 2004. Mr. Spector has also served as our Secretary since November 2001. Mr. Spector is a member of the board of directors and a former President of the Association of Corporate Counsel, San Diego, and an Adjunct Professor at the University of San Diego School of Law. Mr. Spector was a partner with the law firm of Morgan, Lewis & Bockius LLP, where he worked from 1991 to October 2001. Mr. Spector holds a B.A. and a J.D. from the University of Pennsylvania.

Directors Not Standing for Reelection

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

Harry F. Hixson, Jr., Ph.D., has served as a member of our Board of Directors since September 2004, and as our interim Chief Executive Officer and Principal Financial Officer from October 2015 until June 2016. Dr. Hixson served as the Chairman of the board of directors of Sequenom, Inc., a genomics company, from January 2003 to March 2015, and as its Chief Executive Officer from September 2009 to June 2014. Dr. Hixson served as Chief Executive Officer of BrainCells Inc., a drug discovery and development company, from 2004 to 2005; as Chief Executive Officer of Elitra Pharmaceuticals Inc., a biopharmaceutical company, from 1998 to 2003; and in various management positions with Amgen Inc., a biopharmaceutical company, from 1985 to 1991, most recently as President and Chief Operating Officer. Within the past five years, Dr. Hixson also served as a member of the board of directors of NovaBay Pharmaceuticals, Inc., a biopharmaceutical company, and Infinity Pharmaceuticals, Inc., a biopharmaceutical company. Dr. Hixson holds a B.S. in Chemical Engineering from Purdue University, an M.B.A. from the University of Chicago and a Ph.D. in Physical Biochemistry from Purdue University.

Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes the key elements of our executive compensation program and compensation decisions for our named executive officer ("NEOs") for 2016. The Compensation Committee of the Board of Directors (the "Compensation Committee"), with input from its independent compensation consultant, oversees these programs and determined compensation for our NEOs.

Our 2016 NEOs are:

New and Ongoing NEOs	Position
Amit D. Munshi,	President and Chief Executive Officer
Kevin R. Lind, Chief Financial Officer	Executive Vice President and Chief Financial Officer
Vincent Aurentz	Executive Vice President and Chief Business Officer
Steven W. Spector, J.D.	Executive Vice President, General Counsel and Secretary
Outgoing NEOs	Position
Harry F. Hixson, Jr., Ph.D.	Former interim Chief Executive Officer and Principal Financial Officer
Dominic P. Behan, Ph.D., D.Sc.	Former Executive Vice President and Chief Scientific Officer
Craig M. Audet, Ph.D.	Former Senior Vice President, Operations and Head of Global Regulatory Affairs

We refer to Mr. Munshi, Mr. Lind and Mr. Aurentz as "New Hire NEOs" because they were hired during 2016. Mr. Spector is referred to as an "Ongoing NEO" because he was an officer prior to and during 2016. We refer to Drs. Hixson, Behan and Audet as "Outgoing NEOs" because their employment with us terminated during 2016.

Executive Summary

Strategic Transformation and Leadership Transitions

2016 was a year of considerable change in our corporate strategy and leadership team. Our 2016 compensation decisions were made in the context of these changes. The year began with Dr. Hixson acting as our interim Chief Executive Officer and Principal Financial Officer while our Board conducted a search for a full-time chief executive officer to lead the Company through a turnaround and transformation. The change in our corporate strategic direction and leadership began in the last quarter of 2015 and has involved:

- hiring a new chief executive officer and other senior management, as well as replacing all but one member of the executive management team serving at the beginning of 2016;
- significantly reducing the overall size of our workforce, but also hiring a new clinical development team; and
- focusing on our clinical stage assets (including three proprietary stage programs capable of delivering first or best-in-class drugs) and deemphasizing our commitments to our earlier research stage assets and commercial stage assets.

During 2016, we hired Mr. Munshi as our new Chief Executive Officer and, under his new leadership, we hired several new executives, including Mr. Lind as our Chief Financial Officer and Mr. Aurentz as a Chief Business Officer. We also discontinued employment relationships with certain long-tenured executives, including Drs. Behan and Audet, reoriented priorities and built requisite capabilities, and changed the Company from being a research-oriented organization to becoming a high performing clinical development organization.

Our 2016 compensation decisions allowed us to attract, motivate and retain our new executive management team and, together with the corporate strategic changes, we believe position us well to achieve our 2017 and longer-term objectives relating to maximizing the value of our clinical pipeline.

2016 Compensation Decisions

Ongoing Pay-for-Performance Philosophy. Our compensation philosophy and program is intended to align our executive officers' interests with those of our stockholders by incentivizing and rewarding performance. Our executive officers' total compensation is comprised of three key components, including base salary, performance-based cash incentives and equity compensation. Consistent with our pay-for-performance philosophy, and the long product development life cycles in the pharmaceuticals industry, the Compensation Committee links the compensation of our executive officers to performance by emphasizing equity compensation opportunities for long-term performance and cash incentives for near-term goal alignment.

Consistent with this philosophy, the total compensation provided to our executive officers will vary from year to year and will vary between executive officers based on corporate and individual performance, including performance against annual goals that are pre-established by the Compensation Committee. For example, the performance-based restricted stock unit awards that were granted in 2013 and 2014 and still held by certain Outgoing NEOs and the Ongoing NEO in 2016 were forfeited without any shares vesting as a result of the Company's total stockholder return performance compared to the relevant peer groups.

On-Cycle and Off-Cycle Compensation Decisions. Our 2016 compensation program described below generally reflects the different compensation arrangements approved in order to rebuild the Company's leadership and its business. Many of our 2016 compensation decisions were driven by our need to attract new executive leadership, retain select key personnel, and terminate other personnel in the context of our overall strategic reorganization. There was only one NEO, Mr. Spector, who remains an "Ongoing NEO" of the Company. Mr. Spector's compensation was determined "on-cycle"; all other NEOs were either hired or terminated in 2016 and their compensation was determined "off-cycle".

2016 Compensation for New Hire NEOs. The Board of Directors appointed Mr. Munshi as Chief Executive Officer in May 2016, Mr. Lind as Chief Financial Officer in June 2016, and Mr. Aurentz as Chief Business Officer in August 2016. The compensation provided to these individuals reflects the amount we believed necessary to induce their commencement of employment. Specifically, the compensation provided to Mr. Munshi, our new hire Chief Executive Officer, reflects the amount we believed necessary to induce his commencement of employment as our new Chief Executive Officer and the size of his new hire option award is not viewed by our Compensation Committee as reflective of the anticipated typical ongoing annual equity grant amount that will be granted to our Chief Executive Officer based on our current capitalization size. We believe that Mr. Munshi's new hire option award size was appropriate and necessary in order to hire an experienced Chief Executive Officer from outside the Company, and within market norms for new hire chief executive officer compensation, as further described below.

2016 Compensation for Outgoing NEOs. The employment of Dr. Hixson as interim Chief Executive Officer and Principal Financial Officer terminated upon the appointment of Mr. Munshi in May 2016, and the employment of Dr. Behan as Chief Scientific Officer and Dr. Audet as head of regulatory affairs was terminated in the second half of 2016. Drs. Behan and Audet were provided severance benefits under the terms of their previously established contractual agreements in exchange for a release of claims, with certain adjustments provided to Dr. Audet, as described below. In the case of Dr. Behan, we also entered into an hourly consulting relationship that allows the Company the flexibility to retain his services as needed to facilitate the transition to our new leadership and strategy. Dr. Hixson did not receive any severance payments.

The 2016 compensation provided to our Outgoing NEOs is not indicative of our normal ongoing "on-cycle" compensation program. The majority of the compensation paid to our Outgoing NEOs in 2016 was due to contractual severance benefit compensation obligations triggered by their terminations or, in the case of Dr. Hixson, due to specific circumstances relating to his service as the interim Chief Executive Officer and Principal Financial Officer. Compensation paid to our outgoing NEOs as severance benefits was required in connection with their terminations pursuant to the standard terms of our Severance Plan, with adjustment for Dr. Audet to allow an additional year to exercise his already vested options and payment of a lump sum of cash in lieu of paying for COBRA benefits. In the case of Dr. Hixson, his 2016 compensation was payable pursuant to the terms of an interim employment agreement that included incentive bonus compensation payable upon attainment of specific performance goals related to management succession, our operating performance and collaboration transactions, all of which were intended to accelerate our strategic transformation.

Competitive Positioning. In 2016, the value of on-cycle total compensation (which consists of the sum of salary, actual 2016 cash incentive compensation, and equity awards granted) granted to our Ongoing NEO was near the median of the peer group data available when decisions were made.

The Compensation Committee believes that the off-cycle new hire compensation provided to Messrs. Munshi, Lind, and Aurentz was at levels appropriate to induce their commencement of employment and consistent with the peer group data for hiring a group of senior officers into a company beginning a comprehensive turnaround transition and change in clinical focus. As further described below, the 2016 total direct compensation value, as disclosed in the Summary Compensation Table, provided to Mr. Munshi was slightly below the 75^{th} percentile of the Late 2015 Peer Group data used to assist with his hire, which is an annual compensation benchmark that is not focused on chief executive officer compensation in the year of hire. Mr. Munshi's 2016 compensation was below the 25^{th} percentile for total direct compensation value provided to a sample of new hire chief executive officers in other drug development companies that was reviewed at the time of his hiring negotiations; and his 2016 total direct compensation was only slightly above the median of the Late 2016 Peer Group data reviewed by the Compensation Committee at the end of 2016. Further, the value of Mr. Munshi's 2017 total compensation is expected to be materially lower than the off-cycle level of new hire compensation provided in 2016, and also below the median of chief executive officers in the Late 2016 Peer Group data. Meanwhile, the new hire 2016 total direct compensation value, as disclosed in the Summary Compensation Table, provided to Mr. Lind was below the median of the Late 2015 Peer Group data for annual compensation provided to a chief financial officer. Mr. Aurentz' new hire compensation was primarily based on internal equity with Mr. Lind. Both Messrs. Lind and Aurentz ended 2016 with total compensation value, as disclosed in the Summary Compensation Table, that was below the median of our Late 2016 Peer Group companies. The Compensation Committee believes the 2016 new hire compensation was reasonable in light of our business transformation and the need to provide adequate compensation incentives in order to induce the new NEOs' commencement of employment.

2016 Annual Incentive Compensation. Shortly after the successful recruitment of Messrs. Munshi and Lind as our new Chief Executive Officer and new Chief Financial Officer, the Compensation Committee established corporate performance goals for 2016 under our annual cash incentive plan that it believed were important for creating longer-term stockholder value by designing performance incentives for our new leadership team in line with our new strategic plan. The cash bonus awards actually paid to our new executive team for 2016 performance reflect amounts earned based on our actual achievement levels as measured against the Company's 2016 performance goals, which reflected the new leadership team's strategy. The cash bonus award amounts were earned according to the plan's objective payout formula and were not discretionary.

Further Changes to our Compensation Program to Align with Changes to Our Business Strategy

In the second half of 2016, the Compensation Committee engaged its independent compensation consultant to assist with determining executive compensation in 2017. Because of the strategic shift to focus more on our clinical programs versus commercial assets, our late 2016 compensation strategy was updated to emphasize at-risk compensation for each NEO by leaving base salaries for 2017 at the same level as 2016 and by using stock options as the primary equity compensation vehicle, which is more typical for clinical stage biotechnology companies as compared to commercial stage companies. Stock options were utilized because they only provide value if the stock price increases and our stock options have a seven year horizon before expiration, which aligns more with the new clinical development timeline as the Company transforms its focus from commercialization of the FDA approved drug it discovered and developed, BELVIQ and BELVIQ-XR, to developing novel, and new, medicines in its clinical pipeline. Specifically, the Compensation Committee determined that it would emphasize at-risk equity compensation over fixed cash compensation. The primary driver of this change in our compensation program design was ensuring that we continue to align the NEOs' interests with the change in our overall business strategy.

Compensation Practices and Governance Highlights

Pay for Performance	Link the compensation of our NEOs to the success of our business objectives
Stockholder Alignment	Align the interests of our NEOs with those of our stockholders through the use of long-term equity incentives
Compensation Governance	100% independent directors on the Compensation Committee
	Compensation Committee meets regularly in executive session without management present

	Independent compensation consultant, Frederic W. Cook & Co., reports directly to the Compensation Committee
Equity Plan Features	Apply a maximum seven-year term for stock options
	No repricing of underwater stock options without prior stockholder approval
	Proposed 2017 LTIP includes restrictions on payments of dividends on unvested awards
Change in Control Provisions	No excessive change in control payments
	Provide “double-trigger” change in control benefits
	No tax gross-ups on severance or change in control benefits
Post-termination/Retirement Benefits	No post-termination retirement or pension benefits
Prohibition on Hedging, Margin Loans and Pledging	Prohibit hedging, purchases on margin, and pledging of our common stock by all employees and directors
Clawback Policy	Maintain policy to seek repayment of incentive-based compensation in the event we experience certain accounting restatements

Stock Ownership Guidelines	Maintain stock ownership guidelines to promote executive stock ownership

2016 Say-on-pay Vote

At our 2016 Annual Meeting of Stockholders, approximately 92% of the votes cast on the say-on-pay proposal voted in support of the compensation paid to our named executive officers for 2015. While this vote was only advisory and not binding, the Compensation Committee considered the results of the vote in the context of our overall compensation philosophy, as well as our compensation policies, decisions and performance. The Compensation Committee believes that this 2016 stockholder vote generally endorsed our compensation philosophy and the decisions made for 2015. After reflecting on this vote, the Compensation Committee decided that no changes to its fundamental compensation policies were advisable for 2016, except to emphasize the utilization of stock options because they require stock price appreciation before the recipients realize any value and the seven-year term closely aligns with our drug development time-line.

Compensation Philosophy, Objectives and Development

Our overall compensation philosophy and objective is to maintain a compensation program for our NEOs that helps us attract, motivate and retain qualified individuals to perform at the highest of professional levels and to contribute to our growth and success, which we believe will result in enhancing stockholder value. The compensation program for our NEOs is designed to provide them with compensation opportunities that are tied to our overall corporate performance, as well as their individual performance. Their compensation includes three key elements: (i) base salary; (ii) performance-based cash incentives; and (iii) equity compensation. Our NEOs are also entitled to health and welfare benefits, and, as described below, they may be entitled to receive additional benefits upon certain terminations of their employment.

The main principles of our compensation strategy include the following:

- Compensation decisions are driven by a pay-for-performance philosophy;
- Compensation should reflect corporate and individual performance; and
- Higher compensation can be earned through an individual’s and the company’s performance.

Program Development and Role of Compensation Committee, Compensation Consultant and Management

As part of the process for setting the compensation of our NEOs, our Chief Executive Officer provides the Compensation Committee with his performance assessments of the Company and of the individual officers. He also recommends to the Compensation Committee base salaries, cash incentive opportunities, cash incentive awards and stock-based compensation for our NEOs other than for himself. The Compensation Committee can accept, reject or modify the Chief Executive Officer’s recommendations in its discretion. The Compensation Committee also considers the recommendations and views of its independent compensation consultant, peer company data, and factors such as the past, current and expected contributions of each NEO, our corporate performance and strategic focus, global economic conditions, the mix of compensation that would be most appropriate for each NEO, and such officer’s particular responsibilities, experience, level of accountability and decision authority. The Compensation Committee may consult with compensation consultants, legal counsel and other advisors in designing our compensation program, including in evaluating the competitiveness of individual compensation packages and in relation to our performance goals.

The Compensation Committee meets in executive session without management. Various members of management may attend committee meetings, and they and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, provide financial or other background information or advice. No members of management are present during the Compensation Committee’s deliberations or determinations regarding each individual’s own compensation.

The Compensation Committee has retained Frederic W. Cook & Co., Inc., or FWC, as its compensation consultant from time to time. FWC reports directly to the Compensation Committee and takes its direction from the Chair of the Compensation Committee, working with management on select issues under the Compensation Committee's oversight. The Compensation Committee retained FWC in 2016 to provide data, context, and advice regarding executive officer compensation, our peer group, our employee stock purchase plan, and to assist with compensation risk assessments.

Peer Groups Used in Program Development and Compensation Decisions

Our Compensation Committee generally does not target the amount of compensation for our NEOs relative to a peer group of companies, but it does consider peer data as context for purposes of assessing the competitiveness of the executive compensation program. An individual NEO may earn more or less than the market median depending on factors described below, including the individual's experience and background, role, and past and expected future performance.

2016 compensation decisions were made after referencing peer group data that was disclosed in 2015 proxies. The data that was available in 2016 proxy statements was reviewed in December 2016 to assess the reasonableness of the decisions made during the year and also to assist with setting 2017 compensation. Further, the new hire Chief Executive Officers' compensation was considered after also referencing a supplemental sample of data from drug development companies that had hired a chief executive officer from outside the organization during the prior five years to determine the initial off-cycle compensation amounts necessary to induce commencement of employment.

Late 2015 Peer Group

The Late 2015 Peer Group was considered in reviewing our 2016 executive compensation program, determining the March 2016 stock option grants and providing context for the newly hired NEOs' compensation, including special one-time inducement equity awards. This peer group was selected based on, among other considerations, objective size criteria, including industry, financial size, market capitalization value, and drug development and commercialization stage. These companies had 12-month average 2014 market capitalizations of between $302 million and $1.885 billion, with a median 12-month average market capitalization of $736 million. At the time that the peer data were reviewed, our market capitalization was $580 million.

Acorda Therapeutics, Inc.	Aegerion Pharmaceuticals, Inc.	ARIAD Pharmaceuticals, Inc.
Corcept Therapeutics Inc.	Dynavax Technologies Corp.	Exelixis, Inc.
Halozyme Therapeutics, Inc.	ImmunoGen, Inc.	Ironwood Pharmaceuticals, Inc.
Lexicon Pharmaceuticals, Inc.	Nektar Therapeutics	Neurocrine Biosciences, Inc.
Orexigen Therapeutics, Inc.	Raptor Pharmaceutical Corp.	Retrophin, Inc.
VIVUS, Inc.	XenoPort, Inc.	Zogenix, Inc.

Late 2016 Peer Group

In the second half of 2016, the Compensation Committee reviewed and updated our peer group to include the group of companies set forth below based on, among other considerations, objective size criteria, including industry, financial size, market capitalization value, and drug development and commercialization stage. We refer to this peer group as the "Late 2016 Peer Group." These companies had 2015 12-month average market capitalizations of between $196 million and $2.134 billion, with a median 12-month average market capitalization of $761 million. At the time these peer data were reviewed, our market capitalization was about $353 million. The Late 2016 Peer Group was considered in reviewing our 2017 executive compensation program, including in determining the 2017 base salaries, target cash incentive compensation, and stock option awards.

Acceleron Pharma, Inc.	Acorda Therapeutics, Inc.

		Aerie Pharmaceuticals, Inc.
ARIAD Pharmaceuticals, Inc.	BioCryst Pharmaceuticals, Inc.	ChemoCentryx, Inc.
Cytokinetics, Inc.	Dynavax Technologies Corporation	Five Prime Therapeutics Inc.
Halozyme Therapeutics, Inc.	Heron Therapeutics, Inc.	ImmunoGen, Inc.
Ironwood Pharmaceuticals, Inc.	Karyopharm Therapeutics, Inc.	Orexigen Therapeutics, Inc.
Sorrento Therapeutics, Inc.	Synergy Pharmaceuticals, Inc.	VIVUS, Inc.
Zogenix, Inc.		

New Hire Chief Executive Officer Peer Group

In addition to the late 2015 Peer Group, the Compensation Committee utilized a New Hire Chief Executive Officer Peer Group to assist with developing the compensation offer for Mr. Munshi. This additional peer group data was based on nine biotech companies that had recently hired a chief executive officer. Market cap for these peer group companies at the time of each new chief executive officer hire was $90 million to $1.8 billion, with a median of $1.2 billion. Arena’s market cap at the time it hired Mr. Munshi was approximately $370 million.

The New Hire Chief Executive Officer Peer Group companies were as follows: Anacor Pharmaceuticals, Inc., Array BioPharma Inc., Dendreon Corp., Dynavax Technologies Corp., Halozyme Therapeutics, Inc., Impax Laboratories, Inc., Orexigen Therapeutics, Inc., VIVUS, Inc., and ZIOPHARM Oncology, Inc. The data referenced was the total compensation, including total target cash and equity awards granted, to each chief executive officer in the year he or she was hired.

2016 Competitive Positioning

For 2016, with the exception of establishing the performance goals under our annual cash incentive plan which was deferred until after we successfully recruited new leadership, the overall compensation program for our executive officers was initially set in late 2015 and early 2016 at a target level that was below the market median of the peer data available at the time. Mr. Spector is the only NEO that served all of 2016 and his total actual compensation value, as disclosed in the Summary Compensation Table, was slightly above the median of peer data from our Late 2015 peer group which reflects both his long tenure and changes in the Peer Group over time. Mr. Spector's total compensation, as noted in the Summary Compensation Table, has also declined in value over the past 3 years.

Mr. Munshi's overall 2016 new hire total direct compensation value, as disclosed in the Summary Compensation Table, is slightly below the 75th percentile for ongoing chief executive officers in our Late 2015 Peer Group and is only slightly above the median versus the Late 2016 Peer Group data. However, the value of Mr. Munshi's total direct compensation was below the 25th percentile for data relative to chief executive officers hired in the sample of drug development companies reviewed with new chief executive officers, reflecting the additional inducement compensation provided in the initial year of hire. The 2016 compensation disclosed for Mr. Munshi includes a one-time off-cycle new hire option grant to Mr. Munshi as an inducement to his commencement of employment that was greater than the size of the on-cycle annual equity award expected to be granted to him for 2017. As a result, it is expected that the value of his total compensation in 2017 will be lower than that provided in 2016, which increased off-cycle amounts were provided as an inducement to his commencement of employment. The Compensation Committee viewed the one-time off-cycle new hire award in 2016 as within a reasonable range necessary for recruiting a new chief executive officer with experience leading a publicly traded drug development company.

The total direct new hire compensation value provided to Mr. Lind, another New Hire NEO in 2016, was below the median of the Late 2015 Peer Group. The third NEO hired in 2016 was Mr. Aurentz. Peer data was not utilized for Mr. Aurentz as his hiring compensation was set so that it was generally similar to Mr. Lind. Both Mr. Aurentz and Mr. Lind have total direct compensation value, as disclosed in the Summary Compensation Table, that is below the median of the Late 2016 Peer Group data reviewed by the Compensation Committee at the end of 2016 and the Compensation Committee believes this confirms that Mr. Aurentz's and Mr. Lind's compensation was at a reasonable level for top officer new hires.

With respect to our former interim Chief Executive Officer and Principal Financial Officer, Dr. Hixson's role was unique and, therefore, his compensation was not directly comparable to our peers. We had previously entered into an employment agreement with him in October 2015 for his service as our interim Chief Executive Officer and Principal Financial Officer. Dr. Hixson's employment agreement provided that he was to receive a base salary; was eligible to receive cash incentives for achieving pre-determined, individual goals; would not receive any cash compensation for concurrent services as a member of the Board of Directors; and would continue to be eligible to receive equity compensation only as awarded to non-employee directors. Consistent with this agreement, Dr. Hixson did not receive any additional equity in 2016 as compensation for such service beyond the equity compensation awarded to non-employee directors. In addition, as his service as an executive officer extended past March 31, 2016, Dr. Hixson was eligible under the terms of his employment agreement to participate in the annual incentive bonus program for executive officers on a pro rata basis calculated based on his length of service in 2016. His bonus payment was based on a pro-rata share of the actual bonus pool created through achievement of the 2016 annual performance goals. There was no discretion applied, the awarded bonus amount was pro-rated for Dr. Hixson's 2016 service as interim Chief Executive Officer and Principal Financial Officer, and the awarded amount was determined by reference to our actual corporate 2016 performance and the annual performance bonus program payout formula.

Compensation Consultant Conflict of Interest Analysis

The Compensation Committee has determined that the work of FWC and the individual compensation advisors employed by FWC does not create any conflict of interest. In making that determination, the Compensation Committee took into consideration the following factors: (i) the provision of other services to Arena by FWC; (ii) the amount of fees we paid FWC as a percentage of the FWC's total revenue; (iii) FWC's policies and procedures that are designed to prevent conflicts of interest; (iv) any business or personal relationship of FWC or the individual compensation advisors employed by FWC with an Arena executive officer; (v) any business or personal relationship of the individual compensation advisors with any member of the Compensation Committee; and (vi) any Arena stock owned by FWC or the individual compensation advisors employed by the consultant. During 2016, we paid FWC fees that constituted less than 1% of FWC's total revenue.

2016 Off-Cycle Compensation Decisions for New Hire NEOs

In connection with establishing each New Hire NEO's compensation package, the Compensation Committee consulted with FWC and considered peer group competitiveness, internal pay equity and each NEO's experience and qualifications.

Amit D. Munshi, President and Chief Executive Officer

In May 2016, our Board of Directors appointed Amit D. Munshi as our President and Chief Executive Officer, and he joined our Board of Directors in June 2016 following our 2016 Annual Stockholders' Meeting. Dr. Hixson, who served as our interim Chief Executive Officer and Principal Financial Officer from October 2015 to May 2016, continues to serve on our Board of Directors until our 2017 Annual Stockholders' Meeting.

The Compensation Committee established Mr. Munshi's base salary at $625,000 which was above the market 50th percentile of the base salaries paid to chief executive officers at our Late 2015 Peer Group companies and the Late 2016 Peer Group companies, but was at the median of the New Hire Chief Executive Officer Group company data for new hire chief executive officers. Further, Mr. Munshi's bonus target of 65% is also within Late 2015 and 2016 Peer Group and New Hire Chief Executive Officer Peer Group median range.

The Compensation Committee approved a new hire stock option grant to Mr. Munshi to purchase 3,800,000 shares of our common stock. The nonstatutory stock option has a seven-year term and vests over four years, with 25% of the shares subject to vesting one year after grant and the remainder of the shares vesting quarterly over the following three years in equal installments, generally subject to Mr. Munshi's continued service through the applicable vesting dates. This inducement grant had a grant date fair value of $3,745,280, which was below the 25th percentile for chief executive officer new hire grants in the New Hire Peer Group companies, and was near the 75th percentile for annual ongoing equity awards versus the Late 2015 Peer Group company data that was available at the time of hire. The Compensation Committee did not view the new hire option award in 2016 as reflecting a typical annual grant, but rather viewed the greater new hire option award as reasonable to provide an inducement to begin employment. By comparison, for 2017, Mr. Munshi was granted a regular annual stock option grant to purchase 2,150,000 shares with a grant date value of $1,786,435.

We also paid $20,800 of the legal fees on behalf of Mr. Munshi that he incurred in connection with the preparation and review of his proposed executive employment agreement. We believe that the aggregate cost of providing these reimbursement benefits is reasonable in light of the benefit to our business of retaining Mr. Munshi's services and inducing him to enter into an executive employment agreement with us.

The Compensation Committee also approved a severance benefit agreement for Mr. Munshi. In the event that we terminate Mr. Munshi without cause or Mr. Munshi resigns for good reason, each a Covered Termination, Mr. Munshi is entitled to: (i) a lump sum cash payment equal to 24 times the sum of (a) Mr. Munshi's monthly base salary in effect immediately prior to the termination and (b) 1/12th of the greater of (x) the average of the three annual bonuses we paid Mr. Munshi prior to the termination (with his target bonus amounts used, for purposes of calculating the average, for any year in which Mr. Munshi was not an employee or was employed for less than a full year) and (y) the last annual bonus we paid Mr. Munshi prior to the termination; (ii) a monthly payment equal to his monthly group health insurance premium under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or COBRA, until the earlier of (a) 24 months following termination of employment, or Severance Period, and (b) the expiration of Mr. Munshi's eligibility for continuation coverage under COBRA; and (iii) acceleration of vesting of the stock options and other equity awards that would have vested had Mr. Munshi remained employed by us through the Severance Period, except to the extent that the vesting of such awards is conditioned upon the satisfaction of performance criteria. In addition, in the event that a Covered Termination occurs either (i) during the two years following a change in control of Arena or (ii) within one year prior to a change in control of Arena and Mr. Munshi reasonably demonstrates after such change in control that such termination was at the request or suggestion of any individual or entity who or which ultimately effects a change in control or by our Board in contemplation of a change of control, all of Mr. Munshi's outstanding options and other equity awards will become fully vested and exercisable, except to the extent that the vesting of such awards is conditioned upon the satisfaction of performance criteria.

Kevin Lind, Executive Vice President and Chief Financial Officer

In June 2016, our Board of Directors appointed Kevin R. Lind as our Executive Vice President and Chief Financial Officer. The Compensation Committee established Mr. Lind's base salary at $400,000 which is within the median range for the Late 2015 Peer Group data that were available at the time he was hired. This salary is slightly less than the market 50th percentile of the base salaries paid to chief financial officers at our Late 2016 Peer Group companies which were reviewed by the Compensation Committee for confirmation of reasonability, and Mr. Lind was not provided a 2017 salary increase.

The Compensation Committee approved a new hire stock option grant to Mr. Lind to purchase 800,000 shares of our common stock. The nonstatutory stock options have a seven-year term and vest over 4 years, with 25% of the shares subject to vesting one year after grant and the remainder of the shares vesting monthly over the following three years in equal installments, subject to his continued service through the applicable vesting dates. This inducement award had grant date fair value that was between the Late 2015 Peer Group market median and the 75th percentile, which was viewed as reasonable and conservative for a new hire award.

Pursuant to the terms of his employment agreement, Mr. Lind is also entitled to reimbursement of up to $50,000 of qualified moving expenses in order to offset his costs related to his required relocation to San Diego in connection with his commencement of employment. Any such qualified moving expense reimbursement payments are not included in Mr. Lind's taxable income. As an additional inducement to his commencement of employment, to the extent Mr. Lind does not use up the entire $50,000 reimbursement amount, the remaining portion will be paid to him as a taxable sign-on bonus. Mr. Lind is required to repay us the entire $50,000 amount if he resigns voluntarily prior to the second anniversary of his start date. These benefits were individually negotiated with Mr. Lind and were provided because they were deemed necessary in order to induce his commencement of employment. We believe that the aggregate cost of providing these benefits is reasonable in light of the benefit to our business of retaining Mr. Lind's services.

Vincent Aurentz, Executive Vice President and Chief Business Officer

In August 2016, our Board of Directors appointed Vincent Aurentz as our Executive Vice President and Chief Business Officer. The Compensation Committee established Mr. Aurentz's base salary at $400,000. The base salary was not set relative to peer group data, but was set at the same level as Mr. Lind's new salary to promote internal equity within the management team. For context, it is slightly below the median of the Late 2016 peer data reviewed by the Compensation Committee after Mr. Aurentz was hired.

The Compensation Committee approved a new hire inducement stock option grant to Mr. Aurentz to purchase 800,000 shares of our common stock under our 2013 Long-Term Incentive Plan, as amended, to reserve an additional 800,000 shares of common stock for inducement awards. This was the same size new hire grant that was provided to Mr. Lind when he was hired as CFO. The nonstatutory stock options have a seven-year term and will vest over 4 years, with 25% of the shares subject to vesting one year after grant and the remainder of the shares vesting monthly over the following three years in equal installments, subject to his continued service through the applicable vesting dates. For context, the grant date fair value of this inducement award was slightly below the market median versus annual award benchmark data in the Late 2016 Peer Group, which was reviewed after Mr. Aurentz was hired. The Compensation Committee views this as suggesting the new hire award was reasonable and relatively conservative for the position.

Mr. Aurentz's position and duties require him to travel a great deal domestically and internationally and do not require him to be present in our San Diego headquarters all of the time. Accordingly, Mr. Aurentz was not required to relocate to San Diego in connection with his commencement of employment. However, because Mr. Aurentz is periodically required to travel to San Diego to perform his duties, pursuant to the terms of his employment agreement, we agreed to pay Mr. Aurentz a monthly stipend of up to $9,166 for up to 18 months to reimburse Mr. Aurentz for the cost of temporary housing in San Diego and as an automobile allowance. We also agreed to reimburse Mr. Aurentz for the cost of his airfare to San Diego on an after-tax basis in order to make such airfare expenses cost neutral for Mr. Aurentz. The stipend and commuting airfare reimbursement are treated as taxable income to Mr. Aurentz under strict IRS requirements for reimbursement of business expenses. These benefits were individually negotiated with Mr. Aurentz and were provided because they were deemed necessary in order to induce his commencement of employment. We believe that the aggregate cost of providing these commuting related expenses to Mr. Aurentz is reasonable in light of the benefit to our business of retaining Mr. Aurentz's services.

2016 and Early 2017 On-Cycle Compensation Decisions

Base Salary

The purpose of base salary is to provide fixed compensation to attract and retain an employee with the qualifications desired for the particular position. The base salary for our NEOs depends on various factors, such as the individual's responsibilities and position, the individual's past performance and expected future contribution, the individual's overall mix of base salary, performance-based cash incentives and equity compensation, the individual's experience and background, our corporate performance and the individual's historical base salary. In early 2016, the Compensation Committee determined that it would not increase any base salaries for the then-serving executive officers.

In early 2017, the Compensation Committee, in alignment with the request from our Chief Executive Officer, did not approve any base pay increases for the New Hire NEOs or Ongoing NEO. All our New Hire NEOs were hired in mid to late 2016 with base salary compensation that is slightly below the market median of the Late 2016 Peer Group.

Performance-Based Cash Incentives

2016 Annual Incentive Plan. All of our NEOs were participants in the Annual Incentive Plan for 2016, or 2016 AIP. Under the 2016 AIP, each participant was assigned an incentive target that was expressed as a percentage of annual base salary, and the participant's actual incentive award would be based on the level of achievement of pre-established goals, the quality of such achievement, the participant's role in goal achievement and the weighting of the goals. All participants' potential incentive awards were based on the same 2016 corporate goals, which we believed would align the interests of our executive officers with one another and with our stockholders.

The objective of the 2016 AIP was to align near-term incentives for officers of the Company consistent with stockholders and long-term corporate direction. All participants' potential incentive awards were based on the same 2016 corporate goals, which we believed would align the interests of our executive officers with one another and with our stockholders.

The maximum potential incentive award under the 2016 AIP was 150% of the targeted award amount for extraordinary goal achievement in 2016. Consistent with its decisions over the last few years, the Compensation Committee did not establish individual goals for the participants in the 2016 AIP to continue focusing the participants' efforts on attaining the corporate goals.

Our Chief Executive Officer's incentive target under the 2016 AIP was expressed as 65% of his annual salary, and the other participants had incentive targets expressed as 50% of their annual base salaries, which was the same incentive target as 2015 for Mr. Spector, who was the only Ongoing NEO.

The actual 2016 AIP bonus awards paid to the eligible NEOs was based on formulaic achievement of the corporate goals established in mid-2016 shortly following our successful recruitment of our new Chief Executive Officer and Chief Financial Officer. At the time the goals were established, the level of achievement of each goals was substantially uncertain. Our 2016 corporate goals, the weighting of such goals and the facts the Compensation Committee considered in determining the achievement of such goals are as follows:

	Corporate Goals	Considerations for Achievement	Weighting	Achievement
1	Rebuild Organization & Performance Management System	The focus for 2016 was the reset of Arena from a traditional discovery research company to a multi-product drug development company. This involved a substantial restructuring of the organization, including a sizable reduction in force, rebuilding operational architecture of the company (e.g., program management and clinical development organizations), hiring a new leadership team, and building a supporting performance management system across the organization. The Compensation Committee determined that these objectives were met by the team and exceeded on the basis of the scope and scale of the reorganization.	20%	25.25%
2	Progress etrasimod (APD334) Enrollment & New Indications	During the second half of the 2016, the new management undertook significant efforts to get our compound candidate, etrasimod enrollment in the ongoing ulcerative colitis (UC) trial ongoing. The team made some progress predominately in changing key vendors. Additionally, the team began preparations on additional indications for etrasimod. The Compensation Committee determined that these objectives were only partially met due to the number of patients enrolled in the etrasimod UC trial as the team made important changes to the vendors involved with the trial.	30%	7.50%
3	Progress ralinepag (APD811) Enrollment & New Indications	The team concluded enrollment in ralinepag trial in pulmonary arterial hypertension, or PAH. The Compensation Committee determined that the objective was met as the trial was enrolled per schedule. An additional indication was planned but not initiated after further diligence.	15%	10%
4	Progress Additional Programs, including APD371	The Compensation Committee determined that studies for APD371, our internally discovered compound entering a Phase 2 trial for Crohn’s pain, and an additional program were designed and Clinical Research Organization selected on time to meet the objectives specified.	10%	10%
5	Achieve Cash Management Targets	The Compensation Committee determined that the cash management goal was achieved above target because we ended the year below budget by more than 5% and we set up of the S-3 and ATM financing facility on time.		