

ARENA PHARMACEUTICALS INC
Form DEF 14A
April 30, 2019

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)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(4) Date Filed:

ARENA PHARMACEUTICALS, INC.

April 30, 2019

Dear Arena Stockholder:

You are cordially invited to attend the 2019 Annual Meeting of Stockholders of Arena Pharmaceuticals, Inc., a Delaware corporation. The Annual Meeting will be held on Thursday, June 13, 2019, 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

Notice of Annual Meeting of Stockholders

To be held on June 13, 2019

ARENA PHARMACEUTICALS, INC.

6154 Nancy Ridge Drive

San Diego, CA 92121

April 30, 2019

To the Stockholders of Arena Pharmaceuticals, Inc.:

The Annual Meeting of Stockholders of Arena Pharmaceuticals, Inc., a Delaware corporation, will be held on Thursday, June 13, 2019, 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 approve an amendment and restatement of the Arena Pharmaceuticals, Inc. Amended and Restated 2017 Long-Term Incentive Plan to, among other things, increase the number of shares authorized for issuance under the Amended and Restated 2017 Long-Term Incentive Plan (Proposal 3);
4. To approve the Arena Pharmaceuticals, Inc. 2019 Employee Stock Purchase Plan (Proposal 4);
5. To ratify the appointment of KPMG LLP, an independent registered public accounting firm, as our independent auditors for the fiscal year ending December 31, 2019 (Proposal 5); and
6. 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 24, 2019. Only stockholders of record at the close of business on April 24, 2019, 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, 2019, 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 on our investor relations home page of our website at <http://invest.arenapharm.com/>.

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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 Thursday, June 13, 2019, 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, 2019

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 April 30, 2019, we intend to send to beneficial owners of our stock a Notice of Internet Availability of Proxy Materials, or Internet Notice, containing instructions on how to access our 2019 Proxy Statement and annual report and vote online. In addition, on or about April 30, 2019, we intend to send a printed copy of our proxy materials to certain of our stockholders of record as of April 24, 2019, or the Record Date. Our proxy statement and annual report are available on our investor relations page of our website at <http://invest.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 2019 Annual Meeting of Stockholders, or 2019 Annual Meeting, which is to be held on Thursday, June 13, 2019, 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 the 2019 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 the date that is 10 days after the date the first Internet Notice is mailed to beneficial owners of our stock.

3. How can I attend the 2019 Annual Meeting?

The 2019 Annual Meeting will be held on Thursday, June 13, 2019, at 9:00 a.m. (Pacific Time) at our offices located at 6154 Nancy Ridge Drive, San Diego, California 92121. Directions to the 2019 Annual Meeting may be found at www.arenapharm.com, where you will find a map and directions under “contact us.” For further information about the 2019 Annual Meeting, please call 858.453.7200 and ask for Investor Relations. Information on how to vote in person at the 2019 Annual Meeting is described below.

Attendees and their personal items, including backpacks, packages, suitcases, briefcases, and bags, will be subject to a security inspection. The use of cameras, mobile phones, and audio or video recording equipment will not be permitted.

ARENA PHARMACEUTICALS, INC. 2019 Proxy Statement 1

4. Who can vote at the 2019 Annual Meeting?

Only stockholders of record at the close of business on the Record Date or their legal proxy holders will be entitled to vote at the 2019 Annual Meeting. On the Record Date, there were 49,570,066 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 the 2019 Annual Meeting. Whether or not you plan to attend the 2019 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 the 2019 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 the 2019 Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the 2019 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 the 2019 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. Approval of an amendment and restatement of the Arena Pharmaceuticals, Inc. Amended and Restated 2017 Long-Term Incentive Plan to, among other things, increase the number of shares authorized for issuance under the Amended and Restated 2017 Long-Term Incentive Plan (Proposal 3);
 4. Approval of the Arena Pharmaceuticals, Inc. 2019 Employee Stock Purchase Plan (Proposal 4);
 5. Ratification of the appointment of KPMG LLP, an independent registered public accounting firm, as our independent auditors for the fiscal year ending December 31, 2019 (Proposal 5); and
 6. 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 the 2019 Annual Meeting?

Our Board of Directors knows of no other matters that will be presented for consideration at the 2019 Annual Meeting. If any other matters are properly brought before the 2019 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.

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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 the 2019 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 of an amendment and restatement of the Arena Pharmaceuticals, Inc., Amended and Restated 2017 Long-Term Incentive Plan; “FOR” the approval of the Arena Pharmaceuticals, Inc., 2019 Employee Stock Purchase Plan; “FOR” the ratification of the appointment of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2019; 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 the 2019 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, 2019, 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, 2019, to be counted.

BY MAIL: If you have received a printed copy of these materials by mail, or 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, 2019, to be counted.

IN PERSON: We will pass out written ballots to anyone who wants to vote in person at the 2019 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 the 2019 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 the 2019 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.

ARENA PHARMACEUTICALS, INC. 2019 Proxy Statement 3

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 the 2019 Annual Meeting by: (i) voting on the Internet or by telephone by 11:59 p.m. (Eastern Time) on June 12, 2019 (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, 2019, (iii) providing a written notice no later than 11:59 p.m. (Eastern Time) on June 12, 2019, that you are revoking your proxy, or (iv) voting at the meeting. Please note, however, that simply attending the 2019 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 the 2019 Annual Meeting?

To hold the 2019 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 the 2019 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 the 2019 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 as our independent auditors for the fiscal year ending December 31, 2019 (Proposal 5).

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), vote on an amendment and restatement of the Arena Pharmaceuticals, Inc. Amended and Restated 2017 Long-Term Incentive Plan (Proposal 3), and vote on the approval of the Arena Pharmaceuticals, Inc. 2019 Employee Stock Purchase Plan (Proposal 4) are not considered

routine. 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.

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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 the 2019 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 approve the amendment and restatement of the Arena Pharmaceuticals, Inc. Amended and Restated 2017 Long-Term Incentive Plan, as described in Proposal 3?

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.

18. How many votes must be received to approve the Arena Pharmaceuticals, Inc. 2019 Employee Stock Purchase Plan, as described in Proposal 4?

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.

19. How many votes must be received to ratify the appointment of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2019, as described in Proposal 5?

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

20. How are votes counted?

Votes will be counted by the inspector or inspectors of election appointed for the 2019 Annual Meeting, who will separately count, for the proposal to elect directors, votes "FOR" and "WITHHOLD" and broker non-votes; and, with respect to other proposals, votes "FOR" and "AGAINST," proxies marked to "ABSTAIN" from voting, and broker non-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 the 2019 Annual Meeting.

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

21. Who will bear the cost of soliciting votes for the 2019 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.

22. How can I find out the results of the voting at the 2019 Annual Meeting?

Preliminary voting results will be announced at the 2019 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 the 2019 Annual Meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after the 2019 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.

23. Where can I find information about the company's corporate governance?

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 nine directors. The persons named in the table below are nominees for director at the 2019 Annual Meeting to serve until the next annual meeting of stockholders and until their respective successors are elected and qualified or until their earlier resignation or removal. Our Bylaws provide that the authorized number of directors shall be determined by a resolution of our Board of Directors.

All of the nominees for director at the 2019 Annual Meeting were elected at our 2018 Annual Meeting of Stockholders other than Kieran T. Gallahue and Manmeet S. Soni, who were appointed as directors by our Board of Directors on July 6, 2018, and December 14, 2018, respectively. All of the nominees were recommended by the Corporate Governance and Nominating Committee for election to our Board of Directors at the 2019 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 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. 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 the 2019 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 the 2019 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
Jayson Dallas, M.D.	Director	2017		51
Oliver Fetzer, Ph.D.	Director	2017		54
Kieran T. Gallahue	Director	2018		55
Jennifer Jarrett	Director	2017		48
Amit D. Munshi	Director, President and Chief Executive Officer	2016		51
Garry A. Neil, M.D.	Director	2017		65
Tina S. Nova, Ph.D.	Director, Chair of the Board	2004		65
Manmeet S. Soni	Director	2018		41
Randall E. Woods	Director	2007		67

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 and the Corporate Governance and Nominating Committee to the conclusion that each of the nominees should be nominated for reelection at the 2019 Annual Meeting.

Jayson Dallas, M.D., has served on our Board of Directors since February 2017. He has served as President and Chief Executive Officer of Aimmune Therapeutics, Inc., a biopharmaceutical company developing treatments for potentially life-threatening food allergies, since June 2018. Prior to joining Aimmune, he served as the first Chief Commercial Officer and Executive 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. Before joining Roche, 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. Earlier in his career, 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 of Cerulean Pharma, Inc. from 2009 to 2014, and has served on the board of Tecan Group AG, a publicly traded 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.

Kieran T. Gallahue has served as a member of our Board of Directors since July 2018. He served as Chairman and Chief Executive Officer of CareFusion Corporation, a medical products company, from 2011 until its acquisition by Becton, Dickinson and Company in 2015 for \$12.3 billion. He previously served as President, CEO and a director of ResMed, a medical device firm serving the sleep disordered breathing and respiratory markets, from 2008 to 2011, and also held a variety of positions at Nanogen, Inc., Instrumentation Laboratory, Procter & Gamble Co., and General Electric Co. Mr. Gallahue is currently a member of the boards of directors of medical device companies Edwards Lifesciences Corporation and Intersect ENT. He previously served on the board of directors of Volcano Corporation, a developer of products for interventional cardiology and image guided therapy, from 2007 until its acquisition by Royal Philips in 2015. Mr. Gallahue also served on the Executive Committee of the Advanced Medical Technology Association, a trade association representing 80% of medical technology firms in the United States. He holds a bachelor's degree in Economics from Rutgers University and an MBA from Harvard Business School.

Mr. Gallahue's leadership and transactions experience in the healthcare industry, in addition to his publicly held company board service, give him the qualifications, attributes and skills to serve as one of our directors.

Jennifer Jarrett has served as a member of our Board of Directors since June 2017. Ms. Jarrett currently serves as Vice President, Corporate Development and Capital Markets of Uber Technologies, Inc., a transportation and technology company, a position she has held since January 2019. Prior to joining Uber, Ms. Jarrett was Chief Operating Officer and Chief Financial Officer of Arcus Biosciences, a biotechnology company developing next generation cancer immunotherapies, since February 2017. Prior to Arcus, Ms. Jarrett was Chief Financial Officer of Medivation, which was acquired by Pfizer, from March 2016 to September 2016. Before Medivation, Ms. Jarrett spent 20 years in investment banking, most recently at Citigroup, where she ran the firm's west coast life sciences investment banking practice. Ms. Jarrett currently serves on the boards of Arcus Biosciences, Audentes Therapeutics, and Syndax Pharmaceuticals. Ms. Jarrett received a Bachelor of Arts in economics from Dartmouth College and an MBA from Stanford Graduate School of Business.

Ms. Jarrett's extensive experience and leadership, including in investment banking and in serving as a chief financial officer and chief business officer in the biopharmaceutical industry, give her 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, and as Chief Executive Officer of Percivia LLC, a biotechnology company, from 2011 to 2012. Prior to Epirus and Percivia, Mr. Munshi 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 School of Management at Claremont Graduate University. Mr. Munshi has more than 28 years of global biopharmaceutical industry experience in executive management, business development, product development and portfolio management. Mr. Munshi currently serves on the board of Pulmatrix, Inc., a biopharmaceutical company developing inhaled therapies to address pulmonary diseases, and also serves as an advisor and lecturer at the Peter F. Drucker School of Management at the Claremont Graduate School.

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. Dr. Neil serves 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, a position he has held 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. 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 of GTx, Inc., a publicly traded 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 and as Chair of the Board since June 2016. Dr. Nova previously served as the Board's lead independent director from June 2015 to June 2016. Dr. Nova has served as President and Chief Executive Officer of Decipher Biosciences, Inc. (formerly GenomeDx, Inc.), a molecular diagnostics company focused in prostate cancer, since September 2018. Dr. Nova served as President and Chief Executive of Molecular Stethoscope, Inc. from September 2015 to August 2018. 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., a provider of molecular diagnostic tests, and she served as its Chief Operating Officer and President from 1994 to 2000. Dr. Nova served as Chief Operating Officer of Selective Genetics, a biotechnology company, from 1992 to 1994, and in various director-level positions with Ligand Pharmaceuticals Incorporated, a drug discovery and development company, from 1988 to 1992, most recently as Executive Director of New Leads Discovery. Dr. Nova has also held various research and management positions with Hybritech, Inc., a former subsidiary of Eli Lilly & Company, a pharmaceutical company. Dr. Nova serves as a member of the board of directors of Veracyte, Inc., a diagnostics company, and OpGen, Inc., an infection prevention and treatment 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, NanoString Technologies, Inc., a provider of life science tools, and Cypress Biosciences, Inc., a pharmaceutical company. Dr. Nova was the Chair of the board of directors of BIOCOM, a life science association representing more than 650 member companies in Southern California, from March 2001 to

March 2002. Dr. Nova holds a B.S. in Biological Sciences from the University of California, Irvine and a Ph.D. in Biochemistry from the University of California, Riverside.

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.

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Manmeet S. Soni has served as a member of our Board of Directors since December 2018. Mr. Soni has served as Senior Vice President, Chief Financial Officer of Alnylam Pharmaceuticals, Inc. since May 2017. From March 2016 to February 2017, he was Executive Vice President, Chief Financial Officer and Treasurer of ARIAD Pharmaceuticals, Inc., a publicly-held biopharmaceutical company, when ARIAD was acquired by Takeda Pharmaceutical Company Limited. Previously, Mr. Soni served as Chief Financial Officer of Pharmacyclics, Inc., a publicly-held biopharmaceutical company, until its acquisition by AbbVie, Inc. in May 2015. He first joined Pharmacyclics in September 2012 as corporate controller and served in various increasingly senior roles prior to being appointed Chief Financial Officer and Treasurer in February 2014. Prior to joining Pharmacyclics, Mr. Soni worked at ZELTIQ Aesthetics Inc., a publicly held medical technology company, as well as PricewaterhouseCoopers, in the Life Science and Venture Capital Group and PricewaterhouseCoopers India, providing audit and assurance services. Mr. Soni currently serves as director of Pulse Biosciences, Inc. He is a certified public accountant and completed his Chartered Accountancy from the Institute of Chartered Accountants of India.

Mr. Soni's extensive leadership, business and financial expertise, including his senior management experience serving as the Chief Financial Officer of biopharmaceutical companies, his background in finance and accounting, and his service on other boards give him 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 more than 650 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.

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Our Board of Directors also delegates risk oversight to each of its standing committees within their areas of responsibility, as well as to special committees it forms from time to time. 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 fourteen meetings during the fiscal year ended December 31, 2018. Each incumbent director attended at least 75% of the aggregate of the total number of meetings of our Board of Directors and all committees of our Board on which such director served 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. All of our directors attended our 2018 Annual Meeting of Stockholders other than Dr. Neil, Mr. Gallahue, who joined our Board of Directors in July 2018, and Mr. Soni, who joined our Board of Directors in December 2018.

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 2018, for the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee.

Member	Corporate		
	Audit Committee	Compensation Committee	Governance and Nominating Committee
Jayson Dallas, M.D.			C
Oliver Fetzer, Ph.D.			
Kieran T. Gallahue			
Jennifer Jarrett	C		
Garry Neil, M.D.			
Tina S. Nova, Ph.D.			
Manmeet S. Soni			
Randall E. Woods		C	
Total meetings in 2018	5	9	3

- 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;

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- 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. Ms. Jarrett is the Chair of the Audit Committee. The Audit Committee held five meetings in 2018. 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 2018. 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; 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 the 2019 Annual Meeting.

Our Board of Directors has adopted a written charter for the Corporate Governance and Nominating Committee, which is available on our website at www.arenapharm.com. Dr. Dallas is the Chair of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee held three meetings in 2018.

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

Drs. Dallas and Fetzer and Mr. Woods served on the Compensation Committee during 2018. No director serving on the Compensation Committee during 2018 was, at any time during or before such fiscal year, one of our employees. None of our executive officers served during 2018 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

Except for the compensation arrangements between us and our executive officers and directors described below under "Compensation Discussion and Analysis," since January 1, 2018, we have not been a party to any transactions involving more than \$120,000 and in which any director, nominee for director, executive officer, holder of more than 5% of our common stock or any immediate family member of the foregoing has a direct or indirect material interest, nor are any such transactions currently proposed.

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.

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ADVISORY VOTE ON EXECUTIVE COMPENSATION (PROPOSAL 2)

At our 2017 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.

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, 2019, 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, 2019. 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 49,548,646 shares of common stock outstanding on March 31, 2019, 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, 2019.

Name of Beneficial Owner	Shares Beneficially Owned	Percentage of Total
Greater than 5% Stockholders		
Wellington Management Group, LLP (1)	4,949,799	9.99%
BlackRock, Inc. (2)	4,776,807	9.64%
The Vanguard Group (3)	4,691,467	9.47%
Partner Fund Management, LP (4)	3,014,672	6.08%
Directors and Named Executive Officers		
Amit D. Munshi (5)	517,034	1.03%
Steven W. Spector, J.D. (6)	237,331	*
Kevin R. Lind (7)	160,698	*
Vincent E. Aurentz (8)	154,312	*
Preston S. Klassen, M.D., M.H.S. (9)	94,397	*
Tina S. Nova, Ph.D. (10)	51,309	*
Randall E. Woods (11)	49,655	*
Jayson Dallas, M.D. (12)	31,250	*
Oliver Fetzer, Ph.D. (13)	31,250	*
Garry Neil, M.D. (14)	31,250	*
Jennifer Jarrett (15)	24,374	*
Kieran T. Gallahue (16)	4,860	*
Manmeet S. Soni (17)	2,430	*
All current directors and executive officers as a group (13 persons) (18)	1,390,150	2.73%

*Less than one percent

- (1) Wellington Management Group LLP had shared voting power with respect to 3,083,948 shares and shared dispositive power with respect to 4,949,799 shares. The principal business office of Wellington Management Company LLP is 280 Congress Street, Boston, Massachusetts 02210.
- (2) BlackRock, Inc., had sole voting power with respect to 4,671,709 shares and sole dispositive power with respect to 4,776,807 shares. The principal business office of BlackRock, Inc. is 55 East 52nd Street, New York, New York 10055.

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- (3) The Vanguard Group had sole voting power with respect to 91,494 shares, sole dispositive power with respect to 4,598,300 shares, shared voting power with respect to 6,043 shares and shared dispositive power with respect to 93,167 shares. The principal business office of The Vanguard Group is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.
- (4) Partner Fund Management, LP had shared voting power with respect to 3,014,672 shares and shared dispositive power with respect to 3,014,672 shares. The principal business office of Partner Fund Management, LP is 4 Embarcadero Center, Suite 3500, San Francisco, California 94111.
- (5) Includes 509,284 shares issuable to Mr. Munshi upon the exercise of stock options that are exercisable within 60 days of March 31, 2019.
- (6) Includes 217,641 shares issuable to Mr. Spector upon the exercise of stock options that are exercisable within 60 days of March 31, 2019.
- (7) Includes 160,450 shares issuable to Mr. Lind upon the exercise of stock options that are exercisable within 60 days of March 31, 2019.
- (8) Represents 154,312 shares issuable to Mr. Aurentz upon the exercise of stock options that are exercisable within 60 days of March 31, 2019.
- (9) Represents 94,397 shares issuable to Dr. Klassen upon the exercise of stock options that are exercisable within 60 days of March 31, 2019.
- (10) Includes 42,883 shares issuable to Dr. Nova upon the exercise of stock options that are exercisable within 60 days of March 31, 2019.
- (11) Includes 41,129 shares issuable to Mr. Woods upon the exercise of stock options that are exercisable within 60 days of March 31, 2019.
- (12) Represents 31,250 shares issuable to Dr. Dallas upon the exercise of stock options that are exercisable within 60 days of March 31, 2019.
- (13) Represents 31,250 shares issuable to Dr. Fetzer upon the exercise of stock options that are exercisable within 60 days of March 31, 2019.
- (14) Represents 31,250 shares issuable to Dr. Neil upon the exercise of stock options that are exercisable within 60 days of March 31, 2019.
- (15) Represents 24,374 shares issuable to Ms. Jarrett upon the exercise of stock options that are exercisable within 60 days of March 31, 2019.
- (16) Represents 4,860 shares issuable to Mr. Gallahue upon the exercise of stock options that are exercisable within 60 days of March 31, 2019.
- (17) Represents 2,430 shares issuable to Mr. Soni upon the exercise of stock options that are exercisable within 60 days of March 31, 2019.
- (18) Includes 1,345,510 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, 2019.

Executive Officers

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

Name	Age	Position
Executive officers		
Vincent E. Aurentz	51	Executive Vice President and Chief Business Officer
Preston S. Klassen, M.D., M.H.S.	50	Executive Vice President, R&D, Chief Medical Officer
Kevin R. Lind	43	Executive Vice President and Chief Financial Officer
Amit D. Munshi	51	President and Chief Executive Officer
Steven W. Spector, J.D.	54	Executive Vice President, General Counsel and Secretary

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 the 2019 Annual Meeting.

Vincent E. Aurentz has served as our Executive Vice President and Chief Business Officer since August 2016. Mr. Aurentz has almost 30 years of experience in the biopharmaceutical industry. Previously, he was the Chief Business Officer of Epirus Biopharmaceuticals, Inc. from November 2015 to July 2016. Prior to that, Mr. Aurentz served as President and was a member of the Board of Directors of HemoShear Therapeutics, LLC from July 2013 to November 2015, where he oversaw the scientific platform, R&D activities, commercial and business development efforts including collaborations with global organizations such as Pfizer, Eli Lilly, Janssen R&D and Children’s National Health System. Prior to joining HemoShear, 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. Mr. Aurentz is a former Executive Vice President at Quintiles and a Co-founder and Managing Director of a venture capital and advisory business. He was a partner with CSC Healthcare, the life sciences strategic management consulting division of Computer Sciences Corporation, after starting his career and working for 8 years 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 S. Klassen, M.D., M.H.S., has served as our Executive Vice President, Research and Development and Chief Medical Officer since March 2017. Most recently, 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. Previously, Dr. Klassen 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. In March 2018, Orexigen filed a voluntary Chapter 11 petition in the United States Bankruptcy Court for the District of Delaware. Dr. Klassen serves on the board of Conatus Pharmaceuticals Inc., a biotechnology company focused on developing and commercializing novel medicines to treat liver disease. 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.

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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 an advisory director 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. Prior to joining Arena, Mr. Spector was a partner with the law firm of Morgan, Lewis & Bockius LLP, where he worked from 1991 to October 2001. Mr. Spector holds a B.A. and a J.D. from the University of Pennsylvania.

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Compensation Discussion and Analysis

Our executive compensation programs are designed to attract, motivate and retain qualified and talented executives, incentivizing them to achieve our business objectives, and rewarding them for superior short and long-term performance. This Compensation Discussion and Analysis describes the key elements of our executive compensation program and compensation decisions for our named executive officers, or NEOs, for 2018. 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 2018 NEOs are:

NEO	Position
Amit D. Munshi	President and Chief Executive Officer
Kevin R. Lind	Executive Vice President and Chief Financial Officer
Vincent E. Aurentz	Executive Vice President and Chief Business Officer
Preston S. Klassen, M.D., M.H.S.	Executive Vice President, R&D and Chief Medical Officer
Steven W. Spector, J.D.	Executive Vice President, General Counsel and Secretary

Executive Summary

We are a biopharmaceutical company focused on developing novel, transformational medicines with optimized pharmacology and pharmacokinetics for patients globally. Our proprietary, internally-developed pipeline includes multiple potentially first- or best-in-class assets with broad clinical utility.

Business Highlights

We have transformed from a commercial-stage company with a focus on BELVIQ, a weight management drug approved by the FDA in 2012 that did not achieve commercial success, to a development-stage company with a promising pipeline. This transformation took place under the leadership of Mr. Munshi, who was hired and appointed Chief Executive Officer effective May 11, 2016, and has hired an entirely new executive team with the exception of our general counsel Mr. Spector. The change in our focus required not only a change in most of the executive team, but also a significant buildout of our drug development capabilities and other operations, with approximately 230 employees hired since May 11, 2016. During that period, we advanced etrasimod, ralinepag, and olorinab in clinical development, and we renegotiated existing and entered new material agreements regarding our clinical development programs, divested our manufacturing operations and raised capital required to support our revised business plan.

Key 2018 achievements included:

• **Etrasimod:** We delivered positive Phase 2 data for our late-stage clinical program for ulcerative colitis and progressed programs for Crohn’s disease and atopic dermatitis.

• **Ralinepag:** We entered into a global license agreement with United Therapeutics. The transaction was completed in January 2019. Upon close, we received an \$800 million upfront license payment. We are also eligible to receive up to \$400 million in regulatory milestones, and tiered royalties. This transaction secures our near-term financial future.

• **Olorinab:** We delivered positive Phase 2a data in pain associated with Crohn’s disease, and began preparation for a Phase 2b trial for visceral GI pain.

The transformation of our business has created a significant amount of shareholder value. Our closing stock price (adjusted to give effect to our 2017 reverse stock split) has increased from \$15.50 on May 11, 2016, the date Mr. Munshi’s appointment was effective, to \$44.83 on March 31, 2019, reflecting a 189% Total Stockholder Return, or

TSR, during that period, or an approximately threefold increase.

Compensation Practices and Governance Highlights

Pay for Performance	Significant link between the compensation of our NEOs and the achievement of our business objectives
Stockholder Alignment	Alignment of the interests of our NEOs with those of our stockholders through the use of long-term equity incentives
Compensation Governance	<p>100% independent directors on the Compensation Committee</p> <p>Compensation Committee meets regularly in executive session without management present</p> <p>Independent compensation consultant, Frederic W. Cook & Co., reports directly to the Compensation Committee</p> <p>Conduct an annual risk assessment of our compensation policies and practices</p>
Equity Plan and Award Features	<p>Maximum seven-year term for stock options</p> <p>Stock option exercise prices are set at the closing price of our common stock on the date of grant as reported on the Nasdaq Global Select Market (or, if there is no closing price on such date, on the last preceding date on which a closing price was reported)</p> <p>No repricing of underwater stock options without prior stockholder approval</p> <p>Performance vesting equity awards (granted in 2019)</p>
Change in Control Provisions	<p>No excessive change in control payments</p> <p>Provide “double-trigger” change in control benefits</p> <p>No tax gross-ups on severance or change in control benefits</p>
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 and director stock ownership

2018 Say-on-pay Vote

At our 2018 Annual Meeting of Stockholders, approximately 98% of the votes cast on the say-on-pay proposal voted in support of the compensation paid to our named executive officers for 2017. 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 2018 stockholder vote generally endorsed our compensation philosophy and the

decisions made for 2017. After reflecting on this vote, the Compensation Committee decided to make no changes to its fundamental compensation policies in 2018, and that it would continue to emphasize compensation that is “at-risk” and dependent on our business objectives and overall performance. In 2019, the Compensation Committee adjusted the mix of equity awards provided to our NEOs to include performance-based restricted stock units, or PRSUs.

Compensation Philosophy, Objectives and Development

The main principles of our compensation strategy include the following:

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

• Compensation should reflect corporate and individual performance.

Our overall compensation philosophy and objective is to maintain a compensation program for our NEOs that helps us attract and retain qualified individuals and motivate them to perform and positively contribute to our growth and success by aligning their interests with those of our stockholders, which we believe will result in enhancing stockholder value. The compensation programs for our NEOs are 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 annual cash incentives; and (iii) equity compensation. Our compensation strategy emphasizes at-risk compensation for each NEO by using both performance-based annual incentives and long-term equity awards in the form of stock options (and in some years, PRSUs) as the primary equity compensation vehicle. Stock options are utilized because they only provide value if the stock price increases and our stock options have a seven-year horizon before expiration, which aligns with a clinical development timeline. In addition, in January 2019, to further emphasize our performance-based compensation philosophy, we added PRSUs as a component of annual equity awards for our employees, including NEOs. The PRSUs are structured to provide value only if the stock price increases to certain specified thresholds that are significant appreciation over the closing price on the date they were granted. The Compensation Committee believes that the combination of stock options and PRSUs further aligns the interests of employees with stockholders.

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 performance, including performance against annual goals that are pre-established by the Compensation Committee, as well as individual performance. 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.

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, working with our head of Human Resources, provides the Compensation Committee with his performance assessments of the Company and of the individual NEOs and recommends to the Compensation Committee base salaries, cash incentive opportunities, cash incentive awards and stock-based compensation for our NEOs other than the Chief Executive Officer. The Compensation Committee considers our Chief Executive Officer's input and can accept, reject or modify these recommendations in its discretion. 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 also considers 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 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. None of our NEOs were present during the Compensation Committee's determinations regarding their own compensation.

The Compensation Committee has retained Frederic W. Cook & Co., Inc., or FW Cook, as its compensation consultant. FW Cook 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 FW Cook in 2018 to provide data, context, and advice regarding executive officer compensation and our peer group, 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 peer group median depending on factors described below under the heading “2018 Compensation Decisions,” including the individual’s experience, role, and past and expected future performance.

2017 Peer Group

In the second half of 2017, 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 of 19 companies as the “2017 Peer Group.” These companies had 2016 12-month average market capitalizations of between \$327 million and \$1.845 billion, with a median 12-month average market capitalization of \$974 million. In October 2017 when these peer data were reviewed, our market capitalization was about \$985 million. The 2017 Peer Group data was considered in reviewing our 2018 executive compensation program, including in determining the 2018 base salaries, target cash incentive compensation, and equity awards.

Acceleron Pharma, Inc.	Acorda Therapeutics, Inc.	Aerie Pharmaceuticals, Inc.
Cytokinetics, Inc.	Dermira, Inc.	Dynavax Technologies Corporation
FibroGen, Inc.	Five Prime Therapeutics, Inc.	Halozyme Therapeutics, Inc.
Heron Therapeutics, Inc.	ImmunoGen, Inc.	Ironwood Pharmaceuticals, Inc.
La Jolla Pharmaceutical Company	Prothena Corporation PLC	Retrophin, Inc.
Sage Therapeutics, Inc.	Sangamo Therapeutics, Inc.	Sarepta Therapeutics, Inc.
Synergy Pharmaceuticals, Inc.		

2018 Peer Group

In the second quarter of 2018, 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 of 17 companies as the “2018 Peer Group.” These companies had 2017 12-month average market capitalizations of between \$978 million and \$5.843 billion, with a median 12-month average market capitalization of \$2.458 billion. In the second quarter of 2018 when these peer data were reviewed, our market capitalization was about \$2.066 billion. The 2018 Peer Group data was considered in reviewing our 2019 executive compensation program, including in determining the 2019 base salaries, target cash incentive compensation, and equity awards.

Acadia Pharmaceuticals Inc.	Acceleron Pharma, Inc.	Acorda Therapeutics, Inc.
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Aerie Pharmaceuticals, Inc.	Agios Pharmaceuticals, Inc.	Aimmune Therapeutics, Inc.
Array BioPharma Inc.	FibroGen, Inc.	Halozyme Therapeutics, Inc.
Immunomedics, Inc.	Ironwood Pharmaceuticals, Inc.	Neurocrine Biosciences, Inc.
Sage Therapeutics, Inc.	Sarepta Therapeutics, Inc.	The Medicines Company
Ultragenyx Pharmaceutical Inc.	United Therapeutics Corporation	

Compensation Consultant Conflict of Interest Analysis

The Compensation Committee has determined that the work of FW Cook and the individual compensation advisors employed by FW Cook 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 FW Cook; (ii) the amount of fees we paid FW Cook as a percentage of FW Cook's total revenue; (iii) FW Cook's policies and procedures that are designed to prevent conflicts of interest; (iv) any business or personal relationship of FW Cook or the individual compensation advisors employed by FW Cook 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 FW Cook or the individual compensation advisors employed by the consultant. During 2018, we paid FW Cook fees that constituted less than 1% of FW Cook's total revenue.

2018 Compensation Decisions

Summary

For 2018, salaries for our executive officers were generally increased by 2%; target bonuses were not increased. The decisions were not driven by market data; however, they resulted in salaries and bonuses that were near the median of the 2017 Peer Group data available at the time, with target cash compensation that was within 10% of the 2017 Peer Group median. The values of equity grants awarded at the start of 2018 were above the median, reflecting the fact that our 139% TSR for 2017 was above the 80th percentile of our 2017 Peer Group, as well as the fact that our market capitalization was well above the median of the 2017 Peer Group. Our CEO's 2018 total compensation as reported in the Summary Compensation Table falls at the median of the 2018 Peer Group.

Base Salary

The purpose of base salary is to provide fixed compensation to attract, retain and motivate executives with the qualifications desired for the particular position. The base salary for our NEOs is influenced by various factors, including the individual's responsibilities and position, experience, performance to date and expected future contribution, overall mix of base salary, performance-based cash incentives and equity compensation, and our corporate performance.

In early 2018, the Compensation Committee approved base pay increases of 2% from 2017 levels for our NEOs other than Dr. Klassen. This relatively modest increase in salary budget followed high TSR in 2017. The Compensation Committee approved a base pay increase of 5% from the 2017 annualized level for Dr. Klassen to bring his cash compensation closer to the median of our 2017 Peer Group. Accordingly, 2018 base salaries for our NEOs were as follows:

NEO	2018 Base Salary	2017 Base Salary	Increase (%)
Amit D. Munshi	\$637,500	\$625,000	2%
Kevin R. Lind	\$408,000	\$400,000	2%
Vincent E. Aurentz	\$408,000	\$400,000	2%
Preston S. Klassen, M.D., M.H.S. (1)	\$420,000	\$400,000	5%
Steven W. Spector, J.D.	\$440,232	\$431,600	2%

(1)Dr. Klassen was hired during 2017. His 2017 base salary is presented on an annualized basis.
Performance-Based Cash Incentives

Annual Incentive Plan. All of our NEOs were participants in the Annual Incentive Plan for 2018. Under the Annual Incentive Plan, each participant was assigned an incentive target that was expressed as a percentage of annual base salary. Our Chief Executive Officer's incentive target under the Annual Incentive Plan was expressed as 65% of his annual salary, and the other participants had incentive targets expressed as 50% of their annual base salaries. These were the same incentive targets as under the Annual Incentive Plan for 2017. The maximum potential incentive award under the Annual Incentive Plan for 2018 was 150% of the targeted award amount for extraordinary goal achievement in 2018. All of the 2018 goals were established by the Compensation Committee in early 2018.

The objective of the Annual Incentive Plan was to align near-term incentives for officers of the Company to be consistent with stockholders and long-term corporate objectives. All participants' potential incentive awards were based primarily on the same 2018 corporate goals, which we believed would align the interests of our executive officers with one another and with our stockholders. In addition, the Compensation Committee established individual goals for each of the participants in the Annual Incentive Plan other than our Chief Executive Officer, with the participant's individual goals representing 20% of their total goal achievement. Each Annual Incentive Plan participant's actual incentive award would be based on the level of achievement of pre-established goals (including corporate goals and, if applicable, individual goals), the quality of such achievement, the participant's role in goal achievement and the weighting of the goals, with the Compensation Committee retaining discretion to adjust or modify actual awards subject to the cap of 150% of the targeted award amount.

In early 2019, the Compensation Committee determined that the 2018 corporate goals were achieved at a level of 110%. The 2018 corporate goals, the weighting of such goals, and the facts the Compensation Committee considered in determining the achievement of such goals are set forth below. The categories and weightings were the same as for 2017, except human resources goals were increased by 5% to reflect the challenges of scaling our business and licensing goals were decreased by 5% because we were less focused on such activities in early 2018 when the goals were established.

Categories of Corporate Goals	Goals and Considerations for Achievement	Weighting	Achievement
1 Clinical progress on programs	Clinical progress on etrasimod (APD334): Delivered positive OASIS Phase 2 data in ulcerative colitis; began preparation for Phase 3.		
	Clinical progress on ralinepag (APD811): Negotiated and executed a global license agreement with United Therapeutics; Phase 3 trial design and initiation.	65%	62%
	Clinical progress on other assets: Delivered positive Phase 2a data for olorinab and advanced preclinical development of APD418; however, due to management's focus on lead programs, timing was later than targeted.		
2 Licensing and collaboration efforts	Pursue strategic partnerships: Negotiated and executed global license agreement for ralinepag with United Therapeutics.	5%	7.5%
3 Budget and finance	Manage cash to efficiently reach major milestones: Cash efficiently managed to reach major milestones, including targeted capital raise post-OASIS data, execution of United Therapeutics license agreement, and achievement of an estimated \$1.3B in cash post-closing of the United Therapeutics license agreement.	15%	22.5%
4 Human resources	Build a high-performing culture and hire, engage and retain key employees: built out human capital function; rolled out "scale for success" corporate architecture initiative; hired approximately 113 employees during 2018.	15%	18%
Total		100%	110%

In early 2019, for each of our NEOs other than our Chief Executive Officer, the Compensation Committee also considered the level and quality of individual goal achievement during 2018 and the relationship of the NEO's achievement of individual goals to the achievement of corporate goals, including the United Therapeutics license agreement transaction. The Compensation Committee determined that each of the NEOs had achieved 110% of his individual goals based on the following:

- Mr. Lind developed improved internal financial planning and analysis systems and reporting to integrate into the functional areas of the company.
- Mr. Aurentz progressed the development of the company's commercial launch operational framework.
- Dr. Klassen managed the build-out of high-performing product development teams and the development of integrated product plans.
- Mr. Spector continued to build our compliance and monitoring systems and oversee integration into the company's functional areas.

Based on the achievement of corporate and individual goals, in early 2019, the Compensation Committee approved cash incentive awards for our NEOs participating in the Annual Incentive Plan at a level of 110% as follows:

NEO	Target Award	Actual Award
Amit D. Munshi	\$414,375	\$455,813
Kevin R. Lind	204,000	224,400
Vincent E. Aurentz	204,000	224,400
Preston S. Klassen, M.D., M.H.S.	210,000	231,000
Steven W. Spector, J.D.	220,116	242,128

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Equity Compensation

General. We believe that equity grants provide our NEOs with the opportunity to share in increases, if any, in the value of our common stock, reinforce a long-term interest in our corporate performance, and directly motivate our NEOs to maximize long-term stockholder value. The potential realized value of certain grants depends on our stock performance and all of our equity grants utilize vesting that encourage our NEOs to continue working for us long term.

The Compensation Committee determines the size and type of equity awards after evaluating various factors applicable at the time of each such grant in their totality, which has included, among other things: the particular NEO's role and responsibilities and the Compensation Committee's view of the officer's individual performance; the prior equity awards granted to such individual; retentive value of prior awards; our corporate performance; the value of equity grants; comparative peer data provided by its compensation consultant; dilution to our stockholders; and TSR.

All grants to executive officers require the approval of the Compensation Committee.

2018 Equity Grants. The Compensation Committee granted our NEOs 2018 equity compensation 100% in stock options in order to align their long-term compensation with price growth for our stockholders, consistent with our compensation philosophy that our NEOs should have a sizeable portion of the total compensation at-risk, as well as the time horizon required to develop and commercialize internally discovered medicines. The Compensation Committee determined the size of the stock option grants based on a number of factors, including:

- the 2017 Peer Group data;
- Our high TSR for 2017, which was 139% and above the 75th percentile of our 2017 Peer Group;
- The size of our market capitalization relative to our 2017 Peer Group, which was above the median;
- The prior equity awards granted to our NEOs;
- Internal equity among the executive team; and
- Dilution to our stockholders.

The grant date fair value of Mr. Munshi's award was above the median of the 2017 Peer Group but approximated the median value of our 2018 Peer Group. Similarly, our other NEOs were granted awards above the median of the 2017 Peer Group. The Compensation Committee felt that providing equity opportunities for our NEOs in the amounts granted, which would only provide value if our stock price appreciated, was appropriate to recognize their high performance in successfully transforming our business since Mr. Munshi joined us in May 2016, and to motivate performance and better assure our ability to retain and recruit employees in a highly competitive market as we continue to execute on Mr. Munshi's and the new management team's revised business strategy.

NEO	2018 Stock Options
Amit D. Munshi	310,000
Kevin R. Lind	130,000
Vincent E. Aurentz	130,000
Preston S. Klassen, M.D., M.H.S.	130,000
Steven W. Spector, J.D.	130,000

2019 Performance Restricted Stock Units. Commencing in 2019, the Compensation Committee incorporated performance-based restricted stock units, or PRSUs, as a component of annual equity awards for all employees, including NEOs. As of the proxy record date, all NEOs therefore held PRSU awards that were granted in January 2019. The Compensation Committee believes that the combination of stock options and PRSUs further aligns the interests of employees with stockholders. The PRSUs only provide value if the price of our common stock increases to

reach certain specified thresholds. The January 2019 PRSUs vest, if at all, upon the closing price of our common stock reaching certain price thresholds from \$60 to \$75 per share during a three-year performance period ending January 3, 2022, and the grantee's subsequent satisfaction of a continuing service requirement. The Compensation Committee views the formulaic outcome of these awards as pay-for-performance.

Other Benefits

All of our current NEOs, as well as our other regular, full-time US employees, are eligible for a variety of health and welfare benefits. We believe that competitive health and welfare benefits help ensure that we have a productive and focused workforce.

Time Off

Our regular, full-time US employees can accrue vacation time during the year, and the maximum amount of vacation time any employee may accrue is 240 hours. Employees are eligible to be paid for accrued unused vacation time at designated times during the year, subject to certain limitations. In addition, our employees, including NEOs, are eligible for statutory leaves based on the location of their employment, including but not limited to statutory paid sick leave, which varies by location.

Retirement Savings Plan and Company Match

Our US employees are eligible to participate in our Retirement Savings Plan in the form of a qualified 401(k) plan, beginning on their hire date. Employees may make pre-tax or after-tax (Roth) contributions of up to 50% of gross cash compensation into the plan, up to the annual limit under the Internal Revenue Code, as amended, or Code. Subject to limits under the Code, we match 100% of each of the employee's contributions, up to a maximum match of 6% of the employee's eligible gross cash compensation per pay period. This matching contribution vests over a two-year period from the individual's original date of hire. During 2018, we updated our Retirement Savings Plan to allow employees to make certain after-tax contributions in addition to the contributions described above.

Life and Disability Coverage

During 2018, we provided all regular, full-time US employees with a life insurance policy equal to two times the employee's annual base salary, up to a maximum coverage of \$500,000. Such employees are also covered by short- and long-term disability plans that coordinate with state disability insurance programs, if any.

Perquisites and Other Benefits

Except for the commuting expense related reimbursement provided to Mr. Aurentz, we did not provide any of our NEOs or other senior members of management with perquisites in 2018 that exceeded \$10,000 in the aggregate for any person. Mr. Aurentz's position and duties require him to travel extensively and do not require him to be present in our San Diego headquarters all of the time. Accordingly, pursuant to the terms of his employment agreement, we provided certain benefits to assist with Mr. Aurentz's travel. We provided Mr. Aurentz with a monthly housing and automobile stipend, which began in August 2016 in an amount of up to \$9,166 per month, and continued for 18 months, at which time, in recognition of the value of his role and strong performance, we agreed to continue Mr. Aurentz's housing and automobile stipend in an amount up to \$7,000 per month for an additional 12 months through February 2019. We also 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. These benefits were individually negotiated with Mr. Aurentz and were provided because they were deemed necessary for his employment.

Post-Termination Compensation

Below is a summary of potential post-termination compensation for our NEOs. More details regarding such arrangements, including potential payouts, are provided below under "Potential Post-Employment Payments Table." These termination benefits are intended to keep our NEOs focused on corporate interests while employed and to ease the consequences to an executive officer of a termination of employment and require that the applicable executive officer must execute a waiver and release of claims in our favor.

Termination Protection Agreements and Severance Benefit Plan. We have an Amended and Restated Severance Agreement with Mr. Munshi, or the Severance Agreement, that may require us to provide compensation and benefits to him. We also have an Amended and Restated Severance Benefit Plan, or Severance Benefit Plan, that may require

us to provide compensation and benefits to our NEOs other than Mr. Munshi, and we have a Termination Protection Agreement, as amended, with Mr. Spector, or the Termination Protection Agreement, that may require us to provide compensation and benefits to him.

We provide these benefits because we determined that it was appropriate to provide our executive officers severance compensation if their employment is terminated under certain circumstances. The Compensation Committee believes that the severance benefits are an important element of the NEOs' retention and motivation and that the benefits of such severance rights agreements, including generally requiring a release of claims against us as a condition to receiving any severance benefits, are in our best interests.

The Compensation Committee periodically reviews the severance benefits we offer to our NEOs to ensure that the benefits we offer remain competitive. In January 2019, the Compensation Committee amended certain terms of Mr. Munshi's Severance Agreement and our Severance Benefit Plan to better align with the pay practices of our 2018 Peer Group. A description of the severance benefits provided under the Severance Agreement (including as amended in 2019), the Severance Benefit Plan (including as amended in 2019) and the Termination Protection Agreement is provided below under the heading "Potential Post-Employment Payments Table at December 31, 2018."

Tax Considerations

We take into account the tax effects of various forms of compensation and the potential for excise taxes to be imposed on our executive officers. There are various provisions of the Code that we consider in determining compensation, including the following:

Section 162(m). Under Section 162(m) of the Code (“Section 162(m)”), compensation paid to any publicly held corporation’s “covered employees” that exceeds \$1 million per taxable year for any covered employee is generally non-deductible. Prior to the enactment of the Tax Cuts and Jobs Act of 2017, or TCJA, Section 162(m) provided a performance-based compensation exception, pursuant to which the deduction limit under Section 162(m) did not apply to any compensation that qualified as “performance-based compensation” under Section 162(m). Pursuant to the TCJA, the performance-based compensation exception under Section 162(m) was repealed with respect to taxable years beginning after December 31, 2017, except that certain transition relief is provided for compensation paid pursuant to a written binding contract which was in effect on November 2, 2017, and which is not modified in any material respect on or after such date.

Compensation paid to each of our “covered employees” in excess of \$1 million per taxable year generally will not be deductible unless it qualifies for the performance-based compensation exception under Section 162(m) pursuant to the transition relief described above. Because of certain ambiguities and uncertainties as to the application and interpretation of Section 162(m), as well as other factors beyond the control of the Compensation Committee, no assurance can be given that any compensation paid by us will be eligible for such transition relief and be deductible by us in the future. Although the Compensation Committee will continue to consider tax implications as one factor in determining executive compensation, the Compensation Committee also looks at other factors in making its decisions and retains the flexibility to provide compensation for our NEOs in a manner consistent with the goals of our executive compensation program and the best interests of us and our stockholders, which may include providing for compensation that is not deductible by us due to the deduction limit under Section 162(m). The Compensation Committee also retains the flexibility to modify compensation that was initially intended to be exempt from the deduction limit under Section 162(m) if it determines that such modifications are consistent with our business needs.

Sections 280G and 4999. Any payment or benefit provided to executive officers in connection with a change-in-control transaction may be subject to an excise tax under Section 4999 of the Code. These payments also may not be eligible for a company tax deduction pursuant to Section 280G of the Code. If any of these payments or benefits are subject to the excise tax, they may be reduced to provide the individual with the best after-tax result. The individual will receive a reduced amount so that the excise tax is not triggered, or the individual will receive the full amount of the payments and benefits and then be liable for any excise tax.

Additional Executive Compensation Practices, Policies and Procedures

Clawback Policy. We maintain a clawback policy that applies to current and former executive officers. Under the policy, following an accounting restatement that is required to be prepared due to material noncompliance with any financial reporting requirements under the securities laws, we will seek repayment from any current or former executive officer of any incentive-based compensation that was: (i) based on the erroneous data; (ii) paid during the three-year period preceding the date on which the accounting restatement is required to be prepared; and (iii) in excess of what would have been paid under the accounting restatement. In addition, in the event that legislation is enacted or the SEC adopts rules or promulgates regulations defining the circumstances under which we are entitled to seek repayment from a current or former executive officer, such legislation, rules or regulations shall apply.

Stock Ownership Guidelines. The Compensation Committee has established ownership guidelines for our NEOs. Within five years after the date an individual becomes an executive officer, he or she will be expected to hold

ownership or equivalent with an aggregate value equal to the amount (or, in the case of the Chief Executive Officer, three times the amount) of the executive officer's annual base salary. If an executive is not in compliance after the applicable five-year period, the executive will be expected to retain at least 50% of the shares acquired upon option exercise (after payment of both the exercise cost and taxes) and 50% of the shares issued upon vesting of RSU grants (net of shares necessary to satisfy taxes).

Prohibition of Speculative or Short-Term Trading. We prohibit our NEOs (and other employees) and non-employee directors from engaging in short sales, transactions in put or call options, hedging transactions, margin accounts, pledges, or other inherently speculative transactions with respect to our securities at any time.

Compensation Committee Report

The material in this report is not “soliciting material,” is furnished to, but not deemed “filed” with, the SEC and is not deemed to be incorporated by reference in any of our filings under the Securities Act or the Exchange Act, other than our Annual Report on Form 10-K (where it shall be deemed to be “furnished”), whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

The Compensation Committee, comprised of independent directors, reviewed and discussed the above “Compensation Discussion and Analysis” with our management. Based on such review and discussions, the Compensation Committee recommended to our Board of Directors that the “Compensation Discussion and Analysis” be included in this proxy statement and included into our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

THE COMPENSATION COMMITTEE

Randall E. Woods, Chair
Jayson Dallas, M.D.
Oliver Fetzner, Ph.D.

Summary Compensation Table for Fiscal Years Ended December 31, 2018, 2017 and 2016

The table below summarizes the total compensation of our Named Executive Officers for the fiscal years indicated.

Name and Principal Position	Year	Non-Equity					Total
		Salary	Bonus	Option Awards	Incentive Plan Compensation	All Other Compensation	
	Year	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Amit D. Munshi President, Chief Executive Officer and Director	2018	\$ 635,938	\$ —	\$ 5,752,825	\$ 455,813	\$ 18,869	\$ 6,863,445
	2017	625,000	—	1,786,435	487,500	17,010	2,915,945
	2016	397,836	—	3,745,280	230,171	16,425	4,389,712
Kevin R. Lind Executive Vice President, Chief Financial Officer and Principal Financial Officer	2018	407,000	—	2,412,475	224,400	17,165	3,061,040
	2017	400,000	41,841 (5)	868,083	240,000	16,041	1,565,964
	2016	218,205	—	939,680	96,438	35,849 (6)	1,299,253
Vincent E. Aurentz Executive Vice President and Chief Business Officer	2018	407,000	—	2,412,475	224,400	120,055 (7)	3,163,930
	2017	400,000	—	826,746	240,000	145,905 (7)	1,612,651
	2016	151,538	—	835,920	67,025	55,678 (7)	1,110,161
Preston S. Klassen, M.D., M.H.S. Executive Vice President and Chief Medical Officer	2018	417,500	—	2,412,475	231,000	18,869	3,079,844
	2017	315,384	165,000 (8)	1,101,545	188,712	16,641	1,787,282
Steven W. Spector, J.D. Executive Vice President, General Counsel and Secretary	2018	439,153	—	2,412,475	242,128	18,869	3,112,625
	2017	431,600	—	868,083	258,960	40,682 (9)	1,599,325
	2016	431,600	—	844,810	189,904	16,800	1,483,114

(1) In accordance with SEC rules, the compensation described in this table does not include various health and welfare or other benefits received by our Named Executive Officers that are available generally to all of our regular, full-time employees, except as described in footnote 5 in this table. This table also does not include any perquisites and other personal benefits received by our Named Executive Officers that, in the aggregate, were less than \$10,000 for any officer, except as disclosed in note 6 below. Amounts earned but deferred at the election of our Named Executive Officers pursuant to our 401(k) plan are included in the “salary” column.

(2) Represents the aggregate grant date fair value of options granted in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 718, “Stock Compensation.” For the relevant assumptions used in determining these amounts, refer to Note 7 to our audited consolidated financial statements included in our Annual Report on Form 10-K as filed with the SEC on February 28, 2019.

- (3) Represents cash awards earned pursuant to our annual incentive plans for 2018, 2017 and 2016, as further described below in the “Grants of Plan-Based Awards” table and the above “Compensation Discussion and Analysis.”
- (4) Represents matching contributions to our 401(k) plan made on behalf of our Named Executive Officers, group-term life insurance premiums paid by us for our Named Executive Officers and other compensation described below in these footnotes.
- (5) Represents the amount paid to Mr. Lind in the form of a signing bonus equal to unused portion of the relocation allowance provided to Mr. Lind in connection with his appointment as Executive Vice President and Chief Financial Officer in May 2016.
- (6) In addition to the items noted in footnote 4 above, “all other compensation” includes \$8,159 paid to Mr. Lind in 2016 as qualified relocation expense reimbursement in connection with his appointment as Executive Vice President and Chief Financial Officer in May 2016, and \$17,240 paid to Mr. Lind in 2016 as reimbursement, on an after-tax basis, for hotel and airfare commuting expenses incurred by Mr. Lind prior to his relocation to San Diego.
- (7) In addition to the items noted in footnote 4 above, “all other compensation” includes \$87,249, \$109,992 and \$41,247 provided to Mr. Aurentz in 2018, 2017 and 2016, respectively, in the form of monthly taxable housing and automobile allowances and \$13,937, \$18,419 and \$10,306 provided to Mr. Aurentz in 2018, 2017 and 2016, respectively, for commuting airfare reimbursement, on an after-tax basis, following his appointment as Executive Vice President and Chief Business Officer in August 2016.
- (8) Represents the amount paid to Dr. Klassen in the form of signing bonuses following his appointment as Executive Vice President and Chief Medical Officer in March 2017.
- (9) In addition to the items noted in footnote 5 above, “all other compensation” includes \$23,240 paid to Mr. Spector in 2017 for unused accrued vacation time.

Grants of Plan-Based Awards During Fiscal Year Ended December 31, 2018

The table below provides information on estimated future payouts under non-equity and equity incentive plans, stock awards and options granted to our Named Executive Officers during the fiscal year ended December 31, 2018.

Name	Grant Date (3)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)		All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (\$/sh)	Grant Date Fair Value of Stock and Option Awards (\$ (4)
		Target (\$)	Maximum (\$)	(#) (2)	(3)	(4)
Amit D. Munshi	—	\$414,375	\$621,563	—	\$—	\$—
	1/19/2018	—	—	310,000	35.60	5,752,825
Kevin R. Lind	—	204,000	306,000	—	—	—
	1/19/2018	—	—	130,000	35.60	2,412,475
Vincent E. Aurentz	—	204,000	306,000	—	—	—
	1/19/2018	—	—	130,000	35.60	2,412,475
Preston S. Klassen, M.D., M.H.S.	—	210,000	315,000	—	—	—
	1/19/2018	—	—	130,000	35.60	2,412,475
Steven W. Spector, J.D.	—	220,116	330,174	—	—	—
	1/19/2018	—	—	130,000	35.60	2,412,475

- (1) The amounts shown in the “target” column reflect a percentage of such Named Executive Officer’s 2018 annual base salary as specified under the Annual Incentive Plan, the amounts shown in the “maximum” column are 150% of the respective target amounts and there is no minimum amount payable for a certain level of performance.
- (2) The stock options granted to our Named Executive Officers in 2018 are incentive stock options to the extent permissible under the Code, and are exercisable once vested for up to seven years from the date of grant. The stock options vest over four years, with 25% of the shares subject to the option vesting on the first anniversary of the grant date, and the remainder of the shares vesting monthly over the following three years in equal installments (except as otherwise necessary to avoid vesting of a fractional share).
- (3) In all cases, the exercise price of the option awards was equal to the closing market price of our common stock on the grant date as reported on the Nasdaq Global Select Market.
- (4) Represents the aggregate grant date fair value of stock options granted in accordance with FASB ASC Topic 718. For the relevant assumptions used in determining these amounts, refer to Note 7 to our audited consolidated financial statements included in our Annual Report on Form 10-K as filed with the SEC on February 28, 2019.

Outstanding Equity Awards at December 31, 2018

The table below provides information on all stock options held by our Named Executive Officers on December 31, 2018. No unvested stock awards were held by our Named Executive Officers on December 31, 2018.

Name	Option Grant Date	Option Awards		Option Exercise Price	Option Expiration Date
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable		
Amit D. Munshi	5/11/2016	237,500	142,500	\$ 15.50	5/11/2023
	2/13/2017	98,551	116,449	14.60	2/13/2024
	1/19/2018	—	310,000	35.60	1/19/2025
Kevin R. Lind	6/15/2016	50,000	30,000	19.40	6/15/2023
	2/13/2017	47,899	56,576	14.60	2/13/2024
	1/19/2018	—	130,000	35.60	1/19/2025
Vincent E. Aurentz	8/15/2016	46,666	33,334	17.10	8/15/2023
	2/13/2017	45,614	53,886	14.60	2/13/2024
	1/19/2018	—	130,000	35.60	1/19/2025
Preston S. Klassen, M.D., M.H.S.	3/20/2017	56,591	72,759	15.10	3/20/2024
	1/19/2018	—	130,000	35.60	1/19/2025
Steven W. Spector, J.D.	3/17/2009	1,500	—	40.10	3/17/2019
	3/17/2010	7,000	—	32.50	3/17/2020
	3/15/2011	7,970	—	14.90	3/15/2021
	3/19/2012	5,525	—	18.10	3/19/2022
	12/13/2012	10,000	—	88.70	12/13/2019
	12/17/2013	10,001	—	55.20	12/17/2020
	12/15/2014	7,500	—	37.20	12/15/2021
	12/15/2015	7,500	7,499	17.90	12/15/2022
	3/2/2016	26,250	26,250	15.50	3/2/2023
	12/15/2016	17,100	17,100	15.00	12/15/2023
	2/13/2017	47,889	56,586	14.60	2/13/2024
1/19/2018	—	130,000	35.60	1/19/2025	

(1) Stock options generally vest 25% per year over four years from the date of grant. Stock options granted prior to December 13, 2012, are exercisable for up to 10 years from the date of grant; stock options granted on or after December 13, 2012, are exercisable for up to 7 years from the date of grant.

Option Exercises and Stock Vested During Fiscal Year Ended December 31, 2018

The table below provides information on stock option exercises and stock awards vested during the fiscal year ended December 31, 2018.

Name	Option Awards		Stock Awards	
	Number of Shares	Value	Number of Shares	Value
	Acquired on Exercise	Realized on Exercise	Acquired on Vesting	Realized on Vesting
	(#)	(\$) (1)	(#)	(\$) (2)
Amit D. Munshi	—	\$ —	—	\$ —
Kevin R. Lind	—	—	—	—
Vincent E. Aurentz	—	—	—	—
Preston S. Klassen, M.D., M.H.S.	—	—	—	—
Steven W. Spector, J.D.	59,006	1,016,446	11,830	505,255

- (1) Computed by multiplying the number of options exercised by the difference between the market price of our common stock at exercise and the exercise price of the stock options.
- (2) Computed by multiplying each of the shares vested by the closing market price of our common stock on the applicable vesting date.

Potential Post-Employment Payments Table at December 31, 2018

As described below, Mr. Munshi is party to a Severance Agreement dated May 6, 2016, which was amended and restated on January 4, 2019. All of our NEOs other than Mr. Munshi are participants under a Severance Benefit Plan, which was amended and restated effective on January 4, 2019, and Mr. Spector is a party to a Termination Protection Agreement, dated December 20, 2002, as amended. Any payments payable under the Severance Benefit Plan are reduced by severance benefits payable by us under any agreement, policy, plan, program or arrangement, including the Termination Protection Agreement (for Mr. Spector). The severance and other benefits that would be payable in connection with a change in control are due only in the event of a “double trigger” in which (i) there is a change in control and (ii) the executive officer’s employment is terminated under certain circumstances or equity awards are not continued, assumed or substituted. In addition, certain equity grants to our NEOs include additional vesting and time to exercise in connection with retirement.

Severance Agreement with Mr. Munshi

We entered into a Severance Agreement with Mr. Munshi in 2016, which was subsequently amended and restated on January 4, 2019, pursuant to which he is entitled to certain severance benefits. Under the Severance Agreement as in effect on December 31, 2018, in the event that we terminate Mr. Munshi without cause or Mr. Munshi resigns for good reason, each a Covered Termination, following our receipt of an effective waiver and release of claims and return of company property, 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.

On January 4, 2019, Mr. Munshi’s Severance Agreement was amended and restated to provide that in the event of a Covered Termination, Mr. Munshi’s bonus amount for calculation of severance will be equal to his target bonus in place immediately prior to the Covered Termination, rather than the greater of his average bonus for the last three years (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) or his most recent annual bonus.

Severance Benefit Plan

The Severance Benefit Plan provides severance benefits upon involuntary termination without cause or voluntary termination with good reason (as defined in the plan). The benefits under the Severance Benefit Plan as of December 31, 2018, include cash severance benefits, continuation of health insurance coverage for the severance period,

acceleration of stock options and awards that would otherwise have vested through the end of the severance period, and continued stock option exercisability until the later of (i) the original post-termination exercise period provided in the applicable stock option agreement or (ii) the number of months equal to the severance period (but not beyond the original contractual life of the option). The severance period is 18 months for Messrs. Lind, Aurentz and Spector and Dr. Klassen. The cash severance benefits are equal to the number of months in the executive officer's severance period multiplied by the executive officer's monthly base salary in effect immediately prior to the termination plus one-twelfth of the greater of (i) the average of the three annual bonuses we paid to the executive officer prior to his termination and (ii) the last annual bonus paid to the executive officer prior to termination. Following our receipt of an effective waiver and release of claims and return of company property, we are required to pay the cash benefits in a lump sum within five business days after the earlier of (i) the first business day that is six months following the executive officer's termination or (ii) following the executive officer's termination, the executive officer's death.

On January 4, 2019, we amended and restated the Severance Benefit Plan to (i) provide that, in the event of a Covered Termination, the bonus amount used to calculate an executive officer's severance will be equal to the executive officer's target bonus in place immediately prior to the Covered Termination, rather than the greater of the executive officer's average bonus for the last three years or the executive officer's most recent annual bonus; (ii) provide that, in the event of a Covered Termination within 24 months of a change in control, all of the executive officer's outstanding stock options and other equity becomes fully vested and exercisable, except for performance-related awards such as PRSUs; and (iii) modify the definition of good reason to (a) allow for a resignation for good reason when a participant's authority, duties or responsibilities are materially diminished, including a change in participant's position such that participant is no longer employed in substantially the same position and with substantially the same level of authority, responsibilities or duties at the ultimate parent corporation, and (b) delete, from the list of circumstances that would constitute good reason, the failure of the Board of Directors to nominate a participant for election to the Board of Directors.

Termination Protection Agreement

In contrast to the Severance Benefit Plan, the Termination Protection Agreement with Mr. Spector only applies to qualifying terminations if there has been a change in control. Under the Termination Protection Agreement, if Mr. Spector is terminated without cause or resigns for good reason (as defined in the agreement) within two years following a change in control or if he is terminated within one year prior to a change in control in anticipation of the change in control, we are required to provide him (i) a payment equal to his annual compensation, (ii) continuation of health insurance coverage until the second anniversary of his termination, (iii) accelerated vesting of all outstanding unvested stock options and restricted shares, with any stock options remaining exercisable until the first anniversary of his termination (but not beyond the original contractual life of the option), and (iv) continuation of our indemnification obligations until at least the sixth anniversary of his termination. The cash severance benefits are equal to (i) his annual rate of base salary in effect on the date of the change in control or the termination date, whichever is higher, and (ii) any bonus paid or payable to him for the year preceding the change in control or the termination date, whichever is higher. Following our receipt of an effective waiver and release of claims, we are required to pay the cash benefits in a lump sum within five business days after the earlier of (i) the first business day that is six months following his termination or (ii) following his termination, his death. The Severance Benefit Plan provides that any benefits payable to Mr. Spector shall be reduced by any benefits paid to him under the Termination Protection Agreement.

Potential Amounts Payable Upon Termination or Resignation for Good Reason

In accordance with SEC rules, the table below provides information on the amounts payable upon termination of our Named Executive Officers assuming the triggering event (which would be the participants' separations) took place on December 31, 2018. Information on certain tax implications of post-termination payments is included above under "Tax Considerations."

Name and Benefit	Potential Payable Upon Termination	
	Without Cause or Resignation	
	for Good Reason	
	Without a Change in Control (1)	With a Change in Control (1)
Amit D. Munshi		
Salary	\$ 1,275,000	\$ 1,275,000
Bonus	911,626	911,626
Benefit continuation	58,329	58,329
Accelerated vesting of stock options (2)	6,716,317	7,215,658
Total	\$ 8,961,272	\$ 9,460,613
Kevin R. Lind		
Salary	\$ 612,000	\$ 612,000
Bonus	336,600	336,600
Benefit continuation	43,486	43,486
Accelerated vesting of stock options (2)	1,803,499	2,399,626
Total	\$ 2,795,585	\$ 3,391,712
Vincent E. Aurentz		
Salary	\$ 612,000	\$ 612,000
Bonus	336,600	336,600
Benefit continuation	33,333	33,333
Accelerated vesting of stock options (2)	1,827,086	2,475,972
Total	\$ 2,809,019	\$ 3,457,905
Preston S. Klassen, M.D., M.H.S.		
Salary	\$ 630,000	\$ 630,000
Bonus	346,500	346,500
Benefit continuation	33,333	33,333
Accelerated vesting of stock options (2)	1,419,980	2,170,802
Total	\$ 2,429,813	\$ 3,180,635
Steven W. Spector, J.D.		
Salary	\$ 660,348	\$ 660,348
Bonus	363,192	363,192
Benefit continuation	33,333	44,444
Accelerated vesting of stock options (2)	2,297,648	2,996,331
Total	\$ 3,354,521	\$ 4,064,315

- (1) For purposes of this table, “change in control” means a change in control or other corporate event that triggers payments under one or more arrangements described above, without giving effect to the amendments to the Severance Agreement with Mr. Munshi and the Severance Benefit Plan that were effective in January 2019. These January 2019 amendments modified, among other things, the method for determining the bonus portion of severance. Under the revised method (giving retroactive effect to the January 2019 amendments), the bonus amounts potentially payable to NEOs would have been slightly lower than the amounts presented in this table.
- (2) Computed by multiplying the difference between the closing market price of our common stock of \$38.95 on December 31, 2018, and the exercise price of each stock option vested as a result of the termination by the number of accelerated stock options.
- (3) Certain of Mr. Spector’s equity grants provide for additional vesting and time to exercise in connection with retirement. Mr. Spector would not be entitled to any such benefits because such equity awards will expire before Mr. Spector reaches the specified retirement age.

Pay Ratio Disclosure

Under SEC rules, we are required to calculate and disclose the annual total compensation of our median employee, as well as the ratio of the annual total compensation of our median employee as compared to the annual total compensation of Amit D. Munshi, our President and Chief Executive Officer (CEO), or CEO Pay Ratio. To identify our median employee, we used the following methodology:

- To determine our total population of employees, we included all employees other than our CEO, including employees of consolidated subsidiaries, as of December 31, 2018, regardless of their FTE schedule or anticipated employment duration.
- To identify our median employee from our employee population, we calculated the aggregate amount of each employee's base salary (using a reasonable estimate of the hours worked and base pay rates for our hourly employees, excluding overtime, and actual base salary as of December 31, 2018 for our remaining employees), bonuses attributable to fiscal 2018 performance and the grant date fair value of equity awards granted in fiscal 2018 using the same methodology we use for estimating the value of the equity awards granted to our NEOs and reported in our Summary Compensation Table.
- In making this determination, we annualized the base salary and target bonus compensation of employees who were employed by us for less than the entire fiscal year and not employed on a temporary or seasonal basis.
- Compensation paid in foreign currencies was converted to U.S. dollars based on exchange rates in effect on December 31, 2018.

Using this approach, we determined our median employee. Once the median employee was identified, we then calculated the annual total compensation of this employee for fiscal 2018 in accordance with the requirements of the Summary Compensation Table.

For fiscal 2018, the annual total compensation of our median employee was \$261,005 and the annual total compensation of our CEO, as reported in the Summary Compensation Table included in this Proxy Statement, was \$6,863,445. Based on this information, the ratio of the annual total compensation of our CEO to the median of the annual total compensation of all employees was 26.3 to 1.

The CEO Pay Ratio above represents our reasonable estimate calculated in a manner consistent with SEC rules and applicable guidance. SEC rules and guidance provide significant flexibility in how companies identify the median employee, and each company may use a different methodology and make different assumptions particular to that company. As a result, and as explained by the SEC when it adopted these rules, in considering the pay ratio disclosure, stockholders should keep in mind that the rule was not designed to facilitate comparisons of pay ratios among different companies, even companies within the same industry, but rather to allow stockholders to better understand and assess each particular company's compensation practices and pay ratio disclosures.

Neither the Compensation Committee nor our management used our CEO Pay Ratio measure in making compensation decisions.

Director Compensation

The Compensation Committee periodically reviews the compensation for our non-employee directors, with the assistance of its independent compensation consultant, including reference to our peer group companies used for executive compensation purposes. Following the most recent such review, the Compensation Committee approved changes to the equity and cash components of the compensation program for our non-employee directors on June 13, 2018. The changes were designed to target a value of total director compensation that was slightly below the median of our 2018 Peer Group and generally aligned with peer practice.

Pre-June 2018 Equity Component (effective through June 12, 2018)

• **Annual Award for Continuing directors and new directors:** Continuing and new directors elected at our annual stockholders' meeting will be granted non-qualified stock options to purchase 15,000 shares of our common stock. The options are granted effective on the date of our annual stockholders' meeting, and vest in equal monthly installments (except as necessary to avoid vesting of a fractional share) over one year beginning on the one month anniversary of the date of grant and subject to vesting conditions set forth below. New directors appointed other than at the annual stockholders' meeting will be granted a prorated number of the 15,000 shares effective on the date of their appointment. The prorated number of options shall be determined by multiplying 15,000 by a fraction, the numerator of which is equal to the number of full months in the Prorated Period and the denominator of which is 12. These options will vest in equal monthly installments (except as necessary to avoid vesting of a fractional share) over the Prorated Period, beginning on the one month anniversary of the date of appointment, and subject to vesting conditions set forth below. As used above, "Prorated Period" means the time between the director's appointment and the one-year anniversary of our most recent annual stockholders' meeting.

• **Inducement Award for New directors:** New directors will be granted non-qualified stock options to purchase 7,500 shares of our common stock effective on the date of their election or appointment, vesting over three years in equal monthly installments (except as otherwise necessary to avoid vesting of a fractional share) and subject to vesting conditions set forth below, with vesting beginning on the one month anniversary of the date of election or appointment.

• **Exercise Price and Option Vesting:** The exercise price of options shall be the Fair Market Value on the date of grant. In the event of a director's Separation From Service due to death, Disability, or a Change in Control of Arena that occurs upon or prior to a Separation From Service, all of the director's options become fully vested. In the event of any other Separation From Service, (a) vesting of the options is subject to the director's provision of continued service to Arena through the applicable vesting date, and (b) unvested options terminate upon the director's Separation From Service.

Post-June 2018 Equity Component (effective June 13, 2018)

• **Annual Award for Continuing Directors and New Directors:**

Options: Continuing and new directors elected at our annual stockholders' meeting will be granted non-qualified stock options to purchase 5,000 shares of our common stock. The options are granted effective on the date of our annual stockholders' meeting, and vest in equal monthly installments (except as necessary to avoid vesting of a fractional share) over one year beginning on the one month anniversary of the date of grant and subject to vesting conditions set forth below. New directors appointed other than at the annual stockholders' meeting will be granted a prorated number of the 5,000 shares effective on the date of their appointment. The prorated number of options shall be determined by multiplying 5,000 by a fraction, the numerator of which is equal to the number of full months in the Prorated Period and the denominator of which is 12. These options will vest in equal monthly installments (except as necessary to avoid vesting of a fractional share) over the Prorated Period, beginning on the one month anniversary of the date of appointment, and subject to vesting conditions set forth below. As used above, "Prorated Period" means the time between the director's appointment and the one-year anniversary of our most recent annual stockholders' meeting.

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RSUs: Continuing and new directors elected at our annual stockholders' meeting will also be granted \$150,000 in RSUs, with the number of RSUs determined by dividing \$150,000 by the closing stock price on the date of grant. The RSUs are granted effective on the date of our annual stockholders' meeting, and vest upon the earlier of the one-year anniversary after grant or the next annual stockholders' meeting, subject to vesting conditions set forth below. New directors appointed other than at the annual stockholders' meeting will be granted a prorated amount of the \$150,000 RSU award effective on the date of their appointment. The prorated number of RSUs shall be determined by multiplying the equivalent of \$150,000 in RSUs, determined based on the closing stock price on the date of grant, by a fraction, the numerator of which is equal to the number of full months in the Prorated Period and the denominator of which is 12. These RSUs will vest at the next annual stockholders' meeting, subject to vesting conditions set forth below. As used above, "Prorated Period" means the time between the director's appointment and the one-year anniversary of our most recent annual stockholders' meeting.

Inducement Award for New Directors:

Options: New directors will be granted non-qualified stock options to purchase 2,500 shares of our common stock effective on the date of their election or appointment, vesting over three years in equal monthly installments (except as otherwise necessary to avoid vesting of a fractional share) and subject to vesting conditions set forth below, with vesting beginning on the one month anniversary of the date of election or appointment.

RSUs: New directors will also be granted \$75,000 in RSUs, determined based on the closing stock price on the date of grant, effective on the date of their election or appointment, vesting in three equal installments (except as otherwise necessary to avoid vesting of a fractional share) on the date of the next three annual stockholder meetings after grant, subject to vesting conditions set forth below.

Exercise Price and Vesting

The exercise price of options shall be the Fair Market Value on the date of grant.

In the event of a director's Separation From Service due to death, Disability, or a Change in Control of Arena that occurs upon or prior to a Separation From Service, all of the director's options and RSUs become fully vested. In the event of any other Separation From Service, (a) vesting of the options and RSUs is subject to the director's provision of continued service to Arena through the applicable vesting date, and (b) unvested options and RSUs terminate upon the director's Separation From Service.

Certain Definitions

•"Change in Control" means an event that: (a) is a "Change in Control" as such term is defined in the applicable long-term incentive plan, and (b) also qualifies as either: (i) a change in the ownership of Arena, (ii) a change in the effective control of Arena, or (iii) a change in the ownership of a substantial portion of Arena's assets (as each of these events are defined in Treas. Reg. § 1.409A-3(i)(5), or as these definitions may later be modified by other regulatory pronouncements).

•"Director" or "director" as used herein refers only to non-employee directors.

•"Disability" means the participant's becoming disabled within the meaning of Section 22(e)(3) of the Code, or as otherwise determined by the Compensation Committee in its discretion.

•"Fair Market Value" is as defined in the applicable long-term incentive plan.

•"Separation From Service" means the director has had a separation from service with Arena for purposes of Section 409A of the Code.

Pre-June 2018 Cash Component (effective through June 30, 2018)

- Annual retainer for directors: \$11,250 per quarter, paid in advance. New directors will receive a prorated amount of the quarterly payment for the quarter within which they are appointed or elected. The proration calculation shall be made for the number of days until the beginning of the next quarter.
- Additional annual retainer for Chair of the Board: An additional \$6,250 per quarter, paid in advance. New Chairs will receive a prorated amount of the quarterly payment for the quarter within which they are appointed to such position. The proration calculation shall be made for the number of days until the beginning of the next quarter.
- Annual retainer for committee members (including committee chairs):
- Audit: \$10,000 for members; additional \$10,000 for chair
- Compensation: \$7,500 for members; additional \$7,500 for chair
- Corporate Governance & Nominating: \$5,000 for members; additional \$5,000 for chair
- Other committees: \$5,000 for members

Post-June 2018 Cash Component (effective July 1, 2018)

- Annual retainer for directors: \$13,750 per quarter, paid in advance. New directors will receive a prorated amount of the quarterly payment for the quarter within which they are appointed or elected. The proration calculation shall be made for the number of days until the beginning of the next quarter.
- Additional annual retainer for Chair of the Board: An additional \$8,750 per quarter, paid in advance. New Chairs will receive a prorated amount of the quarterly payment for the quarter within which they are appointed to such position. The proration calculation shall be made for the number of days until the beginning of the next quarter.
- Annual retainer for committee members (including committee chairs):
- Audit: \$10,000 for members; additional \$10,000 for chair
- Compensation: \$7,500 for members; additional \$10,000 for chair
- Corporate Governance & Nominating: \$5,000 for members; additional \$5,000 for chair
- Other committees: \$5,000 for members

General

Our Board of Directors and the Compensation Committee may authorize additional fees for significant work in informal meetings or for other service to us in the recipient's capacity as a director or committee member. Each non-employee director is also entitled to reimbursement for all of such director's reasonable out-of-pocket expenses incurred in connection with performing Board business.

Director Compensation Table for Fiscal Year Ended December 31, 2018

As described more fully above, the table below summarizes the compensation for our non-employee directors serving during the fiscal year ended December 31, 2018.

Name	Fees Earned or Paid in Cash			Total (\$)
	(\$) (1)	Stock Awards (\$) (2)	Option Awards (\$) (3)	
Scott H. Bice, J.D. (4)	\$ 24,931	\$ —	\$ —	\$ 24,931
Jayson Dallas, M.D. (5)	65,247	149,969	130,356	345,572
Oliver Fetzer, Ph.D. (6)	60,247	149,969	130,356	340,572
Kieran T. Gallahue (7)	31,617	212,484	168,529	412,630
Jennifer Jarrett (8)	65,495	149,969	130,356	345,820
Garry Neil, M.D. (9)	55,000	149,969	130,356	335,325
Tina S. Nova, Ph.D. (10)	81,038	149,969	130,356	361,363
Phillip M. Schneider (11)	29,464	—	—	29,464
Manmeet S. Soni (12)	3,185	149,979	109,133	262,297
Christine A. White, M.D. (13)	24,931	—	—	24,931
Randall E. Woods (14)	71,282	149,969	130,356	351,607

- (1) For each director, includes cash retainer and other fees earned or paid in the fiscal year ended December 31, 2018.
- (2) Represents the aggregate grant date fair value of RSUs granted in accordance with FASB ASC Topic 718. The fair value was calculated based on the closing market price of our common stock on the grant date. With exception of Mr. Bice, Mr. Gallahue, Mr. Schneider, Mr. Soni and Dr. White, the directors were awarded 3,050 RSU awards on June 13, 2018, which vest in full on the earliest of June 13, 2019, or the date of Arena's 2019 annual meeting of stockholders.
- (3) Represents the aggregate grant date fair value of stock options granted in accordance with FASB ASC Topic 718. The fair value was calculated based on the closing market price of our common stock on the grant date. With exception of Mr. Bice, Mr. Gallahue, Mr. Schneider, Mr. Soni and Dr. White, the directors were awarded 5,000 options on June 13, 2018, which vest in approximately equal monthly installments over one year, are exercisable once vested and expire on the seventh anniversary of the grant date.
- (4) Mr. Bice had a total of 41,343 options outstanding at December 31, 2018.
- (5) Dr. Dallas had a total of 31,667 options and 3,050 RSUs outstanding at December 31, 2018.
- (6) Dr. Fetzer had a total of 31,667 options and 3,050 RSUs outstanding at December 31, 2018.
- (7) Upon his appointment as an independent director on July 6, 2018, Mr. Gallahue was awarded 3,070 RSUs, which vest in full on the earliest of June 13, 2019, or the date of Arena's 2019 annual meeting of stockholders, and additional 1,674 RSUs, which vest in three equal installments on the dates of Arena's next three annual meetings of stockholders. Also on July 6, 2018, Mr. Gallahue was awarded 4,583 options, which vest in approximately equal monthly installments over one year, are exercisable once vested and expire on the seventh anniversary of the grant date, and additional 2,500 options on July 6, 2018, which vest in approximately equal monthly installments over three years, are exercisable once vested and expire on the seventh anniversary of the grant date. Mr. Gallahue had a total of 7,083 options and 4,744 RSUs outstanding at December 31, 2018.

(8) Ms. Jarrett had a total of 27,500 options and 3,050 RSUs outstanding at December 31, 2018.

(9) Dr. Neil had a total of 31,667 options and 3,050 RSUs outstanding at December 31, 2018.

(10) Dr. Nova had a total of 44,500 options and 3,050 RSUs outstanding at December 31, 2018.

(11) Mr. Schneider had a total of 46,869 options outstanding at December 31, 2018.

(12) Upon his appointment as an independent director on December 14, 2018, Mr. Soni was awarded 1,825 RSUs, which vest in full on the earliest of June 13, 2019, or the date of Arena's 2019 annual meeting of stockholders, and additional 1,825 RSUs, which vest in three equal installments on the dates of Arena's next three annual meetings of stockholders. Also on December 14, 2018, Mr. Soni was awarded 2,500 options, which vest in approximately equal monthly installments over six months, are exercisable once vested and expire on the seventh anniversary of the grant date, and additional 2,500 options on December 14, 2018, which vest in approximately equal monthly installments over three years, are exercisable once vested and expire on the seventh anniversary of the grant date.

Mr. Soni had a total of 5,000 options and 3,650 RSUs outstanding at December 31, 2018.

(13) Dr. White had a total of 45,373 options outstanding at December 31, 2018.

(14) Mr. Woods had a total of 44,242 options and 3,050 RSUs outstanding at December 31, 2018.

See "Compensation Discussion and Analysis" above for additional information regarding our grant timing, dating and pricing policies and the discussion above under "Director Compensation" regarding the 2018 compensation for our non-employee directors.

Director Ownership Guidelines

In early 2013, the Compensation Committee established ownership guidelines for non-employee directors. Within five years after the 2013 Annual Meeting (or, with respect to any director joining our Board of Directors after such meeting, within five years after the date such director joins our Board), each director should hold ownership or equivalent with an aggregate value equal to five times the amount of the annual cash retainer for directors. If a director is not in compliance after the applicable five-year period, the director will be expected to retain at least 50% of the shares acquired upon option exercise (after payment of both the exercise cost and taxes) and 50% of the shares issued upon vesting of RSU grants (net of shares necessary to satisfy taxes).

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APPROVAL OF AN AMENDMENT AND RESTATEMENT OF THE ARENA PHARMACEUTICALS, INC. AMENDED AND RESTATED 2017 LONG-TERM INCENTIVE PLAN (PROPOSAL 3)

Background. Stockholders are being asked to approve an amendment and restatement of the Arena Pharmaceuticals, Inc., Amended and Restated 2017 Long-Term Incentive Plan, or 2017 LTIP, to, among other things, increase the number of shares authorized for issuance under the 2017 LTIP. Our Board of Directors and stockholders initially approved the 2017 Long-Term Incentive Plan in June 2017, and it was subsequently amended and restated effective as of our 2018 Annual Meeting. Our 2017 LTIP is our only equity incentive plan that is currently effective. On April 15, 2019, our Compensation Committee approved the most recent amendment and restatement of the 2017 LTIP, or Amended 2017 LTIP, subject to stockholder approval.

Material Changes to 2017 LTIP. The Amended 2017 LTIP contains the following material changes from the 2017 LTIP:

• **Request additional shares.** Subject to adjustment for certain changes in our capitalization, if this Proposal 3 is approved by stockholders the aggregate number of shares of our common stock that may be issued under the Amended 2017 LTIP will be increased by 850,000 shares over the number of shares currently authorized for issuance under the 2017 LTIP, including a corresponding increase in the number of shares that may be issued pursuant to the grant of incentive stock options.

• **New one-year minimum vesting requirement.** If this Proposal 3 is approved by stockholders the Amended 2017 LTIP will contain a one-year minimum vesting requirement on all awards granted under the plan, subject to certain limited exceptions as further described below.

• **Fungible Share Reserve.** The 2017 LTIP contains a “fungible share counting” structure, whereby the number of shares of our common stock available for issuance under the 2017 LTIP is reduced by (i) one share for each share issued pursuant to a stock option or stock appreciation right (an “Appreciation Award”) granted under the 2017 LTIP and (ii) 1.9 shares for each share issued pursuant to a stock award that is not an Appreciation Award (a “Full Value Award”) granted under the 2017 LTIP. The Amended 2017 LTIP retains such fungible share counting structure, except that the number of shares of our common stock available for issuance under the Amended 2017 LTIP will be reduced by 1.75 shares for each share issued pursuant to a Full Value Award granted under the 2017 LTIP or the Amended 2017 LTIP after March 31, 2019. As part of such fungible share counting structure, the number of shares of our common stock available for issuance under the Amended 2017 LTIP will be increased by (i) one share for each share that becomes available again for issuance under the terms of the Amended 2017 LTIP subject to an Appreciation Award and (ii) 1.75 shares for each share that becomes available again for issuance under the terms of the Amended 2017 LTIP subject to a Full Value Award that reverts to the 2017 LTIP or Amended 2017 LTIP after March 31, 2019.

• **Other administrative changes.** Other minor administrative changes were also made to the plan, including technical modifications to address the repeal of the performance-based compensation previously available under Section 162(m), so that the annual individual grant limits will apply more broadly to all performance-vesting awards granted under the plan.

Determination of Number of Shares to Add to the Amended 2017 LTIP

Awards Are an Important Part of Our Compensation Philosophy. Under the leadership of Mr. Munshi, who was hired and appointed Chief Executive Officer effective May 11, 2016, we have transformed to a development-stage company with a promising pipeline. This has involved the recruitment of an entirely new executive team with the exception of our general counsel, Mr. Spector, a significant buildout of our drug development capabilities and other operations, and the hiring of approximately 230 employees since May 11, 2016.

This transformation was accompanied by a change in our compensation approach to emphasize equity more than base salary. Our Board of Directors considers having stock available for grant to be a significant contributor to our

long-term success by assisting us in attracting and retaining employees, directors, consultants and advisors who are expected to contribute to our success and achieve long-term objectives that we believe will benefit our stockholders. Along with incentivizing employees to increase stockholder value, vesting conditions, which generally occur over four years, have retentive value. As such, we believe that having stock available for grant is critical to our continuing development and success by helping to keep our employees focused on executing on our long-term business plan. We do not view the number of shares remaining currently available for grant under the 2017 LTIP as sufficient to allow us to execute on our long-term business plan, and the size of the aggregate share reserve under the Amended 2017 LTIP was chosen in order to have sufficient shares available for new hire, promotional and annual grants to our current and future employee population for approximately the next one to two years as we work to implement our new business strategy.

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We Manage Our Award Use Carefully and Our Dilution is Reasonable. We seek to balance the need to attract and retain talented employees, as well as directors, consultants and advisors, in a highly competitive business with efforts to monitor our award “burn rate” each year. Our gross burn rate for the last three years is included in the below table. We estimate that the shares under the Amended 2017 LTIP will be sufficient to cover our projected new hire, promotional and annual grants for our current and future employee population for approximately one to two years. However, we do not as a matter of course make public forecasts as to our total shares outstanding and utilization of equity awards due to the unpredictability of the underlying assumptions and estimates. In particular, our actual usage under the Amended 2017 LTIP will be impacted by changes in the number and level of our employees, the type of equity awards we grant, our potential growth and activities, the financial impact of grants and other factors, such as industry performance and general business, economic, regulatory, market and financial conditions, as well as factors specific to our business, all of which are difficult to predict and many of which are beyond our control.

Historic Use of Equity and Outstanding Awards. The following tables provide certain additional information regarding our historical annual burn rate for awards and shares authorized and outstanding and available for grant:

Historic Annual Burn Rate for Awards

Fiscal Year	2016	2017	2018
Stock options granted	1,789,900	2,241,000	3,513,833
Full value awards granted (director awards; time-based vesting)	—	—	26,694
Performance Restricted Stock Units earned	—	—	32,322
Weighted-average common shares outstanding (1)	24,313,300	32,990,191	47,041,054
Gross burn rate (2)	7.4	% 6.8	% 7.5

(1) The number of common shares outstanding as of the Record Date was not used for the annual gross burn rate calculations.

(2) The gross burn rate is calculated as follows: (a) shares subject to options and nonperformance-based full-value shares granted and Performance Restricted Stock Unit awards earned in the fiscal year, divided by (b) weighted-average common shares outstanding for the applicable fiscal year.

Shares Outstanding and Available for Grant

	As of
	March 31, 2019
Shares subject to outstanding stock options	8,523,040
Shares subject to outstanding restricted stock units and performance restricted stock units (1)	321,974
Weighted-average exercise price of outstanding stock options	\$32.13
Weighted-average remaining term of outstanding stock options (years)	5.63
Shares available for grant under the 2017 LTIP	2,670,170
Potential dilution (2)	18.9 %

(1) Includes 295,280 shares issuable pursuant to 295,280 Performance Restricted Stock Units that were outstanding as of March 31, 2019, representing achievement of performance targets at target levels

(100%). Actual achievement and vesting could be at 0%, 50%, 100%, or 200% of target levels, depending upon the actual achievement of applicable performance targets during the applicable performance period. As of March 31, 2019, no performance targets in outstanding Performance Restricted Stock Units had been met.

(2) Potential dilution is calculated by dividing number of shares subject to outstanding awards (as reported on the first two rows of the table) and number of shares available for grant by the sum of common shares outstanding, number of shares subject to outstanding awards, and number of shares available for grant.

The number of shares of common stock outstanding on the Record Date was 49,570,066 and the closing price of our common stock as reported on the Nasdaq Global Select Market on such date was \$45.92 per share.

Our 2013 Long-Term Incentive Plan, 2012 Long-Term Incentive Plan, 2009 Long-Term Incentive Plan, and 2006 Long-Term Incentive Plan, as amended, were previously terminated and are, together with the 2017 LTIP, our “Prior Plans” with respect to the Amended 2017 LTIP. As of the effective date of the Amended 2017 LTIP, the total shares available for grant will be 3,520,170 shares, which is the sum of 2,670,170 shares available under the 2017 LTIP as of March 31, 2019, plus 850,000 new shares, which shall also be reduced by grants made after March 31, 2019, under the 2017 LTIP and prior to the effective date of the Amended 2017 LTIP and counted at the fungible ratio described above. The number of shares available for grant under the Amended 2017 LTIP will be increased by the number of shares subject to any awards granted under the Prior Plans that, after March 31, 2019, are forfeited, expire or settled for cash and as otherwise provided in the Amended 2017 LTIP at the fungible ratio described above.

Why You Should Vote for this Proposal 3

Market Competitiveness and Execution of Our Business Plan. If the Amended 2017 LTIP is not approved we believe that we will be at a competitive disadvantage in our efforts to attract, motivate and retain employees, directors, consultants and advisors because we will not have the flexibility to issue competitive levels of awards and, therefore, would not be able to execute our business plan.

The Amended 2017 LTIP Combines Compensation and Governance Best Practices. The Amended 2017 LTIP carries forward unchanged from the 2017 LTIP certain provisions that are designed to protect our stockholders' interests and to reflect corporate governance best practices including:

• **Repricing is not allowed.** The Amended 2017 LTIP prohibits the repricing of stock options and stock appreciation rights without prior stockholder approval (except in the case of certain equitable adjustments as described in the plan).

• **No discounted stock options or stock appreciation rights.** All stock options and stock appreciation rights must have an exercise price equal to or greater than the fair market value of our common stock on the date the stock option or stock appreciation right is granted.

• **Reasonable Limits on Maximum Terms of Options and Stock Appreciation Rights.** Stock options and stock appreciation rights granted under the Amended 2017 LTIP have a maximum permitted term of seven years.

• **Reasonable share counting provisions.** In general, when awards granted under the Amended 2017 LTIP lapse or are canceled, the shares reserved for those awards will be returned to the share reserve and be available for future awards. However, shares of common stock received from the exercise of stock options or withheld for taxes applicable to any awards will not be returned to our share reserve.

• **Limit on non-employee director compensation.** The aggregate value of all compensation granted or paid, as applicable, to any individual for service as a non-employee director with respect to any period commencing on the date of the Company's annual meeting of stockholders for a particular year and ending on the day immediately prior to the date of our annual meeting of stockholders for the next subsequent year, including equity awards granted under the Amended 2017 LTIP and our other equity plans and cash fees paid or payable by us to such non-employee director, will not exceed (i) \$750,000 in total value or (ii) in the event such non-employee director is first appointed or elected to the Board of Directors during such period or with respect to a lead director or chairman role, \$1,000,000 in total value, in each case calculating the value of any equity awards based on the grant date fair value of such awards for financial reporting purposes. For such purposes, any compensation shall be counted towards this limit for the service year in which it is earned (and not when settled or paid in the event it is deferred).

• **Awards subject to forfeiture/clawback.** Awards granted under the Amended 2017 LTIP will be subject to recoupment in accordance with any clawback policy that we are required to adopt pursuant to the listing standards of any national securities exchange or association on which our securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose other clawback, recovery or recoupment provisions in an award agreement.

• **No dividends are paid on unvested awards.** Any dividends or dividend equivalents applicable to the shares subject to an award will be subject to the same vesting or performance conditions as the underlying award and will not be paid until and unless the underlying award vests.

• **Minimum vesting requirement.** As described above, the Amended 2017 LTIP will now contain a one-year minimum vesting requirement on all awards, subject to certain limited exceptions.

• **Limit on annual individual awards.** As described above, the Amended 2017 LTIP will now provide that the annual individual grant limits are applicable to all performance-vesting awards granted under the Amended 2017 LTIP and not limited to those intended to qualify for a performance-based compensation exemption previously available under Section 162(m).

The following summary describes the principal features of the Amended 2017 LTIP, and is qualified in its entirety by reference to the full text of the Amended 2017 LTIP. A copy of the Amended 2017 LTIP is filed as Appendix A to the

proxy statement for our 2019 Annual Meeting filed with the SEC.

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Summary of the Amended 2017 Long-Term Incentive Plan

Purpose. The purpose of the Amended 2017 LTIP is to assist us in attracting and retaining employees, directors, consultants and advisors who are expected to contribute to our success and achieve long-term objectives that will benefit our stockholders through the additional incentives inherent in the awards under the Amended 2017 LTIP.

Shares Available for Awards. The aggregate number of shares of our common stock that initially may be issued pursuant to stock awards granted under the Amended 2017 LTIP is 3,520,170 shares, less 1 share for every share that was subject to an option or stock appreciation right granted under the 2017 LTIP after March 31, 2019, and 1.75 shares for every 1 share that share that was subject to an award other than an option or stock appreciation right granted under the 2017 LTIP after March 31, 2019. Shares issued pursuant to the exercise of stock options and stock appreciation rights granted under the Amended 2017 LTIP reduce the available number of shares by 1 share for every share issued while awards other than stock options and stock appreciation rights granted under the Amended 2017 LTIP reduce the available number of shares by 1.75 shares for every share issued.

In addition, shares that, after March 31, 2019, are released from awards granted under the Prior Plans because the awards expire, are forfeited or are settled for cash will increase the number of shares available under the Amended 2017 LTIP by 1 share for each share released from a stock option or stock appreciation right and by 1.75 shares for each share released from a restricted stock award or restricted stock unit award.

The following shares shall not be added to the number of shares available under the Amended 2017 LTIP: (a) shares tendered by the participant or withheld by us in payment of the purchase price of an option granted under the Amended 2017 LTIP or the Prior Plans, or to satisfy any tax withholding obligation with respect to any award granted under the Amended 2017 LTIP or the Prior Plans, (b) shares subject to a stock appreciation right granted under the Amended 2017 LTIP or the Prior Plans that are not issued in connection with the stock settlement of the stock appreciation right on exercise thereof, and (c) shares reacquired by us on the open market or otherwise using cash proceeds from the exercise of options granted under the Amended 2017 LTIP or the Prior Plans.

Shares issued under awards granted in assumption of or in substitution for awards previously granted by a company acquired by us or with which we or any subsidiary combines, will not reduce the shares authorized for issuance under the Amended 2017 LTIP. Shares issued under the Amended 2017 LTIP may consist of authorized and unissued shares, treasury shares or shares purchased in the open market or otherwise. The Company will keep available at all times the number of shares reasonably required to satisfy then-outstanding stock awards.

Non-Employee Director Compensation Limit. The aggregate value of all compensation granted or paid, as applicable, to any individual for service as a non-employee director with respect to any period commencing on the date of the Company's annual meeting of stockholders for a particular year and ending on the day immediately prior to the date of the Company's annual meeting of stockholders for the next subsequent year, including equity awards granted under the Amended 2017 LTIP and any other Company equity plans and cash fees paid by the Company to such non-employee director, will not exceed (i) \$750,000 in total value or (ii) in the event such non-employee director is first appointed or elected to the Board of Directors during such period or with respect to a lead director or chairman role, \$1,000,000 in total value, in each case calculating the value of any equity awards based on the grant date fair value of such awards for financial reporting purposes. For such purposes, any compensation shall be counted towards this limit for the service year in which it is earned (and not when settled or paid in the event it is deferred).

Eligibility; Awards to be Granted to Certain Individuals and Groups. Options, stock appreciation rights, restricted stock awards, restricted stock unit awards and performance awards may be granted under the Amended 2017 LTIP. Options may be either "incentive stock options," as defined in Section 422 of the Code, or nonstatutory stock options. Awards may be granted under the Amended 2017 LTIP to any employee, non-employee member of our Board of

Directors, consultant or advisor who provides us service, except for incentive stock options, which may be granted only to our employees or employees of our subsidiaries.

As of March 31, 2019, approximately 199 employees were in our service and eligible to receive awards under the Amended 2017 LTIP, including 5 executive officers and including approximately 19 employees of our Swiss subsidiary Arena Pharmaceuticals Development GmbH. In addition, as of March 31, 2019, 9 non-employee directors and approximately 35 consultants were in our service and eligible to receive awards under the Amended 2017 LTIP. Only one such consultant, however, currently holds outstanding equity awards; these awards were granted under the Prior Plans. The Compensation Committee, in its discretion, selects the individual or individuals to whom awards under the Amended 2017 LTIP may be granted, determines the type or types of awards to be granted, the time or times at which such awards shall be granted, and the number of shares subject to each such grant (or the dollar value of certain performance awards). For this reason, it is not possible to determine the benefits or amounts that will be received by any particular individual or individuals in the future.

Certain Limits on Shares Subject to Awards. The Amended 2017 LTIP provides that, subject to adjustment as provided in the plan, no participant may be granted (a) options or stock appreciation rights during any calendar year with respect to more than 800,000 shares of common stock or (b) restricted stock awards, performance awards and/or restricted stock unit awards during any calendar year that are subject to performance-based vesting under which more than 800,000 shares of common stock may be earned. In addition to the foregoing, during any calendar year no participant may be granted performance-vesting awards that are denominated in cash under which more than \$10,000,000 may be earned.

The aggregate maximum number of shares of common stock that may be issued pursuant to the exercise of incentive stock options granted under the Amended 2017 LTIP on and after its effective date is 3,520,170 shares less the number of shares issued pursuant to incentive stock options granted under the 2017 LTIP after March 31, 2019, and prior to the effective date of the Amended 2017 LTIP, in each case with such number of shares subject to adjustment for certain corporate events, including mergers and stock splits.

Minimum Vesting Requirement. Notwithstanding any other provision of the Amended 2017 LTIP to the contrary, equity-based awards granted under the plan will vest no earlier than the first anniversary of the date the award is granted (excluding, for this purpose, any (i) substitute awards (as defined in the plan), (ii) shares delivered in lieu of fully vested cash awards and (iii) awards to non-employee directors that vest on the earlier of the one year anniversary of the date of grant or the next annual meeting of stockholders which is at least 50 weeks after the immediately preceding year's annual meeting); provided, that, the Committee may grant equity-based awards without regard to the foregoing minimum vesting period with respect to a maximum of 5% of the available share reserve authorized for issuance under the Amended 2017 LTIP; and, provided further, for the avoidance of doubt, that the foregoing restriction does not apply to the Committee's discretion to provide for accelerated exercisability or vesting of any award, including in cases of retirement, death, disability or a change in control, in the terms of the award or otherwise.

Administration. The Amended 2017 LTIP will be administered by the Compensation Committee, which shall consist of at least two directors, both of whom must qualify as "non-employee directors" under Rule 16b-3 of the Exchange Act and "independent directors" for purposes of the rules of the Nasdaq Stock Market to the extent required by such rules. The Compensation Committee has the authority to select the participants who will receive awards under the Amended 2017 LTIP, to determine the type and terms of the awards, and to interpret and administer the Amended 2017 LTIP. The Compensation Committee may delegate the right to make grants and otherwise take action on the Compensation Committee's behalf under the Amended 2017 LTIP to a committee of one or more directors and, to the extent permitted by law and Nasdaq Stock Market rules and regulation, to an executive officer or a committee of executive officers the right to grant awards to employees who are not our executive officers (subject to the limitation on the total number of shares that may be subject to such awards as specified by the Compensation Committee). The Compensation Committee may delegate authority to grant options to a committee of one or more members of our Board of Directors, one or more of our executive officers, or a committee of our executive officers. The Compensation Committee has delegated to our Chief Executive Officer the authority to grant stock options to non-executive employees and consultants consistent with the Board-approved hiring plan and grant guidelines and not to exceed 1,400,000 shares in 2019. It is the Compensation Committee's policy for our Chief Executive Officer to report to it any such stock option grants at its next regularly scheduled committee meeting following such grants.

Terms and Conditions of Options. Options granted under the Amended 2017 LTIP may be incentive stock options, nonstatutory stock options, or a combination thereof, and are subject to the following terms and conditions:

Exercise Price. The exercise price of options granted under the Amended 2017 LTIP is determined by the Compensation Committee at the time the options are granted. The exercise price of an option may not be less than 100% of the fair market value of the common stock on the date such option is granted, except in the case of substitute awards granted in connection with an acquisition; provided, however, that in the case of an incentive stock option

granted to a participant who, at the time of the grant, owns stock representing more than 10% of the voting power of all of our classes of stock, the option price per share will be no less than 110% of the fair market value of one share of our common stock on the date of grant. The fair market value of the common stock is generally determined with reference to the closing price for the common stock on the Nasdaq Stock Market on the date the option is granted (or if there was no reported closing price on such date, on the last preceding date on which the closing price was reported).

Exercise of Option. The Compensation Committee determines when options become exercisable. The Amended 2017 LTIP permits payment to be made by cash, check, other shares of our common stock, any other form of consideration approved by the Compensation Committee (including withholding of shares of common stock that would otherwise be issued on exercise of options) and permitted by applicable law, or any combination thereof.

Term of Option. Options granted under the Amended 2017 LTIP expire no later than seven years from the date of grant, except in the event of the optionee's death or disability; provided, however, that the term of the option will not exceed five years from the date the option is granted in the case of an incentive stock option granted to a participant who, at the time of the grant, owns stock representing more than 10% of the voting power of all of our classes of stock.

Stock Appreciation Rights. The Compensation Committee is authorized to grant stock appreciation rights in conjunction with an option or other award granted under the Amended 2017 LTIP, and to grant stock appreciation rights separately. The grant price of a stock appreciation right may not be less than 100% of the fair market value of the common stock on the date such stock appreciation right is granted, except in the case of substitute awards granted in connection with an acquisition (or a stock appreciation right granted in exchange for or in tandem with, but subsequent to, an option). The Compensation Committee determines when stock appreciation rights become exercisable. The term of a stock appreciation right may be no more than seven years from the date of grant.

Upon the exercise of a stock appreciation right, the holder will have the right to receive the excess of the fair market value of the shares or, at the discretion of the Compensation Committee, such lesser amount, on the date of exercise over the grant price. Payment may be made in cash, shares of our common stock or other property, or any combination of the same, as the Compensation Committee may determine. Shares issued upon the exercise of a stock appreciation right are valued at their fair market value as of the date of exercise.

Restricted Stock Awards. Restricted stock awards may be issued to participants either alone or in addition to other awards granted under the Amended 2017 LTIP, and are also available as a form of payment for performance awards and other earned cash-based incentive compensation. The Compensation Committee determines the terms and conditions of restricted stock awards, including the number of shares granted (subject to the limit on shares subject to awards set forth above), and any conditions for vesting that must be satisfied, which typically will be based principally or solely on continued provision of services, but may include a performance-based component. Cash dividends, stock and any other property (other than cash) distributable as a dividend or otherwise with respect to any restricted stock as to which the restrictions have not yet lapsed shall be subject to the same restrictions as such Restricted Stock and shall not be paid until and unless the underlying award vests.

Restricted Stock Unit Awards. Awards of restricted stock units having a value equal to an identical number of shares may be granted either alone or in addition to other awards granted under the Amended 2017 LTIP, and are also available as a form of payment for other awards granted under the Amended 2017 LTIP and other earned cash-based incentive compensation. Restricted stock units may be paid in cash, shares of common stock or other property, or a combination thereof, as determined by the Compensation Committee. The Compensation Committee determines the other terms and conditions of restricted stock units. Cash dividends, stock and any other property (other than cash) distributable as a dividend or otherwise with respect to any restricted stock unit award shall either (a) not be paid at all, or (b) be accumulated, be subject to restrictions and risk of forfeiture to the same extent as the restricted stock units with respect to which such cash, stock or other property has been distributed and be paid at the time, and to the extent, such restrictions and risk of forfeiture lapse.

Performance Awards. Performance awards provide participants with the opportunity to receive cash, shares of common stock or other property, or any combination thereof, based on performance and other vesting conditions. Performance awards may be granted from time to time as determined at the discretion of the Compensation Committee. Subject to the share limit and maximum dollar value set forth above, the Compensation Committee has the discretion to determine (a) the number of shares of common stock under, or the dollar value of, a performance award, and (b) the conditions that must be satisfied for grant or for vesting, which may be based principally or solely on achievement of performance goals. Cash dividends, stock and any other property (other than cash) distributed as a dividend or otherwise with respect to any award of performance shares shall either (i) not be paid at all, or (ii) be accumulated, be subject to restrictions and risk of forfeiture to the same extent as the performance shares with respect to which such cash, stock or other property has been distributed and be paid at the time, and to the extent, such restrictions and risk of forfeiture lapse.

At the Compensation Committee's discretion, performance goals may be based on the attainment of specified levels of the performance goals or metrics or criteria specified in the Amended 2017 LTIP selected by the Compensation

Committee. Any performance goals that are financial metrics may be determined in accordance with U.S. Generally Accepted Accounting Principles, or GAAP, in accordance with accounting principles established by the International Accounting Standards Board, or IASB Principles, or adjusted when established to include or exclude any items otherwise includable or excludable under GAAP or under IASB Principles. Such performance goals also may be based solely by reference to our performance or the performance of one or more of our affiliates, divisions, business segments or business units, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies. At the time a performance award is granted, the Compensation Committee may also exclude charges related to an event or occurrence which the Compensation Committee determines should appropriately be excluded, including (a) restructurings or discontinued operations, (b) items that are “unusual” in nature or occur “infrequently” as determined under generally accepted accounting principles; (c) an event either not directly related to our operations or not within the reasonable control of our management, or (d) the cumulative effects of tax or accounting changes in accordance with US generally accepted accounting principles.

Dividends; Dividend Equivalents. Awards other than options and stock appreciation rights may, if so determined by the Compensation Committee, provide that the participant will be entitled to receive cash, or stock or other property dividends, or cash payments in amounts equivalent to cash, stock or other property dividends declared with respect to shares of common stock covered by an award. Such amounts shall be deemed to have been reinvested in additional shares of common stock or otherwise reinvested and in all events shall be subject to the same vesting or performance conditions as the underlying award and shall not be paid until and unless the underlying award vests.

Termination of Service. The Compensation Committee will determine and set forth in each award agreement whether an award will continue to be exercisable, continue to vest or be earned and the terms of such exercise, vesting or earning, on and after the date that a participant terminates employment or service with us, whether by reason of death, disability, voluntary or involuntary termination of employment or services, or otherwise. With regard to options and stock appreciation rights, if the sale of any common stock received on exercise of an option or a stock appreciation right following the termination of the participant's employment by or services to us (other than for cause) would be prohibited at any time solely because the issuance of the shares would violate (a) the registration requirements under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, or the Securities Act, (b) our insider trading policy, or (c) a "lock-up" agreement undertaken in connection with our issuance of securities, then the option or stock appreciation right will terminate on the earlier of (i) the expiration of a total period of 90 days (that need not be consecutive) after the termination of the participant's employment by or services to us during which the exercise of the option or stock appreciation right would not be in violation of any of such registration requirement, insider trading policy or lock-up agreement, and (ii) the expiration of the term of the option or stock appreciation right as set forth in the applicable award agreement.

Reduced Time Commitment. In the event a participant's regular level of time commitment in the performance of his or her services for us and any affiliates is reduced (for example, and without limitation, if the participant is one of our employees and the employee has a change in status from a full-time employee to a part-time employee) after the date of grant of any award to the participant, the Compensation Committee has the right in its sole discretion to (a) make a corresponding reduction in the number of shares or cash amount subject to any portion of such award that is scheduled to vest or become payable after the date of such change in time commitment, and (b) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such award. In the event of any such reduction, the participant will have no right with respect to any portion of the award that is so reduced.

No Repricing. The Amended 2017 LTIP prohibits option and stock appreciation right repricings (other than to reflect stock splits, spin-offs or other corporate events described under "Adjustments upon Changes in Capitalization" below) unless stockholder approval is obtained. For purposes of the Amended 2017 LTIP, a "repricing" means a reduction in the exercise price of an option or the grant price of a stock appreciation right, the cancellation of an option or stock appreciation right in exchange for cash or another award (except for awards granted in assumption of or in substitution for awards previously granted by a company acquired by us or with which we combine) under the Amended 2017 LTIP if the exercise price of the cancelled option or grant price of the cancelled stock appreciation right is greater than the fair market value of the common stock, or any other action with respect to an option or stock appreciation right that may be treated as a repricing under the Nasdaq Stock Market rules.

Nontransferability of Awards. Except as provided in the next sentence, an award granted under the Amended 2017 LTIP is not transferable other than by will or the laws of descent and distribution, and may be exercised during the participant's lifetime only by the participant or the participant's guardian or legal representative. The Compensation Committee may provide in an award agreement that a participant may transfer an award (other than an incentive stock option) to a family member (whether by gift or a domestic relations order for no consideration) under such terms and conditions determined by the Compensation Committee. Options and stock appreciation rights may not be transferred to a third party financial institution for value.

Clawback Policy. All awards granted under the Amended 2017 LTIP will be subject to recoupment in accordance with any clawback policy we adopt, including any clawback policy we adopt pursuant to the listing standards of any national securities exchange or association on which our securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, our Board of Directors may impose such other clawback, recovery or recoupment provisions in an award agreement as the Board determines necessary or appropriate.

Adjustments upon Changes in Capitalization. In the event of any merger, reorganization, consolidation, recapitalization, dividend or distribution (whether in cash, shares or other property, other than a regular cash dividend), stock split, reverse stock split, spin-off or similar transaction or other change in our corporate structure affecting our common stock or the value thereof, appropriate adjustments shall be made, in the discretion of the Compensation Committee, in the number and class of shares of stock subject to the Amended 2017 LTIP, the number and class of shares of awards outstanding under the Amended 2017 LTIP, the limits on the number of awards that any person may receive and the exercise price of any outstanding option or stock appreciation right.

Change in Control. The Compensation Committee may, in its discretion, determine that, upon our “change in control” (as defined in the Amended 2017 LTIP or otherwise defined in the agreement evidencing an award), options and stock appreciation rights outstanding as of the date of the change in control shall be cancelled and terminated without payment therefor if the fair market value of one share of our common stock as of the date of the change in control is less than the per share option exercise price or stock appreciation right grant price.

To the extent provided in an award agreement, in the event of a change in control in which the successor company assumes or substitutes for an option, stock appreciation right, restricted stock award or restricted stock unit award (or in which we are the ultimate parent corporation and continue the award), if a participant's employment with such successor company (or us) or a subsidiary thereof terminates within the period following such change in control set forth in the award agreement (or prior if applicable) under the circumstances set forth in the award agreement, each award held by such participant at the time of such termination of employment will be fully vested, and options and stock appreciation rights may be exercised during the period following such termination set forth in the award agreement. If the successor company does not assume or substitute for such outstanding awards held by participants at the time of the change in control, then unless otherwise provided in the award agreement, the awards will become fully vested immediately prior to the change in control and will terminate immediately after the change in control.

The Compensation Committee, in its discretion, may also determine that, upon the occurrence of a change in control, each option and stock appreciation right outstanding shall terminate within a specified number of days after notice to the participant, and/or that each participant shall receive, with respect to each share of common stock subject to such option or stock appreciation right, an amount equal to the excess, if any, of the fair market value of such share immediately prior to the occurrence of such change in control over the exercise price per share of such option and/or stock appreciation right; such amount to be payable in cash, in one or more kinds of stock or property, or in a combination thereof, as the Compensation Committee, in its discretion, will determine.

Effective Date. The Amended 2017 LTIP will be effective upon its approval by stockholders at our 2019 Annual Meeting.

Amendment and Termination of the Amended 2017 LTIP. Our Board of Directors may alter, amend, suspend or terminate the Amended 2017 LTIP, from time to time as it deems advisable, subject to any requirement of applicable law or the rules and regulations of the Nasdaq Stock Market for stockholder approval. Our Board of Directors may not, without stockholder approval to the extent required by law, amend the Amended 2017 LTIP to increase the number of shares available for awards under the Amended 2017 LTIP, expand the types of awards available under the Amended 2017 LTIP, materially expand the class of persons eligible to participate in the Amended 2017 LTIP, permit the grant of options or stock appreciation rights with an exercise or grant price of less than 100% of fair market value on the date of grant (except for substitute awards granted in connection with an acquisition), or increase the maximum term of the plan or of any options and stock appreciation rights. Our Board of Directors may not, without the approval of our stockholders, take any action with respect to an option or stock appreciation right that may be treated as a repricing under the Nasdaq Stock Market rules (including a reduction in the exercise price of an option or stock appreciation right or the exchange of an option or stock appreciation right for cash or another award if the option or grant price is greater than the fair market value of the common stock). No such action by our Board of Directors may alter or impair any award previously granted under the Amended 2017 LTIP without the written consent of the participant. The Amended 2017 LTIP will expire on the 10th anniversary of its effective date, except with respect to awards then outstanding, and no further awards may be granted thereafter.

US Federal Income Tax Consequences. The following discussion summarizes certain federal income tax considerations of awards under the Amended 2017 LTIP. However, it does not purport to be complete and does not describe the state, local or foreign tax considerations or the consequences for any particular individual.

Incentive Stock Options. An optionee who is granted an incentive stock option does not recognize taxable income at the time the option is granted or upon its exercise, although the exercise may subject the optionee to the alternative minimum tax. Upon an optionee's sale of the shares (assuming that the sale occurs more than two years after grant of the option and more than one year after exercise of the option), any gain will be taxed to the optionee as long-term capital gain. If the optionee disposes of the shares prior to the expiration of the above holding periods, then the optionee will recognize ordinary income in an amount generally measured as the excess, if any, of the fair market

value of the shares at the exercise date or the sale price of the shares, whichever is lower, over the exercise price. Any gain or loss recognized on such sale of the shares in excess of the amount treated as ordinary income will be characterized as long-term or short-term capital gain or loss, depending on the holding period.

Nonstatutory Stock Options. An optionee does not recognize any taxable income at the time a nonstatutory stock option is granted. Upon exercise, the optionee recognizes taxable ordinary income measured by the excess of the fair market value of the shares on the exercise date over the exercise price. Upon a disposition of such shares by the optionee, any difference between the amount recognized on the sale and the fair market value of the shares on the exercise date is treated as long-term or short-term capital gain or loss, depending on the holding period.

Stock Appreciation Rights. No income will be recognized by a recipient in connection with the grant of a stock appreciation right. When the stock appreciation right is exercised, the recipient will recognize ordinary income in the year of exercise in an amount equal to the sum of the amount of any cash received and the fair market value of any common stock or other property received upon the exercise.

Restricted Stock Awards and Performance Awards. Generally, the recipient of a restricted stock award or a performance award will recognize ordinary income at the time the stock is received equal to the excess, if any, of the fair market value of the stock received over any amount paid by the recipient in exchange for the stock. If, however, the stock is not vested when it is received (for example, if the employee is required to work for a period of time to have the right to sell the stock), the recipient generally will not recognize income until the stock becomes vested, at which time the recipient will recognize ordinary income equal to the excess, if any, of the fair market value of the stock on the date it becomes vested over any amount paid by the recipient in exchange for the stock. A recipient may, however, file an election with the Internal Revenue Service, within 30 days of his or her receipt of the stock award, to recognize ordinary income, as of the date the recipient receives the award, equal to the excess, if any, of the fair market value of the stock on the date the award is granted over any amount paid by the recipient in exchange for the stock.

The recipient's basis for the determination of gain or loss upon the subsequent disposition of shares acquired from stock awards will be the amount paid for such shares plus any ordinary income recognized either when the stock is received or when the stock becomes vested.

Restricted Stock Units. Generally, the recipient of a stock unit structured to conform to the requirements of Section 409A of the Code or an exception from the requirements of Section 409A of the Code will recognize ordinary income at the time the stock is delivered equal to the excess, if any, of the fair market value of the shares of our common stock received over any amount paid by the recipient in exchange for the shares of our common stock. Unless an exemption is available, to conform to the requirements of Section 409A of the Code, the shares of our common stock subject to a stock unit award may generally only be delivered upon one of the following events: a fixed calendar date (or dates), separation from service, death, disability or a change in control. If the stock units do not comply with or qualify for an exception from the requirements of Section 409A of the Code, in addition to the tax treatment described above, the recipient will owe an additional 20% federal tax and interest on any taxes owed.

The recipient's basis for the determination of gain or loss upon the subsequent disposition of shares acquired from stock units will be the amount paid for such shares plus any ordinary income recognized when the stock is delivered.

Company Tax Deduction. We generally will be entitled to a tax deduction in connection with an award under the Amended 2017 LTIP (subject to the requirement of reasonableness, the provisions of Section 162(m) and the satisfaction of a tax reporting obligation) in an amount equal to the ordinary income recognized by a participant and at the time the participant recognizes such income (for example, on the exercise of a nonstatutory stock option). Section 162(m) may limit the deductibility of compensation paid to the chief executive officer and to each of the three most highly compensated executive officers other than the chief executive officer and the chief financial officer. Under Section 162(m), the annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed \$1,000,000 or an exemption from such deduction limitation is applicable and available.

The exemption from Section 162(m)'s deduction limit for performance-based compensation has been repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to our covered executive officers in excess of \$1 million will not be deductible unless it qualifies for transition relief applicable to certain performance-based compensation arrangements already in place as of November 2, 2017. Accordingly, any awards granted under the Amended 2017 LTIP are not eligible to qualify for any exemption from such deduction limitation. The Compensation Committee reserves the right to grant awards under the Amended 2017 LTIP that result in compensation to our covered officers in excess of the \$1 million Section 162(m) deduction limitation.

Because of certain ambiguities and uncertainties as to the application and interpretation of Section 162(m) and the regulations issued thereunder, including the uncertain scope of the transition relief under the legislation repealing the "performance-based compensation" exception from the deduction limit, no assurance can be given that any awards that

were previously granted under the 2017 LTIP, that may have been intended to satisfy the requirements for the “performance-based compensation” exception under Section 162(m) will, in fact, be exempt. Further, the Compensation Committee reserves the right to modify 2017 LTIP awards that were initially intended to be exempt from Section 162(m) if it determines that such modifications are consistent with our business needs.

New Plan Benefits

The amounts allocable under the Amended 2017 LTIP to our executive officers and employees are not determinable because the Amended 2017 LTIP does not provide for set benefits or amounts with respect to awards granted under the Amended 2017 LTIP, and we have not approved any awards that are conditioned on stockholder approval of this Proposal 3. However, as described above under “Director Compensation,” we have a policy of granting options and restricted stock units to our non-employee directors at each annual meeting and upon initial appointment to the board.

Plan Benefits

The table below shows, as to the listed individuals and specified groups, the number of shares subject to awards previously granted under the 2017 LTIP (even if not currently outstanding) since its approval by the stockholders on June 13, 2017 and through April 12, 2019.

Name	Options	Awards
Named executive officers		
Amit D. Munshi	595,000	23,400
President and Chief Executive Officer		
Kevin R. Lind	205,000	12,600
Executive Vice President and Chief Financial Officer		
Vincent E. Aurentz	205,000	18,000
Executive Vice President and Chief Business Officer		
Steven W. Spector, J.D.	205,000	12,600
Executive Vice President, General Counsel and Secretary		
Preston S. Klassen, M.D., M.H.S.	205,000	12,600
Executive Vice President, R&D and Chief Medical Officer		
Director Nominees*		
Jayson Dallas, M.D., Director	20,000	3,050
Oliver Fetzer, Ph.D., Director	20,000	3,050
Kieran T. Gallahue, Director	7,083	