

ARENA PHARMACEUTICALS INC
Form DEF 14A
April 25, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant x

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Check the appropriate box:

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

Arena Pharmaceuticals, Inc.

(Name of Registrant as Specified In Its Charter)

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

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ARENA PHARMACEUTICALS, INC.

April 25, 2007

Dear Arena Stockholder:

You are cordially invited to attend the 2007 Annual Meeting of Stockholders of Arena Pharmaceuticals, Inc., a Delaware corporation. The Annual Meeting will be held on Monday, June 11, 2007, at 9:00 a.m. San Diego local time, at our offices located at 6150 Nancy Ridge Drive, San Diego, California 92121. I look forward to meeting with as many of our stockholders as possible.

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

If you would like directions to our offices, please visit our website at www.arenapharm.com, where you will find directions and a map locator under Contact Us.

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

Sincerely,

Jack Lief
President, Chief Executive Officer and Director

For further information about the Annual Meeting, please call 858.453.7200, ext. 1315.

6166 Nancy Ridge Drive, San Diego, California 92121

Notice of Annual Meeting of Stockholders

To be held on June 11, 2007

ARENA PHARMACEUTICALS, INC.

**6166 Nancy Ridge Drive
San Diego, CA 92121**

April 25, 2007

To the Stockholders of Arena Pharmaceuticals, Inc.:

The Annual Meeting of Stockholders of Arena Pharmaceuticals, Inc., a Delaware corporation, will be held on Monday, June 11, 2007, at 9:00 a.m. San Diego local time, at our offices located at 6150 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 eight directors to our Board of Directors to serve for the ensuing year and until their successors are elected and qualified or until their resignation or removal;
2. To ratify the appointment of Ernst & Young LLP, an independent registered public accounting firm, as our independent auditors for the fiscal year ending December 31, 2007; and
3. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Only stockholders of record at the close of business on April 16, 2007, are entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement thereof.

Whether or not you expect to attend in person, we urge you to sign, date and return the enclosed proxy card at your earliest convenience. This will ensure the presence of a quorum at the meeting. **Promptly signing, dating and returning the proxy card will save us the expense and extra work of additional solicitation.** You may return your proxy card in the enclosed envelope (no postage is required if mailed in the United States). You may also vote by telephone or the Internet pursuant to the instructions that accompanied your proxy card. Sending in your proxy card or voting by telephone or the Internet will not prevent you from voting your stock at the Annual Meeting if you desire to do so, as your proxy may be cancelled at your option. Please note, however, that if your shares are held of record by a bank, broker or other agent and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

By Order of our Board of Directors

Steven W. Spector
Senior Vice President, General Counsel and Secretary

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ARENA PHARMACEUTICALS, INC.
6166 Nancy Ridge Drive
San Diego, CA 92121

**PROXY STATEMENT FOR ANNUAL MEETING
OF STOCKHOLDERS**

To Be Held on Monday, June 11, 2007, at 9:00 a.m. San Diego Local Time

Information Concerning Solicitation and Voting

In this proxy statement, Arena Pharmaceuticals, Arena, we, us and our refer to Arena Pharmaceuticals, Inc. and/or our wholly owned subsidiary BRL Screening, Inc., unless the context otherwise provides.

General

The enclosed proxy is solicited on behalf of our Board of Directors for use at our 2007 Annual Meeting of Stockholders to be held on Monday, June 11, 2007, at 9:00 a.m. San Diego local time, or at any adjournments or postponements thereof, for the purposes set forth in this proxy statement and the accompanying Notice of Annual Meeting of Stockholders. Our 2007 Annual Meeting will be held at our offices, located at 6150 Nancy Ridge Drive, San Diego, California.

This proxy statement, together with the Notice of Annual Meeting of Stockholders, the form of proxy and our Annual Report to Stockholders, are first being mailed on or about April 25, 2007, to all stockholders of record at the close of business on the record date, which is April 16, 2007 (the Record Date).

Questions and Answers About this Proxy Material and Voting

Q: Why am I receiving these materials?

A: You are receiving these proxy materials in connection with our 2007 Annual Meeting of Stockholders to be held on June 11, 2007, at 9:00 a.m. San Diego local time. As a stockholder, you are requested to vote on the proposals described in this proxy statement.

Q: Who can vote at our 2007 Annual Meeting?

A: Each person who owns or has the right to vote shares of our common stock or Series B Convertible Preferred Stock, which we refer to as our Preferred Stock, as of the Record Date has the right to vote at the meeting. Our common stock and our Preferred Stock will vote together on the proposals set forth in this proxy statement. Each share of our common stock is entitled to one vote, each share of our Series B-1 Preferred Stock is entitled to 1,520 votes (representing one vote for each share of common stock that the Series B-1 Preferred Stock is convertible into), and each share of our Series B-2 Preferred Stock is entitled to 1,544 votes (representing one vote for each share of common stock that the Series B-2 Preferred Stock is convertible into). As of the Record Date, there were 60,948,821 shares of our common stock, 3,500 shares of our Series B-1 Preferred Stock, and 1,150 shares of our Series B-2 Preferred Stock outstanding.

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

Beneficial Owner: Shares Registered in the Name of a Bank, Broker or Other Agent. If on the Record Date your shares of common stock were held in an account by a bank, broker or other agent, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account

is considered the stockholder of record for purposes of voting at the meeting. As a beneficial owner, you have the right to direct your bank, broker or other agent on how to vote the shares in your account. You are also invited to attend the meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a legal proxy from your bank, broker or other agent.

Q: *What is the proxy card?*

A: The proxy card enables you to appoint Jack Lief, our President and Chief Executive Officer, and Steven W. Spector, our Senior Vice President, General Counsel and Secretary, as your representatives at our 2007 Annual Meeting. By completing and returning the proxy card, you are authorizing Mr. Lief and Mr. Spector, or each of them, to vote your shares at the meeting as described on the proxy card. This way, you can vote your shares whether or not you attend the meeting.

Q: *What am I voting on?*

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

1. The election of eight directors to our Board of Directors to serve for the ensuing year and until their successors are elected and qualified or until their resignation or removal;
2. The ratification of the appointment of Ernst & Young LLP, an independent registered public accounting firm, as our independent auditors for the fiscal year ending December 31, 2007; and
3. Such other proposals as may properly come before the meeting or any adjournment or postponement thereof.

Q: *How do I vote?*

A: Stockholder of Record: Shares Registered in Your Name

BY MAIL: Please complete and sign your proxy card and mail it in the enclosed pre-addressed envelope (no postage is required if mailed in the United States). If you mark your voting instructions on the proxy card, your shares will be voted as you instruct, or in the best judgment of Mr. Lief or Mr. Spector if a proposal comes up for a vote at the meeting that is not on the proxy card.

If you do not mark your voting instructions on the proxy card, your shares will be voted as follows: FOR the eight named nominees as directors, FOR the ratification of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2007, and according to the best judgment of Mr. Lief or Mr. Spector if a proposal comes up for a vote at the meeting that is not on the proxy card.

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

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

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

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

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

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

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

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

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

A: **Stockholder of Record: Shares Registered in Your Name.** If you are a stockholder of record, you can revoke your proxy and change your vote at any time before the polls close at the meeting by: (i) signing another proxy card with a later date and returning it before the polls close at the meeting, (ii) voting by telephone or the Internet before 11:00 p.m., San Diego local time, on June 10, 2007 (your *latest* telephone or Internet vote is counted), (iii) returning a written notice before the polls close at the meeting that you are revoking your proxy, or (iv) voting at the meeting. Please note, however, that simply attending the meeting will not, by itself, revoke your proxy.

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

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

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

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

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

Both abstentions and broker non-votes are counted as present for the purposes of determining the presence of a quorum. 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 power under the rules of the National Association of Securities Dealers, Inc. or otherwise to vote the shares.

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

A: Directors are elected by a plurality of votes of common stock (determined as if our Preferred Stock was converted into common stock) present in person or represented by proxy at our 2007 Annual Meeting and entitled to vote. This means that the eight nominees receiving the highest number of votes FOR election will be elected.

Q: How many votes must the ratification of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2007 receive to be approved?

A: A majority of the shares of common stock (determined as if our Preferred Stock was converted into common stock) present at the meeting in person or by proxy and entitled to vote must vote FOR ratification.

Q: How may I vote and how are votes counted?

A: You may vote either FOR each director nominee or WITHHOLD your vote from any one or more of the nominees. You may vote FOR, AGAINST or ABSTAIN from voting on each of the other proposals. If you abstain from voting on any proposal that allows for abstention, it will have the same effect as a vote AGAINST such proposal. Broker non-votes will not affect the outcome of the voting on any of the other proposals described in this proxy statement.

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

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

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

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

A: Our website is www.arenapharm.com and we have included various corporate governance materials under the Investors tab. Included in such information are the charters of Board of Directors standing committees: the Audit Committee, Compensation Committee and the Corporate Governance and Nominating Committee. Also included under that tab are 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**

The persons named below are nominees for director to serve until the next annual meeting of stockholders and until their successors have been elected and qualified or until their early resignation or removal. Our Bylaws provide that the authorized number of directors shall be determined by a resolution of our Board of Directors.

Each nominee listed below other than Dr. White was elected at our 2006 annual meeting of stockholders. Dr. White was identified by a third-party search firm. We retained the third-party search firm at the direction of the Corporate Governance and Nominating Committee, and the search firm assisted such committee in identifying and evaluating potential nominees. All of the nominees were recommended for election to our Board of Directors by the Corporate Governance and Nominating Committee. Directors are elected by a plurality of votes present in person or represented by proxy at the annual meeting of stockholders and entitled to vote. Unless otherwise instructed to withhold a vote for a particular nominee or all of the nominees, the proxy holders will vote the proxies received by them for the nominees named below. In the event that any of these nominees is unavailable to serve as a director at the time of our 2007 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.

The following table sets forth information regarding the nominees as of March 15, 2007.

| Name | Positions and Offices Held | Year First Elected or Appointed Director | Age |
|----------------------------------|---|---|------------|
| Jack Lief | President, Chief Executive Officer and Director | 1997 | 60 |
| Dominic P. Behan, Ph.D. | Senior Vice President, Chief Scientific Officer and Director | 2000 | 43 |
| Donald D. Belcher | Director | 2003 | 68 |
| Scott H. Bice | Director | 2003 | 63 |
| Harry F. Hixson, Jr., Ph.D. | Director | 2004 | 68 |
| J. Clayburn La Force, Jr., Ph.D. | Director | 2002 | |