

LEXICON PHARMACEUTICALS, INC.
Form PRE 14A
February 20, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC. 20549

SCHEDULE 14A
(Rule 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant

Check the appropriate box:

- x Preliminary Proxy Statement
- o Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

LEXICON 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):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies: N/A
- (2) Aggregate number of securities to which transaction applies: N/A
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): N/A
- (4) Proposed maximum aggregate value of transaction: N/A
- (5) Total fee paid: \$0
 - o Fee paid previously with preliminary materials: N/A
 - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed

March ____, 2015

TO OUR STOCKHOLDERS:

I am pleased to invite you to attend the 2015 annual meeting of stockholders of Lexicon Pharmaceuticals, Inc. to be held on Thursday, April 23, 2015 at 8:00 a.m. CDT at the offices of the company, 8800 Technology Forest Place, The Woodlands, Texas.

Your vote is important, regardless of the number of shares that you hold. Whether or not you plan to attend the annual meeting, I hope you will vote as soon as possible, either electronically on the Internet, by telephone or by signing and returning the enclosed proxy card. Your proxy will not be used if you are present at the annual meeting and prefer to vote in person or if you revoke your proxy.

Thank you for your ongoing support of and continued interest in Lexicon Pharmaceuticals. We look forward to seeing you at the annual meeting.

Sincerely,

Lonnell Coats
President and Chief Executive Officer

LEXICON PHARMACEUTICALS, INC.

8800 Technology Forest Place

The Woodlands, Texas 77381

(281) 863-3000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD APRIL 23, 2015

TO OUR STOCKHOLDERS:

The annual meeting of stockholders of Lexicon Pharmaceuticals, Inc. will be held on Thursday, April 23, 2015 at 8:00 a.m. CDT at the offices of the company, 8800 Technology Forest Place, The Woodlands, Texas, to:

elect three Class III directors;

approve an amendment to our amended and restated certificate of incorporation to effect, at the discretion of our board of directors:

Ø a reverse split of our common stock, whereby each outstanding six, seven, eight, nine or ten shares would be combined, converted and changed into one share of common stock; and

Ø a reduction in the number of authorized shares of our common stock from 900,000,000 to 265,000,000, 225,000,000, 200,000,000, 175,000,000 or 160,000,000, respectively;

ratify and approve an amendment to our Equity Incentive Plan (1) increasing the total number of shares of our common stock that may be issued pursuant to stock awards granted under the plan from 50,000,000 shares to 70,000,000 shares and (2) increasing the number of shares of our common stock that may be issued pursuant to awards other than stock options and stock appreciation rights from 15,000,000 to 25,000,000 shares;

ratify and approve an amendment to our Non-Employee Directors' Equity Incentive Plan increasing the total number of shares of our common stock that may be issued pursuant to stock awards granted under the plan from 1,500,000 shares to 2,500,000 shares;

hold an advisory vote on the compensation paid to our named executive officers;

ratify and approve the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2015; and

act on any other business that properly comes before the annual meeting.

You are entitled to vote at the annual meeting only if you are the record owner of shares of our common stock at the close of business on February 23, 2015.

It is important that your shares be represented at the annual meeting whether or not you plan to attend. Please cast your vote electronically on the Internet, by telephone or by signing and returning the enclosed proxy card as promptly as possible. If you are present at the annual meeting, and wish to do so, you may revoke the proxy and vote in person.

By order of the board of directors,

Brian T. Crum

Secretary

The Woodlands, Texas

March ____, 2015

LEXICON PHARMACEUTICALS, INC.
8800 Technology Forest Place
The Woodlands, Texas 77381
(281) 863-3000

PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS

To Be Held April 23, 2015

GENERAL INFORMATION

Purpose of this Proxy Statement

We have prepared this proxy statement to solicit proxies on behalf of our board of directors for use at our 2015 annual meeting of stockholders and any adjournment or postponement of such meeting.

Notice of Internet Availability of Proxy Materials

As permitted by rules adopted by the Securities and Exchange Commission, we are providing access to our proxy materials over the Internet. Accordingly, on or about March ____, 2015, we are mailing to our stockholders a notice containing instructions on how to access our proxy materials, including our proxy statement and annual report, and vote electronically over the Internet. The notice also provides instructions on how stockholders may request a paper copy of our proxy materials free of charge. Our proxy materials may be accessed by stockholders at any time after the date of mailing of the notice.

Date, Time and Place of Annual Meeting

The annual meeting will be held on Thursday, April 23, 2015 at 8:00 a.m. CDT at the offices of the company, 8800 Technology Forest Place, The Woodlands, Texas.

Matters to Be Considered at the Annual Meeting

At the annual meeting, our stockholders will be asked to consider and act upon the following matters:

- the election of three Class III directors;
- a proposal to approve an amendment to our amended and restated certificate of incorporation to effect, at the discretion of our board of directors;
- a reverse split of our common stock, whereby each outstanding six, seven, eight, nine or ten shares would be combined, converted and changed into one share of common stock; and
- a reduction in the number of authorized shares of our common stock from 900,000,000 to 265,000,000, 225,000,000, 200,000,000, 175,000,000 or 160,000,000, respectively;
- a proposal to ratify and approve an amendment to our Equity Incentive Plan (1) increasing the total number of shares of our common stock that may be issued pursuant to stock awards granted under the plan from 50,000,000 shares to 70,000,000 shares and (2) increasing the number of shares of our common stock that may be issued pursuant to awards other than stock options and stock appreciation rights from 15,000,000 to 25,000,000 shares;
- a proposal to ratify and approve an amendment to our Non-Employee Directors' Equity Incentive Plan increasing the total number of shares of our common stock that may be issued pursuant to stock awards granted under the plan from 1,500,000 shares to 2,500,000 shares;
- an advisory vote on the compensation paid to our named executive officers; and
- a proposal to ratify and approve the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2015.

Our board of directors does not intend to bring any other matters before the annual meeting and has not been informed that any other matters are to be presented by others. Our bylaws contain several requirements that must be satisfied in order for

any of our stockholders to bring a proposal before one of our annual meetings, including a requirement of delivering proper advance notice to us. Stockholders are advised to review our bylaws if they intend to present a proposal at any of our annual meetings.

Shares Entitled to Vote

You are entitled to vote at the annual meeting and at any postponement or adjournment thereof if you were the record owner of shares of our common stock as of the close of business on February 23, 2015, the record date for the annual meeting established by our board of directors. On the record date, _____ shares of our common stock were outstanding. If you were the record owner of shares of our common stock on the record date, you will be entitled to one vote for each share of stock that you own on each matter that is called to vote at the annual meeting or at any postponement or adjournment thereof.

Quorum

We must have a quorum to conduct any business at the annual meeting. This means that at least a majority of our outstanding shares eligible to vote at the annual meeting must be represented at the annual meeting, either in person or by proxy. Abstentions are counted for purposes of determining whether a quorum is present. In addition, shares held by intermediaries that are voted for at least one matter at the annual meeting will be counted as being present for purposes of determining a quorum for all matters. This is true even if the beneficial owner's discretion has been withheld for voting on some or all other matters (commonly referred to as a "broker non-vote").

Vote Necessary to Approve Proposals

Our Class III directors will be elected by a plurality vote. As a result, the three persons receiving the greatest number of votes will be elected to serve as our Class III directors. Withholding authority to vote for a director nominee will not affect the outcome of the election of directors.

The approval of an amendment to our amended and restated certificate of incorporation to effect a reverse split of our common stock and a reduction in the number of authorized shares of our common stock will require the affirmative vote of the holders of a majority of the outstanding shares of our common stock as of the record date. Any abstention from voting with respect to such matter will have the same effect as a vote against the proposal.

The ratification and approval of the amendments to our Equity Incentive Plan and Non-Employee Directors' Equity Incentive Plan, the approval on an advisory basis of the compensation paid to our named executive officers and the ratification and approval of the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2015 will each require the affirmative vote of a majority of the votes cast with respect to such matters. Any abstention or broker non-vote with respect to such matters will not count as a vote for or against these proposals and will not be considered in calculating the number of votes necessary for their approval.

Any other business that may properly come before the annual meeting for a vote will require the affirmative vote of a majority of the votes cast with respect to such matter unless a greater vote is required by law or our charter or bylaws. Any abstention or broker non-vote with respect to any such matter will not count as a vote for or against the proposal and will not affect the outcome of the proposal.

How to Vote Your Shares

You may vote in person at the annual meeting or by proxy. To ensure that your shares are represented at the annual meeting, we recommend you vote by proxy even if you plan to attend the annual meeting in person. Even if you vote by proxy, if you wish, you can revoke your proxy and vote in person at the annual meeting. If you want to vote at the annual meeting but your shares are held by an intermediary, such as a broker or bank, you will need to obtain from the intermediary either proof of your ownership of such shares as of February 23, 2015 or a proxy from such intermediary authorizing you to vote your shares at the meeting.

You may receive more than one proxy depending on how you hold your shares. If you hold your shares through an intermediary, such as a broker or bank, you may receive materials from them asking you how you want your shares to be voted at the annual meeting.

How to Vote by Proxy

By Internet or Telephone. You may vote electronically on the Internet or by telephone by following the instructions contained on the notice of Internet availability of our proxy materials. If you hold your shares through an intermediary, such as a broker or bank, please follow the voting instructions contained on the voting card used by the intermediary.

By Mail. If you request a paper copy of our proxy materials, you may vote by mail by completing, dating and signing the proxy card provided and mailing it in the pre-addressed envelope enclosed with the paper copy of our proxy materials.

How Your Proxy Will Be Voted

Giving us your proxy means that you are authorizing us to vote your shares at the annual meeting and at any adjournment or postponement thereof in the manner you direct. You may vote for our nominees for election as Class III directors, or withhold your vote for any one or more of those nominees. You may vote for or against the approval of an amendment to our amended and restated certificate of incorporation to effect a reverse split of our common stock and a reduction in the number of authorized shares of our common stock, the ratification and approval of the amendments to our Equity Incentive Plan and Non-Employee Directors' Equity Incentive Plan, the approval on an advisory basis of the compensation paid to our named executive officers and the ratification and approval of the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2015, or abstain from voting on those proposals.

If any of our nominees for election as Class III directors become unavailable for any reason before the election, we may reduce the number of directors serving on our board of directors, or our board of directors may designate substitute nominees, as necessary. We have no reason to believe that any of our nominees for election as Class III directors will be unavailable. If our board of directors designates any substitute nominees, the persons receiving your proxy will vote your shares for such substitute(s) if they are instructed to do so by our board of directors or, in the absence of any such instructions, in accordance with their own best judgment.

If you vote by proxy but do not specify how you want your shares voted, your shares will be voted in favor of our nominees for election as Class III directors and in favor of the approval of an amendment to our amended and restated certificate of incorporation to effect a reverse split of our common stock and a reduction in the number of authorized shares of our common stock, the ratification and approval of the amendments to our Equity Incentive Plan and Non-Employee Directors' Equity Incentive Plan, the approval on an advisory basis of the compensation paid to our named executive officers and the ratification and approval of the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2015.

If you vote by proxy and any additional business properly comes before the annual meeting, the persons receiving your proxy will vote your shares on those matters as instructed by our board of directors or, in the absence of any such instructions, in accordance with their own best judgment. As of the date of this proxy statement, we are not aware of any other matter to be raised at the annual meeting.

How to Revoke Your Proxy

You may revoke your proxy at any time before your shares are voted by providing our corporate secretary with either a new proxy with a later date or a written notice of your desire to revoke your proxy at the following address:

Lexicon Pharmaceuticals, Inc.
8800 Technology Forest Place
The Woodlands, Texas 77381
Attention: Corporate Secretary

You may also revoke your proxy at any time prior to your shares having been voted by attending the annual meeting in person and notifying the inspector of election of your desire to revoke your proxy. Your proxy will not automatically be revoked merely because you attend the annual meeting.

Inspector of Election

Broadridge Financial Solutions, Inc. will count votes and provide a representative who will serve as an inspector of election for the annual meeting.

List of Stockholders Entitled to Vote

A list of our stockholders entitled to vote at the annual meeting will be available for inspection at the annual meeting. The stockholder list will also be available for inspection for ten days prior to the annual meeting at our corporate offices located at 8800 Technology Forest Place, The Woodlands, Texas. Any inspection of this list at our offices will need to be conducted during ordinary business hours. If you wish to conduct an inspection of the stockholder list, we request that you please contact our corporate secretary before coming to our offices.

Solicitation of Proxies and Expenses

We are asking for your proxy on behalf of our board of directors. We will bear the entire cost of preparing, printing and soliciting proxies. We will send notices of Internet availability of proxy materials and, if requested, paper copies of our proxy materials to all of our stockholders of record as of the record date and to all intermediaries, such as brokers and banks, that held any of our shares on that date on behalf of others. These intermediaries will then forward the notices and, if requested, paper copies of our proxy materials to the beneficial owners of our shares, and we will reimburse them for their reasonable out-of-pocket expenses for forwarding such materials. Our directors, officers and employees may solicit proxies by mail, in person or by telephone or other electronic communication. Our directors, officers and employees will not receive additional compensation for their solicitation efforts, but they will be reimbursed for any out-of-pocket expenses they incur. No solicitation of proxies will be made by specially engaged employees or paid solicitors.

Householding

As permitted by rules adopted by the Securities and Exchange Commission, we are delivering a single notice of Internet availability of proxy materials, annual report and proxy statement, as applicable, to any household at which two or more stockholders reside if we believe the stockholders are members of the same family, unless otherwise instructed by one or more of the stockholders. We will promptly deliver separate copies of these documents upon the written or oral request of any stockholder at a shared address to which a single copy of the documents were delivered. If your household received a single set of any of these documents, but you would prefer to receive your own copy, or if you share an address with another stockholder and together both of you would like to receive only a single set of these documents, please follow these instructions:

If your shares are registered in your own name, please contact our transfer agent, Computershare Inc., and inform them of your request by calling them at (877) 854-4583 or writing them at P.O. Box 30170, College Station, Texas 77842 or 211 Quality Circle, Suite 210, College Station, Texas 77845 for overnight correspondence.

If an intermediary, such as a broker or bank, holds your shares, please contact Broadridge and inform them of your request by calling them at (800) 542-1061 or writing them at Householding Department, 51 Mercedes Way, Edgewood, New York 11717. Be sure to include your name, the name of your brokerage firm and your account number.

PROPOSAL NUMBER 1:
ELECTION OF DIRECTORS

Our board of directors, which currently has nine members, is divided or “classified” into three classes. Directors in each class are elected to hold office for a term ending on the date of the third annual meeting following the annual meeting at which they were elected. The current term of our Class III directors will expire at this annual meeting. The current terms of our Class I and Class II directors will expire at our 2016 and 2017 annual meetings of stockholders, respectively.

The board of directors has nominated and urges you to vote for the election of the individuals identified below, who have been nominated to serve as Class III directors until our 2018 annual meeting of stockholders or until their successors are duly elected and qualified. Each of these individuals is a member of our present board of directors. Your signed proxy will be voted for the nominees named below unless you specifically indicate on the proxy that you are withholding your vote.

Nominees for Class III Directors

The following individuals are nominated for election as Class III directors:

Name	Age	Position with the Company	Year First Became a Director
Philippe J. Amouyal	56	Director (Class III)	2007
Lonnell Coats	50	President and Chief Executive Officer and Director (Class III)	2014
Frank P. Palantoni	57	Director (Class III)	2004

Philippe J. Amouyal has been a director since August 2007 and is a managing director of The Invus Group, LLC, a position he has held since 1999. Previously, Mr. Amouyal was a vice president and director of The Boston Consulting Group, Inc. in Boston, Massachusetts, where he coordinated the global technology and electronics practice through most of the 1990s. Mr. Amouyal is a director of Weight Watchers International, Inc., as well as a number of private companies in which Invus has invested. He holds an M.S. in engineering and a DEA in management from Ecole Centrale de Paris and was a research fellow at the Center for Policy Alternatives of the Massachusetts Institute of Technology.

Mr. Amouyal provides us with the benefit of his broad business and financial experience, as well as his expertise in compensation and performance management and the assessment and prioritization of research and development projects, gained in his active participation in the identification, selection, negotiation and oversight of investments by The Invus Group and his consulting experience with The Boston Consulting Group. Mr. Amouyal is a designee of Invus, L.P. and Invus C.V. pursuant to our stockholders’ agreement with Invus described under the heading “Transactions with Related Persons - Arrangements with Invus.”

Lonnell Coats has been our president and chief executive officer and a director since July 2014. From 1996 through June 2014, Mr. Coats served in a series of leadership positions at Eisai Inc. and Eisai Corporation of North America, most recently as chief executive officer from 2010 to June 2014 and president and chief operating officer from 2004 to 2010. Prior to joining Eisai, Mr. Coats spent eight years with Janssen Pharmaceuticals, Inc., a division of Johnson & Johnson, where he held a variety of management and sales positions. Mr. Coats received his B.P.A. from Oakland University.

Mr. Coats provides us with the benefit of his extensive experience in a wide variety of disciplines within the pharmaceutical industry, including the development and commercialization of pharmaceutical products, the management of pharmaceutical marketing and sales efforts and the planning and execution of strategic initiatives, as well as his organizational and management skills developed while serving in his various leadership positions at Eisai. Frank P. Palantoni has been a director since November 2004. Mr. Palantoni is president of Palantoni & Partners LLC, an advisory firm for the consumer and health care industries. Mr. Palantoni served as president of the pet and animal health division of Central Garden & Pet Company from 2011 to 2013 and was a partner at P3 Capital Management LLC, an early stage consumer products equity fund, from 2006 to 2011. Mr. Palantoni served as chief operating officer and chief executive officer of Prestige Brands Holding, Inc. from 2005 to 2006. From 1998 to 2004, Mr. Palantoni held a variety of senior management positions with Novartis AG, including president and chief executive

officer, worldwide of the Gerber Products Company, and chief executive officer for North American operations of the Consumer Health Division. Prior to joining Novartis, he held a series of senior management positions with The Danone Group. He holds a B.S. from Tufts University and an M.B.A. from Columbia University.

Mr. Palantoni provides us with the benefit of his extensive business operations experience, as well as his expertise in compensation and performance management and his broad business and management skills developed while serving in his various leadership positions in the consumer health products industry.

The Board of Directors recommends that stockholders vote “FOR” the foregoing nominees for election as Class III directors.

Current and Continuing Directors

The current directors of the Company are identified below:

Name	Age	Position with the Company
Raymond Debbane ⁽³⁾	60	Chairman of the Board of Directors (Class I)
Philippe J. Amouyal ⁽²⁾	56	Director (Class III)
Samuel L. Barker, Ph.D. ^{(1) (2)}	72	Director (Class II)
Lonnell Coats	50	President and Chief Executive Officer and Director (Class III)
Robert J. Lefkowitz, M.D. ⁽³⁾	71	Director (Class I)
Alan S. Nies, M.D.	77	Director (Class I)
Frank P. Palantoni ^{(1) (2)}	57	Director (Class III)
Christopher J. Sobecki	56	Director (Class II)
Judith L. Swain, M.D. ^{(1) (3)}	66	Director (Class II)

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Compensation Committee

⁽³⁾ Member of the Corporate Governance Committee

Information regarding the business experience of Mr. Amouyal, Mr. Coats and Mr. Palantoni is set forth above under the heading “- Nominees for Class III Directors.”

Raymond Debbane has been a director since August 2007 and became chairman of our board of directors in February 2012. Mr. Debbane is president and chief executive officer of The Invus Group, LLC, which he founded in New York in 1985 as the exclusive investment advisor of Benelux-based Artal Group S.A. In 1999, Artal became the controlling shareholder of Weight Watchers International, Inc., for which Mr. Debbane serves as chairman of the board of directors. He also serves as a director of Ceres, Inc. and as chairman or director of a number of private companies in which Invus and Artal Group S.A. have invested. Before founding The Invus Group, Mr. Debbane was a manager in the Paris office of The Boston Consulting Group, Inc., where he did consulting work for a number of major European and international companies. Mr. Debbane holds an M.B.A. from Stanford University, an M.S. in food science and technology from the University of California at Davis, and a B.S. in agricultural sciences and agricultural engineering from American University of Beirut.

Mr. Debbane provides us with the benefit of his extensive financial markets and investment expertise gained in more than 25 years of leading the identification, selection, negotiation and oversight of a wide range of investments in his role as president and chief executive officer of The Invus Group, as well as his background in strategic consulting across a broad range of industries developed while with The Boston Consulting Group. Mr. Debbane is a designee of Invus, L.P. and Invus C.V. pursuant to our stockholders’ agreement with Invus described under the heading “Transactions with Related Persons - Arrangements with Invus.”

Samuel L. Barker, Ph.D. has been a director since March 2000 and served as chairman of our board of directors from 2005 to 2012. In 2001, Dr. Barker co-founded Clearview Projects, Inc., a provider of partnering and transaction services to biopharmaceutical companies, and served as its president and chief executive officer from 2003 to 2004. Dr. Barker served in a series of leadership positions at Bristol-Myers Squibb Company until his retirement in 1999. His positions at Bristol-Myers Squibb included service as executive vice president, Worldwide Franchise Management and Strategy during 1998; president, United States Pharmaceuticals from 1992 to 1997; and president, Bristol-Myers Squibb Intercontinental Commercial Operations from 1990 to 1992. Prior to 1990, Dr. Barker held executive positions in research and development, manufacturing, finance, business development and sales and marketing at Squibb Pharmaceuticals. Dr. Barker currently serves as a director of Cyclacel Pharmaceuticals, Inc. He previously served as a director of Cadence Pharmaceuticals, Inc. from 2006 until February 2014 when Cadence was acquired by Mallinckrodt Pharmaceuticals. Dr. Barker received his B.S. from Henderson State College, his M.S. from the University of Arkansas and his Ph.D. from Purdue University.

Dr. Barker provides us with the benefit of his extensive experience in a wide variety of disciplines within the pharmaceutical industry, including the development and commercialization of pharmaceutical products, the identification, evaluation and negotiation of collaborative agreements, and the management of pharmaceutical marketing and sales efforts, as well as his organizational and management skills developed while serving in his various leadership positions at Bristol-Myers Squibb and Clearview Projects.

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Robert J. Lefkowitz, M.D. has been a director since February 2001 and a consultant to our company since March 2003. Dr. Lefkowitz is the James B. Duke Professor of Medicine, professor of biochemistry and a Howard Hughes Medical Institute investigator at Duke University Medical Center, where he has served on the faculty since 1973. Dr. Lefkowitz is a member of the National Academy of Sciences and has received more than 50 major awards for his research, including the 2012 Nobel Prize in Chemistry, the Shaw Prize, the Albany Medical Center Prize and the 2007 National Medal of Science. Dr. Lefkowitz received his B.A. from Columbia University and his M.D. from Columbia University College of Physicians and Surgeons.

Dr. Lefkowitz provides us with the benefit of his medical expertise and his extensive experience in biological and pharmaceutical research, particularly with respect to the identification of drug targets and preclinical evaluation of drug candidates, gained in more than 40 years as a member of the faculty at Duke University Medical Center.

Alan S. Nies, M.D. has been a director since November 2003 and chairman of our medical advisory board since March 2003. From 1992 to his retirement in 2002, Dr. Nies served in a series of senior management positions at Merck & Co. Inc., including senior vice president, clinical sciences. Prior to joining Merck, Dr. Nies spent fifteen years as professor of medicine and pharmacology and head of the Division of Clinical Pharmacology at the University of Colorado Health Sciences Center. Dr. Nies holds a B.S. from Stanford University and an M.D. from Harvard Medical School.

Dr. Nies provides us with the benefit of his extensive clinical development experience, particularly with respect to the design, management and reporting of clinical trials, as well as his organizational and management skills developed while serving in his various leadership positions with Merck and the University of Colorado Health Sciences Center.

Christopher J. Sobecki has been a director since August 2007 and is a managing director of The Invus Group, LLC, which he joined in 1989. Mr. Sobecki is currently a director of Weight Watchers International, Inc., as well as a number of private companies in which Invus has invested. Mr. Sobecki served as a director of NitroMed, Inc. from 2006 to 2009. He holds a B.S. in industrial engineering from Purdue University and an M.B.A. from Harvard University.

Mr. Sobecki provides us with the benefit of his diversified business and financial experience, including a particular expertise in risk assessment and business strategy development, and relationships in the financial community gained in his active participation in the identification, selection, negotiation and oversight of investments by The Invus Group and his service as a director of public and private companies. Mr. Sobecki is a designee of Invus, L.P. and Invus C.V. pursuant to our stockholders' agreement with Invus described under the heading "Transactions with Related Persons - Arrangements with Invus."

Judith L. Swain, M.D. has been a director since September 2007. Dr. Swain is a Senior Fellow of the Agency for Science, Technology and Research Singapore A*STAR, and Professor of Medicine at the National University of Singapore. She is also a director of the National Healthcare Group in Singapore. From 2005 to 2006, she was the dean for translational medicine at the University of California, San Diego. Dr. Swain served as chair of the Department of Medicine at Stanford University from 1997 to 2005, and previously served on the medical faculties of the University of Pennsylvania and Duke University. Dr. Swain is currently a director of Avacen, Inc. She has previously served in a number of national and international leadership roles and as a director or member of the scientific advisory boards for a number of biomedical technology companies and is co-founder of Synecor, LLC. Dr. Swain received her B.S. from the University of California, Los Angeles and her M.D. from the University of California, San Diego.

Dr. Swain provides us with the benefit of her extensive medical and scientific research experience gained in her more than 30 years as a practicing physician and research scientist, as well as her organizational and management skills developed in her numerous leadership positions with a variety of prominent research and academic institutions.

PROPOSAL NUMBER 2:

APPROVAL OF AMENDMENT TO OUR CERTIFICATE OF INCORPORATION TO EFFECT REVERSE STOCK SPLIT AND REDUCTION IN AUTHORIZED SHARES OF COMMON STOCK

We are asking that stockholders approve an amendment to our amended and restated certificate of incorporation to effect, at the discretion of our board of directors:

• a reverse split of our common stock, whereby each outstanding six, seven, eight, nine or ten shares would be combined, converted and changed into one share of common stock; and

•

a reduction in the number of authorized shares of our common stock from 900,000,000 to 265,000,000, 225,000,000, 200,000,000, 175,000,000 or 160,000,000, respectively.

The form of proposed amendment to our amended and restated certificate of incorporation was approved by our board of directors, subject to stockholder approval, on February 5, 2015 and is set forth in Appendix A to this proxy statement. Our board of directors believes that stockholder approval of these five alternative reverse stock split ratios and corresponding reduc

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tions in the number of authorized shares of our common stock provides the board of directors with maximum flexibility to act in our best interest and in the best interest of our stockholders.

The reductions in authorized common stock described above are not proportional to the corresponding reverse stock split ratios and represent an effective increase in authorized common stock after giving effect to the reverse stock split. We do not have any current plans, proposals or understandings that would require the use of any additional shares of our common stock which would be authorized, but not issued or reserved for issuance, following any reverse stock split.

Upon stockholder approval of the proposed amendment, our board of directors will have the authority to effect a reverse stock split and the corresponding reduction in authorized common stock in its sole discretion until our 2016 annual meeting of stockholders and without further stockholder action. The actual reverse stock split ratio and corresponding reduction in the number of authorized shares of our common stock will be selected from among the above five alternatives by our board of directors. Even if approved by our stockholders, our board of directors reserves the right to not effect any reverse stock split and corresponding reduction in authorized common stock if it does not deem it to be in our best interest or in the best interest of our stockholders. Our board of directors' decision as to whether, when and pursuant to which of the above five alternatives to effect a reverse stock split and corresponding reduction in authorized common stock will be based on a number of factors, including prevailing market conditions, the existing market price of our common stock, the likely effect of a reverse stock split on the market price of our common stock, the listing standards of The Nasdaq Stock Market, Inc. and the number of shares of our common stock which would be authorized but not issued or reserved for issuance.

If our board of directors elects to effect a reverse stock split and the corresponding reduction in authorized common stock following stockholder approval, the number of issued and reserved shares of our common stock would be reduced in accordance with the reverse stock split ratio selected by our board of directors from among the above five alternatives. Except for any adjustments for fractional shares as described below, our stockholders will hold the same percentage of our outstanding common stock immediately following the reverse stock split as such stockholders held immediately prior to the reverse stock split. Any reverse stock split will not change the relative voting power of our stockholders and will affect all of our stockholders uniformly.

The alternative reverse stock splits are not being proposed in response to any effort of which we are aware to accumulate shares of our common stock or obtain control of our company, nor does it represent a plan by our management to recommend a series of similar actions to our board of directors or our stockholders.

The Board of Directors recommends that stockholders vote "FOR" the approval of an amendment to our amended and restated certificate of incorporation to effect, at the discretion of our board of directors, a reverse split of our common stock and a reduction in the number of authorized shares of our common stock.

Reasons for Reverse Stock Split

Our board of directors believes that, should the appropriate circumstances arise, effecting a reverse stock split will provide benefits to us and our stockholders in a number of ways by increasing the per share market price of our common stock, including:

Improving the Perception of Our Common Stock as an Investment Security. We have been advised that lower-priced stocks have a perception in the investment community as being risky and speculative, which may negatively impact not only the price of our common stock, but also our market liquidity. Per share market price is frequently used as a proxy for "quality" and lower-priced stocks are often considered to be of lower investing quality and less desirable relative to stocks with higher share prices. We believe that a higher per share market price will increase the perceived quality and appeal of our common stock for investment purposes.

Appealing to a Broader Range of Investors. Many institutional investors have policies prohibiting them from holding lower-priced stocks in their portfolios. Many brokerage firms also have policies discouraging individual brokers from recommending lower-priced stocks to their customers or restricting or limiting the ability to purchase such stocks on margin. Investors may also be dissuaded from purchasing lower-priced stocks because the brokerage commissions, as a percentage of the total transaction value, tend to be higher for such lower-priced stocks. Each of these market dynamics has the effect of reducing the number of potential purchasers of our common stock, and we believe that a higher per share market price will increase the number of such potential purchasers.

Meeting Continued Nasdaq Listing Requirements. Our common stock trades on the Nasdaq Global Select Market, which has qualitative and quantitative listing criteria, including a requirement that our common stock maintain a minimum closing bid price of at least \$1.00 per share. In the event our common stock fails to meet such requirement for 30 consecutive trading days, Nasdaq may provide us with written notice of non-compliance and require that we promptly take action to remedy such non-compliance. We believe that a higher per share market price will reduce the likelihood of or remedy any such non-compliance.

Reasons for Reduction in Authorized Common Stock

As a matter of Delaware law, effecting a reverse stock split does not require a change in the number of authorized shares of our common stock. However, our board of directors believes that effecting the reductions in authorized common stock described above in connection with any reverse stock split will provide benefits to us and our stockholders in a number of ways, including:

Providing Greater Flexibility in Effecting Future Financings and Acquisitions. The reductions in authorized common stock described above are not proportional to the corresponding reverse stock split ratios and represent an effective increase in authorized common stock after giving effect to the reverse stock split. These non-proportional reductions are designed to provide us with greater flexibility in effecting possible future financings and acquisitions without the delay and expense associated with obtaining the approval or consent of our stockholders at the same time the shares are needed. We expect that our future planned operations may require the use of our common stock from time to time either as consideration for acquisitions or as part of a financing, either through the use of our common stock or securities convertible into our common stock. Such shares may be issued in conjunction with both public offerings and private placements of shares of our common stock, which issuance, depending on the circumstances, may or may not require future stockholder approval under the rules of The Nasdaq Stock Market, Inc. Such shares could also be used for our stock-based compensation plans, subject to appropriate stockholder approval.

Maintaining Alignment with Market Expectations. The reductions in authorized common stock described above are also designed to maintain alignment with market expectations regarding the number of authorized shares of our common stock in comparison to the number of shares issued or reserved for issuance following any reverse stock split and ensure that we do not have what certain stockholders might view as an unreasonably high number of authorized shares which are not issued or reserved for issuance.

Effects of a Reverse Stock Split and Reduction in Authorized Common Stock

Upon stockholder approval of the proposed amendment and the election by our board of directors to effect a reverse stock split and the corresponding reduction in authorized common stock, our issued and outstanding shares of common stock would decrease in accordance with the applicable reverse stock split ratio and the market value per share of our common stock would be expected to increase. The reverse stock split would be effected simultaneously for all of our common stock, and the reverse stock split ratio would be the same for all shares of common stock. The reverse stock split would affect all of our stockholders uniformly and would not affect any stockholder's percentage ownership interests in our company, except to the extent that it results in a stockholder receiving cash in lieu of fractional shares. A reverse stock split would not affect the relative voting or other rights that accompany the shares of our common stock, except to the extent that it results in a stockholder receiving cash in lieu of fractional shares. Shares of common stock issued pursuant to a reverse stock split would remain fully paid and non-assessable. The reverse stock split would not affect our securities law reporting and disclosure obligations, and we would continue to be subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

In addition to the decrease in the number of shares of our common stock issued and outstanding and the expected increase in the market value per share of our common stock, a reverse stock split and the corresponding reduction in authorized common stock would have the following additional effects:

Effective Increase in the Number of Authorized Shares of Common Stock. The reductions in authorized common stock described above are not proportional to the corresponding reverse stock split ratios and represent effective increases in authorized common stock of between 75.0% to 77.8% after giving effect to the reverse stock split. As of February 23, 2015, of the 900,000,000 shares of our common stock authorized by our amended and restated certificate of incorporation, _____ shares were issued and an aggregate of _____ shares were reserved for issuance, after giving effect to the amendments to our Equity Incentive Plan and Non-Employee Directors' Equity Incentive Plan described in this proxy statement.

We do not have any current plans, proposals or understandings that would require the use of any additional shares of our common stock which would be authorized, but not issued or reserved for issuance, following any reverse stock split. However, our board of directors may from time to time deem it to be in our best interest and in the best interest of our stockholders to enter into transactions or other arrangements that may include the issuance of shares of our common stock. If our board of directors authorizes the issuances of additional shares of common stock subsequent to a

reverse stock split and corresponding reduction in authorized common stock described above, the dilution to the ownership interest of our existing stockholders may be greater than would occur had the reverse stock split and corresponding reduction in authorized common stock not been effected.

Adjustment to Number of Shares of Common Stock Issuable upon Conversion of Notes. A reverse stock split would reduce the number of shares of common stock issuable upon conversion of our 5.25% Convertible Senior Notes due 2021 in proportion to the applicable reverse stock split ratio. As of February 23, 2015, there were 87,064,670 shares of common stock reserved for issuance upon conversion of the notes.

Adjustment to Number of Shares of Common Stock Issuable under Equity Incentive Plans. A reverse stock split would reduce the number of shares of common stock issuable under our Equity Incentive Plan and Non-Employee Directors' Equity Incentive Plan in proportion to the applicable reverse stock split ratio. As of February 23, 2015, there were _____ shares of common stock authorized for issuance but unissued under our Equity Incentive Plan and _____ shares of common stock authorized for issuance but unissued under our Non-Employee Directors' Equity Incentive Plan, in each case reflecting the proposed amendments to such plans described in this proxy statement. Under the terms of our stock option agreements, restricted stock unit agreements and the applicable plans under which such stock options and restricted stock units were granted, a reverse stock split would effect a reduction in the number of shares of common stock issuable upon the exercise of such stock options or upon the vesting of such restricted stock units in proportion to the applicable reverse stock split ratio. A reverse stock split will also effect a proportionate increase in the exercise price applicable to such outstanding stock options.

The following table contains information relating to our common stock under each of the five alternative reverse stock split ratios and corresponding reductions in the number of authorized shares of our common stock, as of February 23, 2015:

	Pre-Reverse Stock Split	6:1	7:1	8:1	9:1	10:1
Authorized Issued	900,000,000	265,000,000	225,000,000	200,000,000	175,000,000	160,000,000
Reserved for issuance upon conversion of 5.25% Convertible Senior Notes due 2021	87,064,670	14,510,778	12,437,810	10,883,084	9,673,852	8,706,467
Reserved for issuance under Equity Incentive Plan ⁽¹⁾						
Reserved for issuance under Non-Employee Directors' Equity Incentive Plan ⁽²⁾						
Authorized, but unissued and unreserved						

(1) Reflects the proposed amendment to our Equity Incentive Plan described in this proxy statement.

(2) Reflects the proposed amendment to our Non-Employee Directors' Equity Incentive Plan described in this proxy statement.

Risks Associated with a Reverse Stock Split and Reduction in Authorized Common Stock

Even if a reverse stock split and the corresponding reduction in authorized common stock is effected, some or all of the expected benefits of a reverse stock split described above may not be realized or maintained.

The market price of our common stock will continue to be based, in part, on our performance, prevailing market conditions and other factors unrelated to the number of shares of common stock outstanding. The effect of a reverse stock split on the market price for our common stock cannot be accurately predicted, and the history of reverse stock splits for companies in similar circumstances is varied. We cannot assure you that the market price of our common stock after a reverse stock split will rise in exact proportion to the reduction in the number of shares of common stock outstanding as a result of the reverse stock split. Furthermore, there can be no assurance that the market price of our common stock immediately after the proposed reverse stock split will be maintained for any period of time. Moreover, because some investors may view a reverse stock split negatively, we cannot assure you that approval of the reverse stock split will not adversely impact the market price per share of our common stock or, alternatively, that the market price per share following the reverse stock split will either exceed or remain in excess of the current market price per share.

In addition, a reverse stock split may result in some stockholders owning “odd lots” of less than 100 shares of our common stock, which may be more difficult to sell and may cause those holders to incur greater brokerage commissions and other costs upon sale.

Any future issuance of additional authorized shares of our common stock could dilute future earnings per share, book value per share and voting power of existing stockholders. Depending upon the circumstances under which such shares are issued,

such issuance may reduce stockholders equity per share and may reduce the percentage ownership of common stock of existing stockholders.

Any future issuance of additional authorized shares also may have an anti-takeover effect by making it more difficult to engage in a merger, tender offer, proxy contest or assumption of control of a large voting block of our common stock. Our board of directors could impede a takeover attempt by issuing additional shares and thereby diluting the voting power of other outstanding shares and increasing the cost of a takeover. A future issuance of additional shares of common stock could render more difficult an attempt to obtain control of us, even if it appears to be desirable to a majority of stockholders, and it may be more difficult for our stockholders to obtain an acquisition premium for their shares or to remove incumbent management. However, our board of directors has no present intention to use any additional authorized shares of common stock as a measure aimed at discouraging takeover efforts.

Effectiveness of Amendment

Upon stockholder approval of the proposed amendment and the election by our board of directors to effect a reverse stock split and the corresponding reduction in authorized common stock, such reverse stock split and the corresponding reduction in authorized common stock would become effective as of the filing of a certificate of amendment to our amended and restated certificate of incorporation, in substantially the form attached as Appendix A to this proxy statement, with the Secretary of State of the State of Delaware. Upon filing of the certificate of amendment, and without any further action by us or our stockholders, the issued shares of common stock held by stockholders of record as of the effective date of the reverse stock split would be converted into a lesser number of shares of common stock calculated in accordance with the reverse stock split ratio selected from among the above five alternatives by our board of directors and set forth in the certificate of amendment.

Beginning on the effective date of the reverse stock split, each stock certificate representing pre-split shares of our common stock will be deemed for all corporate purposes to evidence ownership of post-split shares of our common stock. Stockholders will be notified that the reverse stock split had been effected as soon as practicable after the effective date of the reverse stock split.

Reservation of Right to Abandon Reverse Stock Split and Reduction in Authorized Common Stock

Even if approved by our stockholders, our board of directors reserves the right to not effect any reverse stock split and corresponding reduction in authorized common stock if it does not deem it to be in our best interest or in the best interest of our stockholders. By voting in favor of the amendment, you are expressly also authorizing our board of directors to delay, not to proceed with, and abandon a reverse stock split and corresponding reduction in authorized common stock if it should so decide, in its sole discretion, that such action is in the best interest of our company and our stockholders.

If our board of directors fails to effect a reverse stock split and corresponding reduction in authorized common stock prior to our 2016 annual meeting of stockholders, then further stockholder approval would be required prior to effecting any reverse stock split or corresponding reduction in authorized common stock.

Effect on Beneficial Holders

Common stock held by stockholders in "street name," through a bank, broker or other nominee, will be treated in the same manner as common stock held by stockholders whose shares are registered in their own names. Banks, brokers or other nominees will be instructed to effect the reverse stock split for their customers holding common stock in "street name." However, these banks, brokers or other nominees may have different procedures than registered stockholders for processing the reverse stock split. If you hold shares of common stock with a bank, broker or other nominee and have any questions in this regard, you are encouraged to contact your bank, broker or other nominee.

Effect on Registered Holders

Some of our registered holders of common stock may hold some or all of their shares electronically in book-entry form with our transfer agent, Computershare, Inc. These stockholders do not hold physical stock certificates evidencing their ownership of our common stock. However, they are provided with a statement reflecting the number of shares of our common stock registered in their accounts. If a stockholder holds registered shares in book-entry form with our transfer agent, no action needs to be taken to receive post-reverse stock split shares or payment in lieu of fractional shares, if applicable. If a stockholder is entitled to post-reverse stock split shares, a transaction statement will automatically be sent to the stockholder's address of record indicating the number of shares of our common stock held following the reverse stock split.

Effect on Holders of Stock Certificates

Computershare will act as our exchange agent for purposes of implementing the exchange of stock certificates. Stockholders holding shares of common stock in certificated form will be asked to surrender to the exchange agent the stock certificates representing such shares in exchange for stock certificates representing post-split shares in accordance with the procedures to be set forth in a letter of transmittal that will be delivered to our stockholders at such time. No new certificates will be issued to a stockholder until the stockholder has surrendered such outstanding stock certificates, together with the properly completed and executed letter of transmittal, to our exchange agent. **STOCKHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATES AND SHOULD NOT SUBMIT THEIR STOCK CERTIFICATES UNTIL THEY RECEIVE A TRANSMITTAL FORM FROM OUR EXCHANGE AGENT. STOCKHOLDERS ARE ENCOURAGED TO PROMPTLY SURRENDER CERTIFICATES TO OUR EXCHANGE AGENT PROMPTLY FOLLOWING RECEIPT OF A TRANSMITTAL FORM IN ORDER TO AVOID THE APPLICABILITY OF ESCHEAT LAWS TO SUCH SHARES.**

Fractional Shares

No fractional shares of common stock will be issued as a result of a reverse stock split. In lieu of any fractional shares to which a stockholder would otherwise be entitled as a result of a reverse stock split, we will make cash payments equal to such fraction multiplied by the closing sales price of our common stock as reported on the Nasdaq Global Select Market on the last trading day immediately preceding the effective date of the reverse stock split. As of February 23, 2015, there were _____ holders of record of our common stock. We do not expect that such number will be reduced as a result of any such cash payments made in connection with the reverse stock split.

No Appraisal Rights

As a matter of Delaware law, our stockholders do not have a right to dissent and are not entitled to appraisal rights with respect to the proposed amendment to effect a reverse stock split and corresponding reduction in authorized common stock, and we will not independently provide our stockholders with any such rights.

Interests of Directors and Executive Officers

Our directors and executive officers have no substantial interests, directly or indirectly, in the matters set forth in this proposed amendment, except to the extent of their ownership in shares of our common stock.

Accounting Consequences

The par value of our common stock will remain unchanged at \$0.001 per share following a reverse stock split. The capital account of our company will also remain unchanged, and we do not anticipate that any other accounting consequences will arise as a result of a reverse stock split and corresponding reduction in authorized common stock.

Material Federal Income Tax Consequences

The following discussion is a summary of certain United States federal income tax consequences of a reverse stock split to our company and to stockholders that hold shares of our common stock as capital assets for United States federal income tax purposes. This discussion is based upon current United States tax law, which is subject to change, possibly with retroactive effect, and differing interpretations. Any such change may cause the United States federal income tax consequences of a reverse stock split to vary substantially from the consequences summarized below. This summary does not address all aspects of United States federal income taxation that may be relevant to stockholders in light of their particular circumstances or to stockholders who may be subject to special tax treatment under the Internal Revenue Code of 1986, as amended, including, without limitation, dealers in securities, commodities or foreign currency, persons who are treated as non-U.S. persons for United States federal income tax purposes, certain former citizens or long-term residents of the United States, insurance companies, tax-exempt organizations, banks, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, retirement plans, persons that are partnerships or other pass-through entities for United States federal income tax purposes, persons whose functional currency is not the United States dollar, traders that mark-to-market their securities, persons subject to the alternative minimum tax, persons who hold their shares of our common stock as part of a hedge, straddle, conversion or other risk reduction transaction, or who acquired their shares of our common stock pursuant to the exercise of compensatory stock options, the vesting of previously restricted shares of stock or otherwise as compensation. If a partnership or other entity classified as a partnership for United States federal income tax purposes holds shares of our common stock, the tax treatment of a partner thereof will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a

partnership holding shares of our common stock, you should consult your tax advisor regarding the tax consequences of a reverse stock split.

We have not sought and will not seek an opinion of counsel or a ruling from the Internal Revenue Service regarding the federal income tax consequences of a reverse stock split. The state and local tax consequences of a reverse split may vary as to each stockholder, depending on the jurisdiction in which such stockholder resides. This discussion should not be considered as tax or investment advice, and the tax consequences of a reverse stock split may not be the same for all stockholders. Stockholders should consult their own tax advisors to understand their individual federal, state, local and foreign tax consequences.

Tax Consequences to our Company. We believe that a reverse stock split will constitute a reorganization under Section 368(a)(1)(E) of the Internal Revenue Code of 1986, as amended. Accordingly, we should not recognize taxable income, gain or loss in connection with a reverse stock split. In addition, we do not expect a reverse stock split to affect our ability to utilize our net operating loss carryforwards.

Tax Consequences to Stockholders. Stockholders should not recognize any gain or loss for United States federal income tax purposes as a result of a reverse stock split, except to the extent of any cash received in lieu of a fractional share of our common stock (which fractional share will be treated as received and then exchanged for cash). Each stockholder's aggregate tax basis in shares of common stock received in a reverse stock split, including any fractional share treated as received and then exchanged for cash, should equal the stockholder's aggregate tax basis in the shares of common stock exchanged in the reverse stock split. In addition, each stockholder's holding period for the shares of common stock it receives in a reverse stock split should include the stockholder's holding period for the shares of common stock exchanged in the reverse stock split.

In general, a stockholder who receives cash in lieu of a fractional share of common stock pursuant to a reverse stock split should be treated for United States federal income tax purposes as having received a fractional share pursuant to the reverse stock split and then as having received cash in exchange for the fractional share and should generally recognize capital gain or loss equal to the difference between the amount of cash received and the stockholder's tax basis allocable to the fractional share. Any capital gain or loss will generally be treated as long term capital gain or loss if the stockholder's holding period in the fractional share is greater than one year as of the effective date of the reverse stock split. Special rules may apply to cause all or a portion of the cash received in lieu of a fractional share to be treated as dividend income with respect to certain stockholders who own more than a minimal amount of common stock (generally more than 1%) or who exercise some control over the affairs of our company. Stockholders should consult their own tax advisors regarding the tax effects to them of receiving cash in lieu of fractional shares based on their particular circumstances.

PROPOSAL NUMBER 3:

RATIFICATION AND APPROVAL OF AMENDMENT TO EQUITY INCENTIVE PLAN

We use stock options, restricted stock units and other stock awards as a part of our overall compensation program in order to align the long-term interests of our employees with those of our stockholders. These awards are made principally under our Equity Incentive Plan, the purpose of which is to secure and retain the services of employees, directors and consultants, and to provide them with incentives to exert maximum efforts for our success by giving them the opportunity through the granting of stock options, restricted stock units and other stock awards to benefit from increases in the value of our common stock. The plan was adopted by our board of directors on February 27, 2009 and approved by our stockholders on April 23, 2009. A subsequent amendment to the plan was adopted by our board of directors on February 16, 2012 and approved by our stockholders on April 26, 2012. The proposed amendment to the plan was approved by our board of directors, subject to stockholder approval, on February 5, 2015. The plan currently provides that no more than a total of 50,000,000 shares of our common stock may be issued pursuant to stock awards granted under the plan, of which no more than 15,000,000 shares may be issued pursuant to awards other than stock options and stock appreciation rights. We are asking that stockholders ratify and approve an amendment to the plan (1) increasing the total number of shares that may be issued pursuant to stock awards granted under the plan to 70,000,000 shares and (2) increasing the number of shares of our common stock that may be issued pursuant to awards other than stock options and stock appreciation rights to 25,000,000 shares, with the objective of maintaining the availability to and increasing the flexibility of our board of directors with respect to this portion of our overall compensation program.

The terms of the Equity Incentive Plan are summarized below and the complete text of the plan is set forth in Appendix B to this proxy statement, in each case, reflecting the amendment described above.

The Board of Directors recommends that stockholders vote “FOR” the ratification and approval of the amendment to our Equity Incentive Plan.

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Administration of the Plan

The plan is administered by our board of directors, or a committee appointed by the board, which determines the recipients and types of awards to be granted, including the number of shares subject to the award and any relevant vesting schedules. The compensation committee of the board of directors presently administers the plan.

Awards under the Plan

The plan permits the following types of awards:

- incentive stock options;
- nonstatutory stock options;
- stock bonus awards;
- restricted stock awards;
- phantom stock, or restricted stock unit, awards; and
- stock appreciation rights.

Awards granted under the plan are evidenced by agreements that specify the terms and conditions under which they are granted. All awards granted under the plan are subject to the terms and conditions contained in the applicable agreement and the plan.

Eligibility

Awards other than incentive stock options may be granted to employees, directors and consultants. Incentive stock options may be granted only to employees. As of February 23, 2015, approximately ____ persons were eligible to participate in the plan, including approximately ____ employees, eight non-employee directors and ____ consultants.

Shares Subject to the Plan

The total number of shares of common stock that may be issued pursuant to awards under the plan shall not exceed in the aggregate 70,000,000 shares. No more than 25,000,000 shares may be issued pursuant to awards other than stock options and stock appreciation rights.

If any award expires, lapses, or is terminated or forfeited for any reason, the shares subject to that award will continue to be available for the grant of awards under the plan, provided that shares that are not delivered to the holder of an award because (1) the right to receive such shares is surrendered in a “net exercise” of a stock option or (2) such shares are withheld in satisfaction of the withholding of taxes incurred in connection with the exercise of a stock option or stock appreciation right or the issuance of shares under a stock bonus award, restricted stock award or restricted stock unit award, the surrendered or withheld shares will not be available for subsequent issuance under the plan. Common stock issued as or on the exercise of awards under the plan may be either authorized and unissued shares or reacquired shares.

As of February 23, 2015, there were outstanding under the plan (1) stock options to purchase a total of _____ shares of our common stock, (2) no stock bonus awards, (3) no restricted stock awards, (4) restricted stock unit awards to receive a total of _____ shares of our common stock and (5) no stock appreciation rights. On a pro forma basis to reflect the increase in the number of shares reserved for issuance under the plan, _____ shares remained available for issuance of new awards under the plan at that date. Since the founding of our company in 1995, a total of _____ shares of our common stock have been issued under the plan and its predecessors upon the grant, exercise or vesting of awards granted under the plan.

Stock Options

The stock options granted under the plan are evidenced by agreements that specify the number of shares of our common stock which may be purchased at a certain specified price and contain other terms and conditions, such as vesting and termination provisions. All stock options granted under the plan are subject to the terms and conditions contained in the applicable stock option agreement and the plan.

Expiration and Termination

The term of each stock option is stated in the applicable stock option agreement. In no event, however, may a stock option be exercised more than ten years after the date the option is granted. In the case of an incentive stock option granted to a 10% stockholder, the maximum term is five years from the date the option is granted.

Option Exercise Price

The exercise price of stock options granted under the plan is determined by the plan administrator at the time the stock option is granted. Stock options must have an exercise price that is no less than 100% of the fair market value of our common stock on the date of grant.

The fair market value of a share of common stock on a particular date is equal to the previous day's closing sales price (or the closing bid price, if no sales were reported) of the common stock if the common stock is listed on any established stock exchange or traded on the Nasdaq Stock Market. If there is no regular public trading market for the common stock, the fair market value of the common stock is determined by the board of directors.

Consideration for Exercise of Options

The consideration to be paid for shares to be issued upon exercise of a stock option, including the method of payment, shall be determined by the administrator (and, in the case of an incentive stock option, shall be determined at the time of grant) and may consist entirely of (1) cash or (2), at the discretion of the board of directors, (a) by delivery of other common stock, (b) according to a deferred payment or other similar arrangement, (c) by means of a "net exercise" of the option, or (d) in any other form of legal consideration acceptable to the board.

Stock Bonus Awards and Restricted Stock Awards

The terms and provisions of stock bonus awards and restricted stock awards shall be as set forth in the grant instrument. A stock bonus may be awarded in consideration for past services actually rendered to the company. The purchase price for a restricted stock award shall be as the administrator shall determine, but not less than 85% of the fair market value on the date the award is granted or the date the purchase is consummated. Shares awarded under a stock bonus or restricted stock award may, but need not be subject to a repurchase or forfeiture right on behalf of the company in accordance with a vesting schedule in the event the participant's employment is terminated.

Phantom Stock, or Restricted Stock Unit, Awards and Stock Appreciation Rights

The terms and provisions of phantom stock, or restricted stock unit, awards and stock appreciation rights shall be as set forth in the grant instrument. The price of a common stock equivalent used as the basis from which appreciation is determined for purposes of a stock appreciation right shall be as the administrator shall determine, but not less than 100% of the fair market value on the date the stock appreciation right is granted. Restricted stock unit awards and the exercise value of a stock appreciation right may be paid in shares of common stock, cash, a combination of common stock and cash, or other consideration, as determined by the administrator and set forth in the grant instrument.

Other Provisions

Limits on Transfer of Awards

In general, plan participants may not sell, pledge, assign, transfer or otherwise dispose of any awards other than by will or the laws of descent or distribution and the plan participant alone may exercise his or her awards during his or her lifetime. Awards other than incentive stock options may be transferred only if permitted under the agreement that evidences the terms of the award.

Adjustments on Changes in Capital Structure or on Change of Control

If we effect a stock split, reverse stock split, stock dividend, redemption, combination, reclassification or other similar change affecting our capital stock, adjustments reflecting the change will be made in (1) the aggregate number of shares of common stock authorized for issuance under the plan; (2) the number of shares underlying each outstanding award; and (3) if applicable, the price per share of each award. Accordingly, such adjustments will be made if our stockholders approve the proposed amendment to our amended and restated certificate of incorporation as described in this proxy statement to effect, at the discretion of our board of directors, a reverse stock split and corresponding reduction in authorized common stock, and our board of directors subsequently effects such a reverse stock split and corresponding reduction in authorized common stock.

If a change in control transaction shall occur, the surviving or acquiring corporation shall assume all awards or provide a substitute similar award. If the surviving or acquiring corporation fails to so provide such assumption or substitution, then awards held by those participants whose employment has not been terminated will be accelerated in full and the awards will subsequently terminate if not exercised. Any other awards outstanding under the plan will terminate if not exercised (if applicable) prior to the event.

Amendment or Termination of the Plan

The board may at any time amend, alter, suspend or discontinue the plan but no amendment, alteration, suspension or discontinuation which would impair a participant's rights under any previous grant may be made without the consent of the participant.

Term of the Plan

No awards may be granted under the plan after February 26, 2019.

United States Federal Income Tax Consequences

The following is a brief summary of certain of the federal income tax consequences of certain transactions under the plan based on current federal income tax laws. This summary is not intended to be exhaustive and does not describe state or local tax consequences. Additional or different federal tax consequences to the employee, director or consultant or to our company may result depending on considerations other than those described below.

Nonstatutory Stock Options

In general, optionholders will not recognize any taxable income at the time they are granted nonstatutory stock options. When an optionholder exercises a nonstatutory stock option, he or she will recognize ordinary income measured by the excess of the then fair market value of the shares over the exercise price and we will be entitled to a deduction for a corresponding amount. Different rules apply to options that have a "readily ascertainable fair market value," as that phrase is defined in regulations promulgated under Section 83 of the Internal Revenue Code of 1986. When an optionholder sells or otherwise disposes of shares that were acquired by exercising nonstatutory stock options, any amount that the optionholder receives in excess of the sum of (1) the exercise price of the shares as of the date of exercise and (2) the amount includable in income with respect to such option, if any, such sum being the optionholder's "basis" in the shares, will, in general, be treated as a long term or short term capital gain, depending on the holding period of the shares. We are not entitled to any tax deduction in connection with an optionholder's sale or disposition of the shares. If an optionholder receives less than his or her basis in the shares, the loss will, in general, be treated as a long term or short term capital loss, depending on the holding period of the shares.

Incentive Stock Options

Optionholders will not be taxed on the grant or exercise of an incentive stock option that qualifies under Section 422 of the Internal Revenue Code, unless an alternative minimum tax liability is triggered. When an optionholder sells or otherwise makes a taxable disposition of shares that he or she acquired by exercising an incentive stock option, the optionholder will recognize a capital gain on the excess of the amount realized on disposition over the exercise price of the incentive stock option, provided that the optionholder has not disposed of the shares until at least two years after the date the option was granted and one year after the date the optionholder exercised the option. Failure to comply with these holding requirements will result in ordinary income treatment for the gain. Unless the optionholder disposes of shares received on exercise of the incentive stock option before meeting the applicable holding period requirements, we will not be entitled to a deduction with respect to the grant or exercise of the incentive stock option. In the event an optionholder makes a "disposition" of the shares received on exercise of an incentive stock option before meeting the two year or one year holding period requirements, the gain on the disposition, to the extent of the lesser of (1) the excess of the fair market value of the shares on the date of exercise over the exercise price or (2) the excess of the amount realized on disposition over the exercise price, will be treated as ordinary income to the optionholder, and we will generally be entitled to a corresponding deduction. The balance of the gain, if any, realized on such a disposition will be treated as long term or short term capital gain, depending on the holding period of the shares. To the extent that an optionholder is entitled to capital gains treatment, we will not be entitled to a corresponding deduction for such gain. If the amount realized at the time of the disposition is less than the exercise price, the optionholder will not be required to treat any amount as ordinary income, provided the disposition is of a type that would give rise to a recognizable loss. In such event, the loss will be treated as a long term or short term capital loss depending on the holding period of the shares.

Stock Bonus Awards

In general, if an individual receives a stock bonus award, he or she will be taxed on the fair market value of the shares on the date the shares are issued. We will be generally entitled to a deduction for a corresponding amount. When a stock bonus award is subject to forfeiture restrictions, an individual will not recognize any taxable income at the time he or she is granted the

award, but upon the lapse of the restrictions applicable to such award, that person will recognize ordinary income equal to the fair market value of the shares on the date the restrictions on the award lapsed, and we will be entitled to a deduction for a corresponding amount. If, upon a taxable disposition of the shares, the stockholder receives more or less than his or her basis in the shares, the gain or loss will be a long term or short term capital gain or loss, depending on the holding period of the shares, measured from the date that the receipt of the shares was taxable to the stockholder.

Restricted Stock Awards

In general, an individual will not recognize any taxable income at the time he or she is granted an award of restricted stock, but upon the lapse of the restrictions applicable to such award, that person will recognize ordinary income equal to the fair market value of the shares on the date the restrictions on the award lapsed less the purchase price for such shares, and we will be entitled to a deduction for a corresponding amount. If the stockholder sells or otherwise disposes of such shares in a taxable disposition, the sale or disposition will be subject to the same treatment described above for a taxable disposition of shares acquired upon an exercise of a nonstatutory stock option.

Phantom Stock, or Restricted Stock Unit, Awards

In general, an individual will not recognize any taxable income at the time he or she is granted a phantom stock, or restricted stock unit, award. Upon settlement of a restricted stock unit award, the individual will recognize ordinary income equal to the fair market value of the cash or shares actually received by the individual. We will be generally entitled to a deduction for the corresponding amount.

Stock Appreciation Rights

In general, an individual will not recognize any taxable income at the time he or she is granted stock appreciation rights. Upon exercise of a stock appreciation right, the individual will recognize ordinary income equal to the fair market value of the cash or shares received by the individual upon exercise. We will be generally entitled to a deduction for the corresponding amount.

The foregoing summary does not constitute a definitive statement of the federal income tax effects of awards granted under the Plan.

New Plan Benefits Table

In February 2015, the compensation committee of our board of directors approved a mix of annual stock option and restricted stock unit awards under our Equity Incentive Plan to eligible executive officers and other employees, as described below under the heading “Executive and Director Compensation - Compensation Discussion and Analysis - Long-Term Stock-Based Incentive Awards.” The following table presents information regarding the number of annual stock options and the dollar value of annual restricted stock units awarded to the following individuals or groups of individuals in 2015:

- each of the individuals listed in “Executive and Director Compensation - Summary Compensation Table for 2014”;
- all current executive officers, as a group;
- all current directors who are not executive officers, as a group; and
- all non-executive officer employees, including all current officers who are not executive officers, as a group.

The compensation committee retains broad discretion over the granting and amount of awards under our Equity Incentive Plan. As a result, it is not possible to determine any additional benefits or amounts that will be received by any individual participant or group of participants in the future.

Name and Position	Number of Shares Underlying Stock Options	Dollar Value of Shares Underlying Restricted Stock Units ⁽¹⁾
Lonnell Coats President, Chief Executive Officer and Director	1,213,600	\$270,026
Jeffrey L. Wade, J.D. Executive Vice President, Corporate Development and Chief Financial Officer	650,400	\$144,714
Pablo Lapuerta, M.D. Executive Vice President, Safety, Pharmacovigilance and Medical Affairs and Chief Medical Officer	509,600	\$113,386
Alan J. Main, Ph.D. Executive Vice President of Pharmaceutical Research	590,400	\$131,364
Brian P. Zambrowicz, Ph.D. Executive Vice President and Chief Scientific Officer	—	\$—
Arthur T. Sands, M.D., Ph.D. Former President, Chief Executive Officer and Director	—	\$—
Executive Group	3,620,700	\$833,307
Non-Executive Director Group	—	—
Non-Executive Officer Employee Group	3,012,200	\$1,984,166

⁽¹⁾ Based on the closing price of our common stock on the Nasdaq Global Select Market of \$0.89 per share on February 4, 2015, the last trading day prior to the date of grant

PROPOSAL NUMBER 4:

RATIFICATION AND APPROVAL OF AMENDMENT TO NON-EMPLOYEE DIRECTORS' EQUITY INCENTIVE PLAN

We currently use stock option and restricted stock awards as a part of our overall compensation program in order to align the long-term interests of the non-employee members of our board of directors with those of our stockholders. These awards are made under our Non-Employee Directors' Equity Incentive Plan, the purpose of which is to secure and retain the services of non-employee directors, and to provide them with incentives to exert maximum efforts for our success by giving them the opportunity through the granting of nonstatutory stock options and restricted stock awards to benefit from increases in the value of our common stock. The plan was adopted by our board of directors on February 27, 2009 and approved by our stockholders on April 23, 2009. A subsequent amendment to the plan was adopted by our board of directors on February 16, 2012 and approved by our stockholders on April 26, 2012. The proposed amendment to the plan was approved by our board of directors, subject to stockholder approval, on February 5, 2015.

The plan currently provides that no more than a total of 1,500,000 shares of our common stock may be issued pursuant to awards granted under the plan. We are asking that stockholders ratify and approve an amendment to the plan increasing the total number of shares of our common stock that may be issued pursuant to awards granted under the plan to 2,500,000 shares, with the objective of maintaining the availability to our board of directors of this portion of our overall compensation program.

The terms of the Non-Employee Directors' Equity Incentive Plan are summarized below and the complete text of the plan is set forth in Appendix C to this proxy statement, in each case, reflecting the amendment described above.

The Board of Directors recommends that stockholders vote "FOR" the ratification and approval of the amendment to our Non-Employee Directors' Equity Incentive Plan.

Administration of the Plan

The plan is administered by our board of directors, which oversees the grant of awards under the plan and determines the provisions of each award granted, to the extent not specified in the plan.

Awards under the Plan

The plan permits the award of nonstatutory stock options and restricted stock awards. Stock options and restricted stock awards granted under the plan are evidenced by agreements that specify the terms and conditions under which they are granted. All awards granted under the plan are subject to the terms and conditions contained in the applicable agreement and the plan.

Eligibility

Stock options and restricted stock awards are granted to non-employee directors under the plan. Upon the date of his or her initial election or appointment to the board of directors, each non-employee director is granted an option to purchase 30,000 shares of our common stock. Further, on the day following each annual meeting of stockholders, each person who is then a non-employee director and has been a non-employee director for at least six months is granted an option to purchase 20,000 shares of our common stock and a restricted stock award of the number of shares of our common stock having a fair market value on the date of grant of \$20,000, rounded down to the nearest whole share number. Eight of the nine members of our board of directors are currently eligible to participate in the plan.

Shares Subject to the Plan

The total number of shares of common stock that may be issued pursuant to awards under the plan shall not exceed in the aggregate 2,500,000 shares.

If any award expires, lapses, or is terminated or forfeited for any reason, the shares subject to that award will continue to be available for the grant of awards under the plan. Common stock issued as or on the exercise of awards under the plan may be either authorized and unissued shares or reacquired shares.

As of February 23, 2015, there were outstanding under the plan options to purchase a total of _____ shares of our common stock. On a pro rata basis to reflect the increase in the number of shares reserved for issuance under the plan, _____ shares remained available for issuance of new stock options or restricted stock awards under the plan at that date. Since the founding of our company in 1995, a total of _____ shares of our common stock have been issued under the plan and its predecessors upon the grant, exercise or vesting of awards granted under the plan.

Stock Options

Stock options granted under the plan are evidenced by agreements that specify the number of shares of our common stock which may be purchased at a certain specified price and contain other terms and conditions, such as vesting and termination provisions. All stock options granted under the plan are subject to the terms and conditions contained in the applicable stock option agreement and the plan.

Vesting and Exercisability

Stock options granted under the plan “vest,” or become exercisable, as follows:

• Initial grants of options to purchase 30,000 shares of our common stock provide for vesting of 1/60th of the shares subject to the option each month after grant for five years after the date of grant.

• Annual grants of options to purchase 20,000 shares of our common stock provide for vesting of 1/12th of the shares subject to the option each month after grant for twelve months after the date of the grant.

Expiration and Termination

Stock options granted under the plan have a term of ten years from the date of grant, subject to earlier termination upon the occurrence of certain events. In no event, however, may a stock option be exercised more than ten years after the date the option is granted.

Option Exercise Price

Stock options awarded under the plan have an exercise price of 100% of the fair market value of our common stock on the date of grant. The fair market value of a share of common stock on a particular date is equal to the previous day’s closing sales price (or the closing bid price, if no sales were reported) of the common stock if the common stock is listed on any established stock exchange or traded on the Nasdaq Stock Market. If there is no regular public trading market for the common stock, the fair market value of the common stock is determined by our board of directors.

Consideration for Exercise of Options

The consideration to be paid for shares to be issued upon exercise of a stock option, including the method of payment, may be paid, to the extent permitted by law, in any combination of (1) cash, (2) delivery of other shares of our common stock, or (3) by “net exercise” of the stock option.

Restricted Stock Awards

The terms and provisions of restricted stock awards shall be as set forth in the grant instrument. The number of shares subject to each restricted stock award is determined by dividing \$20,000 by the fair market value of our common stock on the date of grant, rounded down to the nearest whole share number. The fair market value of a share of common stock on a particular date is equal to the previous day’s closing sales price (or the closing bid price, if no sales were reported) of the common stock if the common stock is listed on any established stock exchange or traded on the Nasdaq Stock Market. If there is no regular public trading market for the common stock, the fair market value of the common stock is determined by our board of directors. All of the shares subject to restricted stock awards are fully vested on the date of grant and are subject to certain restrictions on sale prohibiting any non-employee director from selling such shares while a member of our board of directors.

Other Provisions

Limits on Transfer of Awards

In general, non-employee directors may not sell, pledge, assign, transfer or otherwise dispose of any awards other than (i) by will or the laws of descent or distribution, (ii) in certain circumstances, by instrument to an inter vivos or testamentary trust and (iii) by gift to a member of such non-employee director’s immediate family.

Adjustments on Changes in Capital Structure or on Change of Control

If we effect a stock split, reverse stock split, stock dividend, redemption, combination, reclassification or other similar change affecting our capital stock, adjustments reflecting the change will be made in (1) the aggregate number of shares of common stock authorized for issuance under the plan; (2) the number of shares underlying each outstanding award; and (3) if applicable, the exercise price per share subject to each outstanding stock option. Accordingly, such adjustments will be made if our stockholders approve the proposed amendment to our amended and restated certificate of incorporation as described in this proxy statement to effect, at the discretion of our board of directors, a reverse stock split and corresponding reduction in authorized common stock, and our board of directors subsequently effects such a reverse stock split and corresponding reduction in authorized common stock.

If a change in control transaction shall occur, the surviving or acquiring corporation shall assume all awards or provide or substitute similar awards. If the surviving or acquiring corporation refuses to so provide such assumption or substitution, then the vesting of awards granted under the plan will be accelerated in full and the awards will subsequently terminate if not exercised, as applicable.

If a change in control transaction shall occur and the surviving or acquiring corporation assumes the awards granted under the plan, but any non-employee director is not elected or appointed to the board of directors of the surviving or acquiring corporation, then the vesting of that non-employee director’s awards shall be accelerated by 18 months.

Amendment or Termination of the Plan

The board of directors may at any time amend, alter, suspend or discontinue the plan, but no amendment, alteration, suspension or discontinuation which would impair the rights of a non-employee director under any previous grant may be made without such non-employee director’s consent.

Term of the Plan

No stock options or restricted stock awards may be granted under the plan after February 26, 2019.

United States Federal Income Tax Consequences

The following is a brief summary of certain of the federal income tax consequences of certain transactions under the plan based on current federal income tax laws. This summary is not intended to be exhaustive and does not describe state or local tax consequences. Additional or different federal tax consequences to the non-employee director or to us may result depending on considerations other than those described below.