ARENA PHARMACEUTICALS INC

FORM 10-K
(Annual Report)

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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

COMMISSION FILE NUMBER 000-31161

ARENA PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**23-2908305**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6154 Nancy Ridge Drive, San Diego, CA	**92121**
(Address of principal executive offices)	**(Zip Code)**

858.453.7200

(Registrant's telephone number, including area code)

Securities registered pursuant to 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.0001 per share	The NASDAQ Global Select Market

Securities registered pursuant to 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ N o ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately $416.0 million as of June 30, 2016, based on the last sale price of the registrant's common stock as reported on the NASDAQ Global Select Market on such date. For purposes of this calculation, shares of the registrant's common stock held by directors and executive officers have been excluded. This number is provided only for purposes of this Annual Report on Form 10-K and does not represent an admission that any particular person or entity is an affiliate of the registrant.

As of March 10, 2017, there were 245,469,142 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III of this Annual Report on Form 10-K is incorporated by reference from the Registrant's Definitive Proxy Statement for the Annual Meeting of Stockholders to be held in June 2017, which will be filed with the Securities and Exchange Commission on or before May 1, 2017.

ARENA PHARMACEUTICALS, INC.

FORM 10-K – ANNUAL REPORT
For the Fiscal Year Ended December 31, 2016

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INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, or Annual Report, includes forward-looking statements, which involve a number of risks and uncertainties. These forward-looking statements can generally be identified as such because the context of the statement will include words such as "may," "will," "intend," "plan," "believe," "anticipate," "expect," "estimate," "predict," "potential," "continue," "likely," or "opportunity," the negative of these words or other similar words. Similarly, statements that describe our future plans, strategies, intentions, expectations, objectives, goals or prospects and other statements that are not historical facts are also forward-looking statements. Discussions containing these forward-looking statements may be found, among other places, in "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report. For such statements, we claim the protection of the Private Securities Litigation Reform Act of 1995. Readers of this Annual Report are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the time this Annual Report was filed with the Securities and Exchange Commission, or SEC. These forward-looking statements are based largely on our expectations and projections about future events and future trends affecting our business, and are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. These risks and uncertainties include, without limitation, those discussed in "Risk Factors" and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report. In addition, past financial or operating performance is not necessarily a reliable indicator of future performance, and you should not use our historical performance to anticipate results or future period trends. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. Except as required by law, we undertake no obligation to update publicly or revise our forward-looking statements to reflect events or circumstances that arise after the filing of this Annual Report or documents incorporated by reference herein that include forward-looking statements.

TRADEMARKS AND CERTAIN TERMS

Arena Pharmaceuticals ® and Arena ® are registered service marks of Arena. Any other brand names or trademarks appearing in this Annual Report are the property of their respective holders.

In this Annual Report, "Arena Pharmaceuticals," "Arena," "we," "us" and "our" refer to Arena Pharmaceuticals, Inc., and our wholly owned subsidiaries on a consolidated basis, unless the context otherwise provides. "APD" is an abbreviation for Arena Pharmaceuticals Development.

PART I

Item 1. Business

Overview

We are a biopharmaceutical company focused on developing novel, small molecule drugs with optimized receptor pharmacology designed to deliver broad clinical utility across multiple therapeutic areas. Our proprietary pipeline includes potentially first or best in class programs for which we own global commercial rights.

Our three most advanced investigational clinical programs are etrasimod (formerly APD334) in Phase 2 evaluation for multiple inflammatory indications, ralinepag (formerly APD811) in Phase 2 evaluation for pulmonary arterial hypertension (PAH), and APD371 entering Phase 2 evaluation for the treatment of pain associated with Crohn's disease.

Additionally, we have collaborations with the following pharmaceutical companies: Eisai Inc. and Eisai Co., Ltd. (collectively, Eisai) (commercial stage), Axovant Sciences Ltd., or Axovant, (Phase 2 candidate), and Boehringer Ingelheim International GmbH, or Boehringer Ingelheim, (preclinical candidate).

Our Strategy

The primary elements of our strategic focus over time are as follows:

- Develop etrasimod – a modulator of the sphingosine 1-phosphate, or S1P, receptor – across a broad range of autoimmune conditions
- Develop ralinepag – an agonist of the prostacyclin, or IP, receptor – for broad utility in PAH patients
- Develop APD371 – an agonist of the cannabinoid-2, or CB2, receptor – for a range of visceral pain conditions
- Pursue strategic collaborations for certain of our clinical and preclinical programs
- Manage our cash to efficiently reach major milestones, including results from ongoing and planned trials in 2017
- Continue to build a streamlined, high-performing and high-energy organization

Arena Pharmaceuticals, Inc., incorporated in the state of Delaware in April 1997, and is located in San Diego, California. Our clinical operations are located in San Diego and Zug, Switzerland. We also have manufacturing operations in Zofingen, Switzerland.

Pipeline of Development Programs and Commercial Products with High Value Potential

Below is a summary of our portfolio:

Program	Indication	Status	Rights
Etrasimod	Ulcerative colitis	P2b	Arena: worldwide
	Dermatologic extraintestinal manifestations in inflammatory bowel disease	P2a	
	Pyoderma gangrenosum	P2a	
	Primary biliary cholangitis	P2a	
Ralinepag	Pulmonary arterial hypertension	P2b	Arena: worldwide
APD371	Pain associated with Crohn's disease	P2a	Arena: worldwide
Partnered Program	**Indication**	**Status**	**Rights**
BELVIQ and BELVIQ XR	Weight loss	Approved	Eisai: worldwide
	Reduction of major cardiovascular events and progression to type 2 diabetes	Ongoing CVOT (cardiovascular outcomes trial)	
Nelotanserin	Visual hallucinations in Lewy body dementia	P2	Axovant: worldwide
	REM sleep behavior disorder in dementia with Lewy bodies	P2	
Undisclosed orphan GPCR	Central nervous system	Preclinical	Boehringer Ingelheim: worldwide

Etrasimod Program

Etrasimod, a potent orally available next generation S1P receptor modulator, is our internally discovered investigational drug candidate intended for the potential treatment of autoimmune diseases. Our strategy for etrasimod is to develop it for one or more indications, including ulcerative colitis, dermatologic extraintestinal manifestations in inflammatory bowel disease, pyoderma gangrenosum and primary biliary cholangitis.

Etrasimod selectively targets key S1P receptor subtypes to provide systemic and local immune cell modulation. Immune cells include white blood cells, or WBCs, which are involved in protecting the body against both infections and foreign invaders. One important type of WBC is a T lymphocyte, which either kills foreign cells on contact or helps the body release chemicals that assist in killing invaders. The S1P receptors are thought to be involved in several biological responses, including movement of T lymphocyte from lymph nodes to the peripheral blood and the site of injury. As a result of S1P receptor modulation, lymphocytes are sequestered in lymph nodes and fewer immune cells are available to affect inflammatory processes.

There are five subtypes of the S1P receptor – labeled 1-5. It has been demonstrated that S1P receptor subtypes 1, 4, and 5 modulate immune response. With the selective targeting of S1P receptor subtypes 1, 4, and 5, we have sought to optimize etrasimod to be a potent and selective small molecule S1P receptor modulator that reduces the severity of disease and potentially avoids the negative effects connected to the receptor subtypes 2 and 3, which may be associated with more serious, off-target cardiac, pulmonary, and cancer-related effects. Drugs in this class have been associated with certain side effects, including cardiovascular effects, respiratory effects, infection, macular edema and elevations in liver enzymes.

Our clinical hypothesis is that this selectivity may be associated with a better safety profile and broader clinical utility.

We are currently developing etrasimod for:

- Ulcerative Colitis
- Dermatologic Extraintestinal Manifestations in Inflammatory Bowel Disease
- Pyoderma Gangrenosum

We intend to explore development in additional indications, including:

- Primary Biliary Cholangitis

Ulcerative Colitis

Inflammatory bowel diseases, or IBD, like ulcerative colitis, or UC, and Crohn's disease, or CD, are chronic inflammatory conditions of the gastrointestinal tract that affect approximately 1.7 million people in the United States alone. The prevalence of UC and CD in the United States were 907,000 and 780,000 patients, respectively in 2014. The prevalence of IBD in European Union is estimated at 2.6M with 1.1 million persons with CD and 1.5 million persons with UC. Both conditions have a significant impact on the patient's quality of life and can in many cases be very aggressive and disabling.

UC is characterized by mucosal inflammation limited to the colon which involves the rectum in about 95% of cases and may extend to involve parts or all of the large intestine. In contrast, CD is characterized by full thickness inflammation that can occur anywhere in the gastrointestinal, or GI, tract but most typically involves the terminal ileum and colon; fistulation and scarring result. Symptoms for UC and CD can vary, depending on the location and severity of inflammation, but some of the most common are diarrhea, abdominal cramps, and rectal bleeding.

Important goals of therapy for UC are to induce and maintain remission while improving the patient's quality of life. Currently available treatment options have limitations in terms of long-term efficacy and side effects, have complicated administration regimens, and often fail to induce or maintain remission. Therefore, a significant unmet need remains for differentiated agents that are efficacious for induction and maintenance therapy with a favorable side effect profile. We believe that the oral once-daily dosing, selectivity, mechanism of action, and emerging clinical profile of etrasimod may represent a significant opportunity to provide patients with an effective treatment for UC with an improved safety and dosing profile over current therapies.

Dermatologic Extraintestinal Manifestation of IBD

Extraintestinal manifestations, or EIMs, of IBD are common in both UC and CD. Inflammatory manifestations of the skin, eyes, liver, and joints are considered the primary types of EIMs associated with IBD. Cutaneous disorders associated with IBD occur in up to 15% of patients. Erythema nodosum, pyoderma gangrenosum, and psoriasis are the most common skin manifestations of IBD, in total affecting up to 11% of the IBD population.

IBD and these major skin EIMs in IBD share some common pathogenic mechanisms including T lymphocyte infiltration. We believe S1P receptor modulation's ability to sequester lymphocytes should result in fewer immune cells available to affect these inflammatory processes. In addition to the potential anti-inflammatory benefits resulting from reducing systemic lymphocyte circulation, activity on S1P1 and SIP4 are known to exert anti-proliferative effects in human keratinocytes, the predominant type of cell found in the outer-most layer of the skin, and inhibit skin dendritic cell migration. Therefore, the potential role of S1P receptor modulation in skin EIMs of IBD might involve both systemic and local dermal mechanisms.

There are no therapies currently approved specifically for treatment of IBD-mediated dermatologic manifestations. Therefore, a significant unmet need remains and we believe that etrasimod may represent a significant opportunity to provide an effective treatment for patients with IBD experiencing dermatologic EIM.

Pyoderma Gangrenosum

Pyoderma gangrenosum, or PG, is a rare inflammatory skin disease characterized by painful recurrent ulcerations. Lesions may occur either in the absence of any apparent underlying disorder or in association with other diseases, such as UC, CD, and other conditions. Diagnosis of PG is based on the history of the underlying disease, typical clinical presentation, histopathology, and exclusion of other diseases that would lead to a similar clinical picture. The clinical course can be mild or malignant, and chronic or relapsing.

The etiology of PG has not yet been clearly determined, although it is suspected to be an autoimmune disease caused by dysregulation of the immune system. Approximately 50% of cases of PG are associated with other disorders, especially UC or CD.

Based upon the U.S. Department of Health and Human Services' National Institutes of Health's Office of Rare Disease Research, the incidence of PG each year in the United States has been estimated to be 1 person per 100,000 people.

Treatment is challenging and the prognosis of PG remains unpredictable. Current treatments involve wound care and the use of anti-inflammatory agents, including antibiotics, corticosteroids, immune-suppressants and biologics, and attempts to target a broad spectrum of immunologic mediators and inflammatory cells, including T-lymphocytes shown to be involved in PG. Reduction of lymphocytes by S1P receptor modulators such as etrasimod may represent a novel therapeutic approach in PG.

Primary Biliary Cholangitis

Primary biliary cholangitis, or PBC (previously referred to as primary biliary cirrhosis), is a chronic cholestatic liver disease which is classified as a rare disease. The prevalence in the US is approximately 40 cases per 100,000 inhabitants. The incidence and prevalence of PBC in European countries are similar to those seen in the US.

Progressive bile-duct injury from portal and periportal inflammation could result in progressive fibrosis, cholangitis and eventually cirrhosis. Evidence to date suggests that immunological and genetic factors might cause the disease. The treatment goal is to slow the progression rate of the disease and to alleviate the symptoms. Liver transplantation appears to be the only life-saving procedure for PBC patients.

Inflammation, the underlying cause of PBC, is believed to be T lymphocyte mediated. In research models with etrasimod, we have demonstrated modulation of the specific subtypes of T lymphocytes implicated in PBC.

Etrasimod Development

Ulcerative Colitis

We are conducting a dose finding 12-week randomized, double-blind, placebo-controlled multinational Phase 2 clinical trial of etrasimod in moderate to severe UC. The aim of the trial includes investigating a clear dose response and establishing a clinically meaningful signal for the active arm(s) from placebo. The trial is expected to evaluate the effects of etrasimod, 1mg and 2mg, versus placebo on multiple efficacy measures including total Mayo Score (TMS), clinical remission and clinical response in up to 160 patients. Subjects from this study have the possibility to continue after 12 weeks in an open label extension study for up to 46 weeks with the focus on safety and maintenance of therapeutic effect.

Dermatologic Extraintestinal Manifestations of IBD

In March 2017, we initiated a Phase 2a, proof of concept, open-label study evaluating the efficacy and safety of etrasimod in IBD patients with active dermatologic extraintestinal manifestations. The objective is to determine the treatment effect of etrasimod in IBD patients on the clinical improvement of active dermatologic extraintestinal manifestations and to determine the safety profile and tolerability of etrasimod over a 12-week treatment period. The study includes patients with IBD experiencing active dermatologic extraintestinal manifestations including psoriasis, erythema nodosum, and PG.

Pyoderma Gangrenosum

In March 2017, we initiated a Phase 2a, proof of concept, open-label study to determine the efficacy and safety of etrasimod in patients with PG. The objective is to evaluate the efficacy, safety and tolerability of etrasimod in patients with PG over a 12-week treatment period. The study includes patients with diagnosed PG independent of IBD as a background disease.

Primary Biliary Cholangitis

In 2017, we plan to initiate a Phase 2a study to evaluate etrasimod in patients with PBC.

Prior Development

In January 2015, we announced top-line results from a Phase 1b multiple-ascending dose clinical trial for etrasimod. In the trial, etrasimod demonstrated a dose-dependent effect on lymphocyte count lowering in blood, with mean decreases from baseline of up to 69%. Lymphocyte counts, on average, recovered to baseline within one week of conclusion of dosing. There was a modest impact on heart rate, but none of the changes were classified by the investigator as clinically significant. There were also no findings with respect to pulmonary function or liver enzyme tests that were classified by the investigator as clinically significant. The most common treatment-emergent adverse events were mild or moderate contact dermatitis, headache, constipation and diarrhea, with none being clearly drug related. There were no discontinuations for adverse events, and no serious adverse events were observed.

The randomized, double-blind , placebo-controlled Phase 1b clinical trial evaluated the safety, tolerability, pharmacodynamics and pharmacokinetics of multiple-ascending doses of etrasimod. In five different dosing cohorts, 50 healthy volunteers received etrasimod and 10 healthy volun teers received placebo for 21 days.

Prior to commencing the Phase 1b multiple-ascending dose clinical trial for etrasimod, we completed a Phase 1 single-ascending dose clinical trial of the compound. This randomized, double-blind and placebo-controlled trial evaluated the safety, tolerability and pharmacokinetics of single-ascending doses of etrasimod in 40 healthy adult volunteers. In the trial, etrasimod demonstrated favorable pharmacokinetic and pharmacodynamic effects, a dose-responsive reduction in blood lymphocyte count and a slowing of heart rate that appears comparable to other S1P receptor modulators. The terminal half-life was approximately 35 hours.

Etrasimod intellectual property

As of March 1, 2017, we owned issued patents that cover compositions of matter for etrasimod and related compounds, methods of treatment utilizing etrasimod and related compounds, and various salts of etrasimod and crystalline forms thereof in 57 jurisdictions, including the United States, China, Japan, Germany, France, Spain, Italy, the United Kingdom, Australia and Russia, and had applications pending in five other jurisdictions, of which the largest pharmaceutical markets were Brazil, India, Canada and South Korea. Based on sales statistics provided by IMS Health, the jurisdictions where etrasimod patents have been issued accounted for more than 83% of global pharmaceutical sales in 2015, while other jurisdictions where etrasimod patents remain pending accounted for more than 9% of global pharmaceutical sales in that same year. The patents on etrasimod issued by the US Patent and Trademark Office have serial numbers US 8,580,841 and US 9,126,932, while the corresponding patent granted by the European Patent Office has serial number EP 2326621 B2. Other of our etrasimod pending patent applications, including those directed to dosage regimens for etrasimod and synthetic routes and intermediates useful in the manufacturing of etrasimod, have all been filed in a lesser number of commercially important jurisdictions. The earliest priority date for the patents on etrasimod is 2008. The terms of these patents are capable of continuing into 2029 in most jurisdictions without taking into account any patent term adjustment or extension regimes of any country or any additional term of exclusivity we might obtain by virtue of the later filed patent applications.

Ralinepag Program

Ralinepag, an oral, selective IP receptor agonist targeting the prostacyclin pathway, is our internally discovered investigational drug candidate intended for the treatment of PAH. In September 2014, ralinepag was granted orphan drug status for the treatment of PAH by the US Food and Drug Administration, or FDA.

PAH is a progressive, life-threatening disorder characterized by increased pressure in the pulmonary arteries that carry blood from the heart to the lungs. PAH occurs when the pulmonary arteries thicken or grow rigid. This makes blood flow more difficult. The heart has to work harder to push blood through the arteries, and the arteries are unable to carry adequate blood to the lungs. PAH will continue to worsen over time, even with proper treatment. The increased pressure strains the heart, which can limit physical activity, result in heart failure and reduce life expectancy. Based on data from the Registry to EValuate Early And Long-term PAH disease management (REVEAL) of patients in the United States, there is an estimated five-year survival rate of 57% from diagnosis. The reported prevalence of PAH varies widely. One estimate is 15-50 cases/million with a higher female preponderance (approximately 3:1). More recently, the prevalence of PAH in the US among the privately insured (under age 65) and Medicare (over age 65) populations was estimated using administrative claims data in accordance with the current clinical classification of PH. This analysis suggests PAH prevalence was 109 (71–146) case/million among the <65 population, and 451 (384–519) cases/million for >65 or Medicare patients. Another estimate is that PAH affects about 500,000 individuals worldwide. A recent report characterizes the global market sales of PAH therapies as $5.8 billion in 2015 and are expected to increase to $6.7 billion by 2025.

PAH involves several interrelated mechanisms, with prostacyclin and thromboxane A2 playing a major role in maintaining pulmonary vascular tone through their balanced activity. Prostacyclin, released by endothelial cells, promotes vasodilation and inhibits platelet aggregation. Prostacyclin also has antiproliferative effects on vascular smooth muscle.

Current treatment of PAH falls within four distinct therapeutic classes: endothelin receptor antagonists (ERAs), phosphodiesterase-5 (PDE-5) inhibitors, prostacyclin analogues and soluble guanylate cyclase (SGc) stimulators. Traditionally, physicians typically prescribed ERAs, PDE-5 and SGc oral therapies to less-severe PAH patients while reserving parenteral prostacyclin therapy for severe patients. Treatment with prostacyclin receptor (IP) agonists, which can slow disease progression and improve exercise tolerance in PAH patients, is considered standard of care for advanced PAH – particularly intravenous dosing has been shown to improve mortality in PAH patients. Multiple attempts at developing prostanoid IP receptor agonists for oral administration have been limited by molecules with less than ideal pharmacokinetic properties resulting in inconsistent therapeutic drug levels in the blood. However, the launch of novel oral agents in the prostacyclin class and the increasing use of combination therapy to manage disease progression may result in a new PAH treatment paradigm.

With ralinepag, we sought to design a novel, non-prostanoid, small molecule agonist of the human IP receptor that could be dosed orally with significantly improved pharmacokin etic properties compared to current oral therapies. We also sought to engineer optimized IP receptor potency and selectivity to trigger targeted benefits in the blood and vessels of the lungs of PAH patients and minimize possible off-target side effects.

Ralinepag Development

In January 2015, we initiated patient dosing in a 22-week, randomized, double-blind, placebo-controlled Phase 2 trial evaluating the effectiveness in reducing pulmonary vascular resistance, improving exercise capacity, tolerability and safety of ralinepag. The study completed enrollment of approximately 60 patients at sites globally in December 2016.

In 2013, we announced top-line results from a multiple-dose, randomized, double-blind and placebo-controlled Phase 1 clinical trial evaluating multiple-ascending doses of ralinepag in healthy volunteers. In this trial, 40 healthy volunteers received ralinepag and 15 received placebo. The safety profile of ralinepag was characteristic of IP receptor agonists: the most frequent treatment-emergent adverse events were headache, nausea and jaw pain. One serious adverse event, transient atrial fibrillation, occurred in a single subject, and the study investigator considered it to be possibly treatment related. The subject had cardiac abnormalities prior to study start.

In 2011, we announced top-line results of a Phase 1 clinical trial to evaluate the safety, tolerability and pharmacokinetics of single-ascending doses of ralinepag. The randomized, double-blind and placebo-controlled trial evaluated 32 healthy volunteers in four cohorts of eight participants each, with six randomized to ralinepag and two to placebo. Ralinepag was rapidly absorbed and demonstrated dose-proportional pharmacokinetic exposure over the tested dose range. Consistent with the expected pharmacology of ralinepag, the most common adverse events were headache, vomiting, nausea, jaw pain and flushing.

Ralinepag intellectual property

As of March 1, 2017, we owned issued patents covering compositions of matter for ralinepag and related compounds and methods of treatment utilizing ralinepag and related compounds, synthetic routes, and various solid state forms of ralinepag, in 60 jurisdictions, including the United States, China, Japan, Germany, France, Spain, Italy, the United Kingdom, Australia, South Korea and Russia, and we had applications pending in four other jurisdictions, of which the ones with the largest pharmaceutical markets were Brazil, India and Canada. Based on sales statistics provided by IMS Health, the jurisdictions where ralinepag patents have been issued accounted for more than 85% of global pharmaceutical sales in 2015, while other jurisdictions where ralinepag patents remain pending accounted for more than 8% of global pharmaceutical sales in that same year. The patent on ralinepag issued by the US Patent and Trademark Office has serial number US 8,895,776, while the corresponding patent granted by the European Patent Office has serial number EP 2280696 B2. Other of our ralinepag patent applications, including those directed to synthetic processes and dosage regimens of ralinepag, have been filed. The earliest priority date for the patents on ralinepag is 2008. The terms of these patents are capable of continuing into 2029 in most jurisdictions without taking into account any patent term adjustment or extension regimes of any country or any additional term of exclusivity we might obtain by virtue of the later filed patent applications.

APD371 Program

APD371, an orally available, potent, peripherally restricted, highly selective, full agonist of the CB2 receptor, is an internally discovered investigational drug candidate we are exploring for the treatment of visceral pain, specifically pain associated with CD.

Visceral pain is defined as pain that originates within muscle, pleura, connective tissue, nervous system or solid organs within the abdomen or peritoneum. It is distinct from somatic or neuropathic pain, and is perceived as stretching, pulling and distention, rather than by cutting, crushing, or burning more commonly associated with neuropathic pain. Visceral pain is one of the most common types of pain. For example, abdominal pain affects approximately 20% of the general population. Visceral pain may be caused by a diverse set of organic causes, such as inflammation (e.g., IBD (including CD and UC), pancreatitis, prostatitis, and vaginitis), obstruction (e.g., bowel obstruction, and nephrolithiasis), ischemia, and malignancy, among others. Visceral pain may also be caused by functional disorders such as interstitial cystitis, dyspepsia, irritable bowel syndrome (IBS), and vulvodynia.

A specific type of visceral pain, pain associated with CD, affects a significant portion of patients with underlying CD. CD affects approximately 780,000 patients in the U.S., and 20% of patients suffer from residual pain even while in remission.

Common treatments for visceral pain range from non-invasive, conservative approaches (e.g., physical therapy or acupuncture), to pharmacologic (e.g., tricyclic antidepressants acting as neurotransmitter reuptake inhibitors), and invasive interventions (e.g., bowel resection). Potent analgesics, such as opioids, can adversely affect GI function. Other commonly prescribed analgesics are often not

potent enough, and may lead to other GI side effects such as bleeding. Apart from linaclotide and lubiprostone, prescribed for IBS, no visceral-specific analgesics are available. Approximately one in eight CD patients is chronically treated with opioids.

The CB2 receptor is expressed in the GI nervous system, and in many tissues and organs of the abdomen. CB2 receptors are found peripherally on immune cells but also on microglia, terminal neurons, dorsal root ganglia, and on visceral sensory neurons. We believe selectively targeting the CB2 receptor may provide therapeutic benefit for visceral pain without the potential for dependence, abuse, and GI and cardiovascular side effects associated with opiates or nonsteroidal anti-inflammatory drugs, or NSAIDs, which are among the most common pain relievers. In addition to analgesic effects, APD371 may have anti-inflammatory properties.

APD371 is designed to be a peripherally restricted and selective CB2 receptor agonist, which is intended to provide pain relief without the unwanted side effects associated with CB1 receptor activation.

APD371 Development

In the first part of 2017, we intend to commence a Phase 2 clinical trial to evaluate APD371 in pain associated with CD.

In April 2016, we announced favorable results from a Phase 1b multiple-ascending dose clinical trial of APD371. This randomized, double-blind, placebo-controlled Phase 1b clinical trial enrolled 36 healthy adults to evaluate the safety, tolerability and pharmacokinetics of multiple-ascending doses of APD371. Cohorts of 12 subjects (9 active, 3 placebo) were administered doses of 50 mg, 100 mg, or 200 mg of APD371 or placebo three times daily for 10 days and, in connection with the pharmacokinetic evaluation, one time on the 11th day. The most common adverse events were headache and nausea. All adverse events were classified as mild, and there were no serious adverse events reported. There was one discontinuation in the high-dose group due to an adverse event of mild thirst and somnolence. Reductions in blood pressure and heart rate were observed, but none were symptomatic or resulted in an adverse event. Drug levels at all doses tested in the trial, including the lowest dose, were well above those believed to be needed to stimulate the CB2 receptor.

In April 2015, we announced favorable top-line results from a Phase 1 single-ascending dose clinical trial of APD371. The randomized, double-blind and placebo-controlled trial enrolled 56 healthy adults to evaluate the safety, tolerability and pharmacokinetics of single-ascending doses of APD371. Dose-responsive exposure was observed over the explored dose range of 10-400 mg with good tolerability at all doses administered.

APD371 intellectual property

As of March 1, 2017, we owned issued patents covering compositions of matter for APD371 and related compounds in 19 jurisdictions, including the United States, China, Japan, Australia and Russia, and we had applications pending in 13 other jurisdictions, of which the ones with the largest pharmaceutical markets were Europe, Brazil, India, Canada and South Korea. Based on sales statistics provided by IMS Health, the jurisdictions where APD371 patents have been issued accounted for more than 59% of global pharmaceutical sales in 2015, while other jurisdictions where APD371 patents remain pending accounted for more than 36% of global pharmaceutical sales in that same year. The patent on APD371 issued by the US Patent and Trademark Office has serial number US 8,778,950. Other of our APD371 patent applications, including those directed to various solid state forms of APD371, have all been filed in a similar number of commercially important jurisdictions. The earliest priority date for the patents on APD371 is 2009. The terms of these patents are capable of continuing into 2030 in most jurisdictions without taking into account any patent term adjustment or extension regimes of any country or any additional term of exclusivity we might obtain by virtue of the later filed patent applications.

Additional Internal Preclinical and Clinical Programs

We have additional clinical and preclinical assets, including temanogrel and APD597, which we are evaluating for future development.

Partnered Programs

In addition to our clinical pipeline, we have three partnered programs – BELVIQ (lorcaserin) with Eisai, nelotanserin with Axovant and an orphan G protein-coupled receptor, or GPCR, research collaboration with Boehringer Ingelheim.

BELVIQ (lorcaserin)

Lorcaserin is approved for marketing in the United States, South Korea, Brazil, Mexico and Israel for the indication of weight management, and is being commercialized in the United States and South Korea under the brand name BELVIQ®. BELVIQ was

made available by pre scription in the United States in June 2013 and in South Korea in February 2015. Eisai also has launched of a once-daily formulation of lorcaserin in the United States, which is marketed under the brand name BELVIQ XR®. Lorcaserin has not yet been launched in Brazil, Mexico or Israel, and CY Biotech is awaiting commercialization approval in Taiwan.

BELVIQ Collaboration

In December 2016, we replaced our marketing and supply agreement with Eisai, by entering into a Transaction Agreement and a Supply Agreement with Eisai.

Transaction Agreement

Pursuant to the Transaction Agreement, our wholly owned subsidiary, 356 Royalty Inc., or 356 Royalty, granted Eisai an exclusive, royalty-bearing license, or transferred intellectual property, to develop, manufacture and commercialize lorcaserin in all countries and territories of the world (collectively, the Territory). In consideration for the rights granted to Eisai under the Transaction Agreement, Eisai has agreed to make tiered royalty payments to 356 Royalty on the net sales of lorcaserin in the Territory. The royalty rates range from 9.5% on annual global net sales less than or equal to $175 million, 13.5% on annual global net sales greater than $175 million but less than or equal to $500 million and 18.5% on annual global net sales greater than $500 million.

356 Royalty is eligible to receive a milestone payment of $25.0 million upon the achievement of global net sales of lorcaserin for a calendar year first exceeding $250.0 million.

Eisai is solely responsible for all costs and expenses in connection with the development of lorcaserin, and our wholly owned subsidiary, Arena GmbH, was relieved of its obligation under the replaced marketing and supply agreement to pay for its share of development costs for lorcaserin. Eisai has the exclusive right and responsibility to plan and implement all research and development of lorcaserin at its own cost and expense, including conducting all regulatory activities and all clinical and development activities. Additionally, Eisai has agreed to (a) conduct all studies required by the FDA as a condition of obtaining and maintaining regulatory approval of lorcaserin in the United States (otherwise known as the cardiovascular outcomes trial, or CVOT), (b) continue the current study assessing whether lorcaserin reduces the incidence of major cardiovascular events, (c) continue the current study assessing whether lorcaserin reduces the incidence of conversion to Type 2 diabetes mellitus, and (d) use commercially reasonable efforts to develop and seek regulatory approval of lorcaserin in each of China, Japan and the European Union.

Eisai is solely responsible, and has the exclusive rights, for commercializing lorcaserin in the Territory and is responsible for manufacturing lorcaserin, except for any manufacturing to be conducted by Arena GmbH under the Supply Agreement. Eisai will be responsible for using commercially reasonable efforts to commercialize lorcaserin products in the United States, the European Union, China and Japan (collectively, the Major Markets) after regulatory approval in the applicable market.

356 Royalty and Eisai will each bear 50% of all expenses and losses arising from any product liability claim during a specified period after the date of the Transaction Agreement. Thereafter, 356 Royalty and Eisai will each bear 50% of all expenses and losses arising from any alleged defective manufacturing of lorcaserin by Arena GmbH under the Supply Agreement, and Eisai will be solely responsible for any expenses and losses associated with other product liability claims.

Eisai has agreed to certain standstill provisions, pursuant to which Eisai is obligated to refrain from taking certain actions with respect to Arena's common stock during the term of the Transaction Agreement and for two years thereafter.

The Transaction Agreement will remain in effect until terminated by 356 Royalty or Eisai with respect to all countries in the Territory. 356 Royalty may terminate the Transaction Agreement with respect to a Major Market if Eisai permanently ceases development and commercialization of lorcaserin products in such Major Market, or in its entirety if Eisai permanently ceases development and commercialization of lorcaserin products in the Territory. 356 Royalty may also terminate the Transaction Agreement if Eisai challenges any patent controlled by 356 Royalty related to lorcaserin as of the effective date of the Transaction Agreement, or Licensed Patents, if Eisai is debarred under the United States Federal Food, Drug, and Cosmetic Act, or if Eisai is in material breach of the standstill provisions. Eisai may terminate the Transaction Agreement if as a result of its change of control, it would be in breach of certain competition restrictions.

In the event the Transaction Agreement is terminated by 356 Royalty due to Eisai's failure to develop and commercialize lorcaserin products, Eisai's challenging of any of the Licensed Patents or Eisai's debarment or material breach of the standstill provisions, or by Eisai after a change of control that would result in Eisai being in breach of certain competition restrictions, Eisai will grant Arena an exclusive, royalty-free license to certain patent rights and know-how necessary or useful for the development and commercialization of lorcaserin products in the Territory, re-assign the assets purchased by Eisai under the Transaction Agreement and Supply Agreement, and provide certain other transition assistance .

Supply Agreement

Under the Supply Agreement, Arena GmbH has agreed to manufacture and supply, and Eisai has agreed to purchase, all of Eisai's requirements (or specified minimum quantities if such quantities are greater than Eisai's requirements), subject to certain exceptions, for BELVIQ and BELVIQ XR for the development and commercial use of such products in the Territory for an initial two-year period, which initial period may be extended by Eisai for an additional six months upon payment of an extension fee of CHF 2.0 million. Eisai will pay Arena GmbH agreed upon prices to deliver finished drug product during this time. Additionally, Eisai has agreed to pay up to CHF 13.0 million in payments to Arena GmbH to support the maintenance of Arena GmbH's manufacturing facility in Switzerland during the initial two-year period supply period, and up to CHF 6 million during the six-month extension period, if any.

Pursuant to the Supply Agreement, Arena GmbH will transfer to Eisai all know-how and materials necessary for Eisai to manufacture BELVIQ at the facility in accordance with Arena GmbH's manufacturing processes used at the effective date of the Supply Agreement or 24 months prior. Arena GmbH also assigned its agreements with distributors in South Korea, Taiwan and Israel to Eisai, and Eisai agreed to assume responsibilities under such agreements.

On the effective date of the Supply Agreement, Eisai purchased Arena GmbH's entire inventory of the precursor materials for manufacturing lorcaserin then in Arena GmbH's possession. In exchange for these materials Eisai made a one-time payment to Arena GmbH of $10.0 million.

Absent early termination, the Supply Agreement will remain in effect until (a) the last day of the initial two-year supply period, or the last day of the six-month extension period (if any), or up to two weeks thereafter if so requested by Eisai, or (b) in the event of an acquisition of Arena or Arena GmbH by a third party, or of an assignment of the Supply Agreement by Arena GmbH to a third party, five years after the effective date of the Supply Agreement. After the initial two-year period of the Supply Agreement, either Arena GmbH or Eisai may terminate the Supply Agreement upon the other party's material breach that remains uncured 60 days after receiving written notice thereof. The Supply Agreement will also terminate automatically upon termination of the Transaction Agreement .

Nelotanserin Program

Nelotanserin, an orally available potent and selective inverse agonist of the 5-HT2A receptor, is an investigational drug candidate that has been implicated in the pathophysiology underlying psychosis. Nelotanserin was discovered by Arena, and we previously completed Phase 1 trials in healthy volunteers and Phase 2 trials in subjects with insomnia before development was discontinued for that indication.

Nelotanserin development

Under our Development, Marketing and Supply Agreement, Axovant is currently conducting multiple phase 2 studies. Axovant is conducting a phase 2, multi-center, double-blind, placebo-controlled crossover study evaluating nelotanserin in patients with Lewy body dementia (LBD) suffering from visual hallucinations. Axovant is also conducting a phase 2, multi-center, double-blind, placebo-controlled study evaluating nelotanserin in patients with dementia with Lewy bodies (DLB) experiencing rapid eye movement (REM) sleep behavior disorder (RBD).

We believe nelotanserin has the potential to be a best-in-class, once-daily, orally administered, potent and highly selective inverse agonist of the 5HT2A receptor. The 5HT2A receptor has been linked to neuropsychiatric disturbances including visual hallucinations – a common occurrence in people living with Lewy body dementia. We expect Axovant will seek to develop nelotanserin to address multiple aspects of Lewy body dementia. Axovant will be responsible for funding the development and commercialization of nelotanserin.

Nelotanserin collaboration

In May 2015, we entered into a Development, Marketing and Supply Agreement with Roivant Sciences Ltd., or Roivant, for nelotanserin. Roivant subsequently assigned all of its rights to develop and commercialize nelotanserin to its subsidiary, Axovant. Under our collaboration, Axovant has exclusive worldwide rights to develop and commercialize nelotanserin, and Arena will manufacture clinical supply and commercial product to sell to Axovant. We received a $4.0 million upfront payment and are eligible to receive $41.5 million in regulatory and development milestone payments. We are also eligible to receive 15% of net sales of nelotanserin in exchange for the manufacture and supply of finished commercial drug product, and up to a total of $60.0 million in one-time purchase price adjustment payments tied to certain commercial sales milestones.

Axovant will indemnify us for losses resulting from certain third-party claims, includi ng for (a) Axovant's negligence, willful misconduct or violation of law, (b) Axovant's breach of the development, marketing and supply agreement or related agreements, (c) any product liability claim, (d) certain uses or misuses of nelotanserin, (e) certai n infringement of intellectual property rights, and (f) product manufactured according to the product warranty. Arena GmbH will indemnify Axovant for losses resulting from certain third-party claims, including for (i) Arena GmbH's negligence, willful misco nduct or violation of law, and (ii) Arena GmbH's breach of the development, marketing and supply agreement or related agreements.

Axovant has the right to terminate the agreement on a compound-by-compound basis or in its entirety upon 90 days' prior written notice to Arena GmbH. Arena GmbH has the right to terminate the agreement upon certain intellectual property concerns. Either party has the right to terminate the agreement early in certain circumstances, including if the other party is in material breach.

Nelotanserin intellectual property

As of March 1, 2017, we owned issued patents that cover compositions of matter for nelotanserin and related compounds and methods of treatment utilizing nelotanserin and related compounds in 77 jurisdictions, including the United States, China, Japan, Germany, France, Spain, India, Italy, the United Kingdom, Canada, Australia and Russia, and had applications pending in four other jurisdictions, of which the one with the largest pharmaceutical market was Brazil. Based on sales statistics provided by IMS Health, the jurisdictions where nelotanserin patents have been issued accounted for more than 91% of global pharmaceutical sales in 2015, while jurisdictions where nelotanserin patents remain pending accounted for more than 5% of global pharmaceutical sales in that same year. The patents on nelotanserin issued by the US Patent and Trademark Office have serial numbers US 8,754,238 and US 8,871,797, while the corresponding patent granted by the European Patent Office has serial number EP 1558582 B1. The earliest priority date for the patents on nelotanserin is 2003. The terms of these patents are capable of continuing into 2024 in most jurisdictions without taking into account any patent term adjustment or extension regimes of any country or any additional term of exclusivity we might obtain by virtue of the later filed patent applications.

Orphan GPCR Program

In December 2015, we entered into an exclusive agreement with Boehringer Ingelheim, to conduct joint research to identify drug candidates targeting a GPCR that belongs to the group of orphan central nervous system, or CNS, receptors. An "orphan receptor" is structurally related to a family of proteins that are known to act as functional cell-surface receptors but whose ligand has not yet been identified.

We will provide Boehringer Ingelheim exclusive rights to our internally discovered, novel compounds and intellectual property for the orphan CNS receptor. The agreement provides that the companies will jointly conduct research to identify additional drug candidates that are suitable for continued research and development as therapeutic compounds for various disease indications, with the initial focus expected to be psychiatric diseases such as schizophrenia. The agreement grants Boehringer Ingelheim exclusive worldwide rights to develop, manufacture and commercialize products resulting from the collaboration.

Under the terms of the agreement, in addition to the $7.5 million upfront payment, we are eligible to receive certain payments up to an aggregate of $254 million in research funding and success milestones in case of full commercial success of multiple drug products. In addition, we are eligible to receive tiered royalties on future sales of products that arise from the collaboration.

Boehringer Ingelheim will indemnify us for losses resulting from certain third-party claims, including for (a) Boehringer Ingelheim's default under the collaboration and license agreement, (b) Boehringer Ingelheim's gross negligence or willful misconduct, (c) Boehringer Ingelheim's conduct of the research program, or (d) the development, manufacture or commercialization of any compound or product under the agreement. We will indemnify Boehringer Ingelheim for losses resulting from certain third-party claims, including for (i) our default under the agreement, (ii) our gross negligence or willful misconduct, or (iii) our conduct of the research program or use of any compound under the agreement.

Unless terminated earlier, the collaboration and license agreement will continue in effect until the later of the expiration of certain issued patents relating to a compound under the agreement and 10 years after the first commercial sale in all applicable countries. Either party has the right to terminate the agreement early in certain circumstances, including if the other party defaults under the collaboration and license agreement. In the case of our default, Boehringer Ingelheim has the option to terminate just a portion of agreement instead of the entire agreement. Boehringer Ingelheim has the right to terminate the agreement with 90 days' notice during the research term or with 30 days' notice thereafter. Boehringer Ingelheim also has the right after the research term to terminate development or commercialization with respect to any product under the agreement. We can terminate the agreement for certain development by Boehringer Ingelheim outside of the agreement.

We contracted with Beacon Discovery, Inc., or Beacon, to perform our research obligations under the Boehringer Ingelheim collaboration. In exchange, we agreed to share limited near term milestones with Beacon as well as the FTE funding paid to us by Boehringer Ingelheim. We have retained the longer term success milestones and all royalties.

Beacon Discovery and Services Agreement

On September 1, 2016, we also entered into a series of agreements with Beacon. Beacon was founded and is owned by several of our former employees.

We entered into a License and Collaboration Agreement with Beacon, pursuant to which we granted Beacon a non-exclusive, non-assignable and non-sublicensable license to certain database information relating to compounds, receptors and pharmacology, and transferred certain equipment to Beacon. Beacon will seek to engage global partners to facilitate discovery and development. Beacon has agreed to assign to us any intellectual property relating to our existing research and development programs developed in the course of performing research for us, and grant us a non-exclusive license to any intellectual property developed outside the course of performing work for us that is reasonably necessary or useful for developing or commercializing the products under our research and development programs. We are also entitled to rights of negotiation and rights of first refusal to potentially obtain licenses to compounds discovered and developed by Beacon. In addition, we are entitled to receive (i) a percentage of any revenue received by Beacon on or after the second anniversary of the effective date of the agreement from any third party pursuant to a third-party license, including upfront payments, milestone payments and royalties; (ii) single-digit royalties on the aggregate net sales of any related products sold by Beacon and its affiliates; and (iii) in the event that Beacon is sold, a percentage of the consideration for such sale transaction.

We entered a Master Services Agreement with Beacon, pursuant to which Beacon will perform certain research services for us relating to our proprietary pipeline, as well as a services agreement to support our research obligations under our collaboration with Boehringer Ingelheim .

Intellectual Property

Our success depends in large part on our ability to protect our compounds and information, and to operate without infringing the proprietary rights of third parties. We rely on a combination of patent, trade secret, copyright, and trademark laws, as well as confidentiality, licensing and other agreements, to establish and protect our proprietary rights. We seek patent protection for our key inventions, including drug candidates we identify, routes for chemical synthesis, pharmaceutical formulations and methods of treatment.

There is no assurance that any of our patent applications will issue, or that any of the patents will be enforceable or will cover a drug or other commercially significant product or method. In addition, we regularly review our patent portfolio to identify patents and patent applications for potential abandonment that we deem to have relatively low value to our ongoing business operations. There is also no assurance that we will correctly identify which of our patents and patent applications should be maintained and which should be abandoned. The term of most of our other current patents commenced, and most of our future patents, if any, will commence, on the date of issuance and terminate 20 years from the earliest effective filing date of the patent application. Because any marketing and regulatory approval for a drug often occurs several years after the related patent application is filed, the resulting market exclusivity afforded by any patent on our drug candidates will likely be substantially less than 20 years.

In the United States, patent term adjustment is available for certain delays in patent office proceedings. In addition, under the Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Act, the term of a patent that covers an FDA-approved drug may be eligible for patent term extension, or PTE. PTE permits patent term restoration of a US patent as compensation for the patent term lost during product development and the FDA regulatory review process. The Hatch-Waxman Act permits a PTE of up to five years beyond the expiration of the patent. This period is generally one-half the time between the effective date of an Investigational New Drug, or IND (falling after issuance of the patent), and the submission date of an NDA, plus the time between the submission date of an NDA and the approval of that application, provided the sponsor acted with diligence. The Improving Regulatory Transparency for New Medical Therapies Act was signed into law in 2015 to prevent the loss of PTE (and market exclusivity) for drugs for which the FDA recommends scheduling under the Controlled Substances Act. A PTE cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval and only one patent applicable to an approved drug may be extended. The application for PTE is subject to approval by the PTO in conjunction with the FDA.

Outside of the United States, similar provisions may be available in the European Union, Japan, South Korea and some other jurisdictions to extend the term of a patent that covers an approved drug. The length of any such extension would vary by country. Our European patents may be eligible for supplemental protection certificates of up to five years in one or more countries.

Due to the specific requirements for obtaining these extensions, there is no assurance that our patents will be afforded extensions even if we encounter significant delays in patent office proceedings or marketing and regulatory approval.

In addition to patent protection, we rely on trade secrets, proprietary know-how and continuing technological advances to develop and maintain our competitive position. To maintain the confidentiality of our trade secrets and proprietary information, all of our employees are required to enter into and adhere to an employee confidentiality and invention assignment agreement, and invention disclosure procedures as a condition of employment. Additionally, our employee confidentiality and invention assignment agreements require that our employees not bring to us, or use without proper authorization, any third-party proprietary technology. We also generally require our consultants and collaborators that have access to proprietary property and information to execute confidentiality and invention rights agreements in our favor before beginning their relationship with us. While such arrangements are intended to enable us to better control the use and disclosure of our proprietary property and provide for our ownership of proprietary technology developed on our behalf, they may not provide us with meaningful protection for such property and technology in the event of unauthorized use or disclosure.

Competition

The biotechnology and pharmaceutical industries are highly competitive and are subject to rapid and significant change. We face significant competition from many organizations with drugs or drug candidates that do or may compete drug candidates we are developing. We may not be able to compete successfully against these organizations, which include many large, well-financed and experienced pharmaceutical and biotechnology companies, as well as academic and research institutions and government agencies. Developments by others may render our drug candidates obsolete or noncompetitive, and we or our collaborators may not be successful in developing either first or best in class drugs.

Many of our existing and potential competitors have substantially greater drug development capabilities and financial, scientific and marketing resources than we do. Additional consolidation in the pharmaceutical industry may result in even more resources being concentrated with our competitors. As a result, our competitors may be able to devote greater resources than we can to the research, development, marketing and promotion of therapeutic products or drug discovery techniques, or to adapt more readily to technological advances than we can. Accordingly, our competitors may succeed in obtaining patent protection, receiving regulatory approval or commercializing drugs before we do.

We expect to encounter significant competition in the therapeutic areas targeted by our principal drug candidates. Companies that complete clinical trials, obtain regulatory approvals and commence commercial sales of their drug candidates before us may achieve a significant competitive advantage. Furthermore, we may be competing against companies with substantially greater manufacturing, marketing, distribution and selling capabilities, and any drug candidate that we successfully develop may compete with existing therapies that have longer histories of safe and effective use.

We may rely on collaborators for support of development programs and for the manufacturing and marketing of drug candidates. Such collaborators may be conducting multiple drug development efforts within the same disease areas that are the subject of their agreements with us, which may negatively impact the development of drugs that are subject to our agreements. In addition, we face and will continue to face intense competition from other companies for such collaboration arrangements, and technological and other developments by others may make it more difficult for us to establish such relationships.

Government Regulation

We and our collaborators are subject to significant governmental regulation. The FDA and comparable regulatory agencies in state and local jurisdictions and in foreign countries impose substantial requirements upon the preclinical and clinical development, pre-market approval, manufacture, import, export, marketing and distribution of pharmaceutical products. These agencies and other regulatory agencies regulate research and development activities and the testing, approval, manufacture, quality control, safety, effectiveness, labeling, storage, tracking, recordkeeping, advertising, pricing and promotion of drug candidates and commercialized drugs. Failure to comply with applicable FDA or other regulatory requirements may result in inspectional notices of violation, warning letters, civil or criminal penalties, suspension or delays in clinical development, recall or seizure of products, partial or total suspension of production, withdrawal of a product from the market or other negative consequences.

In the United States

In the United States, the FDA regulates drug products under the Federal Food, Drug, and Cosmetic Act, or FD&C Act, and its implementing regulations. The process required by the FDA before drug candidates may be marketed in the United States generally involves the following:

- completion of extensive preclinical laboratory tests and preclinical animal studies, many of which are required to be performed in accordance with the FDA's Good Laboratory Practice, or GLP, regulations;
- submission to the FDA of an IND, which must become effective before human clinical trials may begin and be updated annually;
- performance of adequate and well-controlled human clinical trials to establish the safety and efficacy of the drug candidate for each proposed indication;
- submission to the FDA of a New Drug Application, or NDA, after completion of adequate and well-controlled human clinical trials, generally accompanied by payment of a substantial user fee to the FDA;
- a determination by the FDA within 60 days of its receipt of the NDA to file the NDA for review;
- satisfactory completion of an FDA pre-approval inspection of the manufacturing facilities at which the active pharmaceutical ingredient and finished drug product are produced and tested to assess compliance with Current Good Manufacturing Practices, or cGMP, regulations;
- FDA review and approval of the NDA prior to any commercial marketing or sale of the drug in the United States; and
- Prior to commercialization, centrally acting drugs may be subject to review and potential scheduling by the DEA.

The development and approval process requires substantial expertise, time, effort and financial resources, and we cannot be certain that any approvals for our drug candidates will be granted on a timely basis, if at all.

The results of preclinical tests (which include laboratory evaluation as well as GLP studies to evaluate toxicity in animals) for a particular drug candidate, together with related manufacturing information and analytical data, are submitted as part of an IND to the FDA. The IND automatically becomes effective 30 days after receipt by the FDA. During the 30-day time period the FDA may require additional information. The FDA may institute a clinical hold at the 30-day time period if any questions are not fully addressed or because of other concerns about the conduct of the clinical trial, including concerns that human research subjects will be exposed to unreasonable health risks. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. The FDA may place an IND on partial or full clinical hold at any time during a product candidate's development. A separate submission to an existing IND must also be made for each successive clinical trial conducted during product development. Further, an independent institutional review board, or IRB, for each medical center proposing to conduct the clinical trial must review and approve the plan for any clinical trial before it commences at that center and it must monitor the study until completed. The FDA, the IRB or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Clinical testing also must satisfy extensive Good Clinical Practice, or GCP, regulations and regulations for informed consent and privacy of individually identifiable information.

Clinical trials. For purposes of NDA submission and approval, clinical trials are typically conducted in the following sequential phases, which may overlap:

- Phase 1 clinical trials. Studies are initially conducted in a limited population to test the drug candidate for safety, dose tolerance, absorption, metabolism, distribution and excretion, typically in healthy volunteers, but in some cases in patients.
- Phase 2 clinical trials. Studies are generally conducted in a limited patient population to identify possible adverse effects and safety risks, explore the initial efficacy of the product for specific targeted indications and to determine dose range or pharmacodynamics. Multiple Phase 2 clinical trials may be conducted by the sponsor to obtain information prior to beginning larger and more expensive Phase 3 clinical trials.
- Phase 3 clinical trials. These are commonly referred to as pivotal studies or adequate and well-controlled studies. When Phase 2 evaluations demonstrate that a dose range of the product is effective and has an acceptable safety profile, Phase 3 clinical trials are undertaken in large patient populations to further evaluate dosage, provide substantial evidence of clinical efficacy and further test for safety in an expanded and diverse patient population at multiple, geographically dispersed clinical trial centers.
- Phase 4 clinical trials. The FDA may approve an NDA for a drug candidate, but require that the sponsor conduct additional clinical trials to further assess the drug after NDA approval under a post-approval commitment. In addition, a

sponsor may decide to conduct additional clinical trials after the FDA has approved an NDA. Post-approval trials are typically referred to as Phase 4 clinical trials.

New drug applications. The results of drug development, preclinical studies and clinical trials are submitted to the FDA as part of an NDA. NDAs also must contain extensive chemistry, manufacturing and control, or CMC, information. An NDA is usually accompanied by a significant user fee. The FDA reviews all NDAs submitted to ensure that they are sufficiently complete for substantive review before it accepts them for filing, which occurs, if at all, 60 days after submission by the NDA sponsor. Once the submission has been accepted for filing, the FDA's goal is to review applications within 10 months from its acceptance of the filing or, if the application relates to an unmet medical need in a serious or life-threatening indication, six months from its acceptance of the filing. The review process can be significantly extended by FDA requests for additional information or clarification. The FDA may refer the application to an advisory committee for review, evaluation and recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee. The FDA may deny approval of an NDA by issuing a Complete Response Letter, or CRL, if the applicable regulatory criteria are not satisfied. A CRL may require additional clinical data and/or an additional pivotal Phase 3 clinical trial(s), and/or other significant, expensive and time-consuming requirements related to clinical trials, preclinical studies or manufacturing. Data are not always conclusive and the FDA may interpret data differently than we or our collaborators interpret data. Approval may occur with Risk Evaluation and Mitigation Strategies, or REMS, that may limit the labeling, distribution or promotion of a drug product. Once issued, the FDA may withdraw product approval if ongoing regulatory requirements are not met or if safety problems occur after the product reaches the market. In addition, the FDA may require testing, including Phase 4 clinical trials, and surveillance programs to monitor the safety effects of approved products which have been commercialized, and the FDA has the power to prevent or limit further marketing of a product based on the results of these postmarketing programs or other information.

Other US regulatory requirements . Products manufactured or distributed pursuant to FDA approvals are subject to continuing regulation by the FDA, including recordkeeping, annual product quality review and reporting requirements. Adverse event experience with the product must be reported to the FDA in a timely fashion and pharmacovigilance programs to proactively look for these adverse events are mandated by the FDA. Drug manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agencies, and are subject to periodic inspections (which may be unannounced) by the FDA and certain state agencies for compliance with ongoing regulatory requirements, including cGMP regulations, which impose certain procedural and documentation requirements upon us and our third-party manufacturers. Following such inspections, the FDA may issue notices on Form FDA 483 and warning letters that could cause us to modify certain activities. A Form FDA 483 notice, if issued at the conclusion of an FDA inspection or after the appropriate FDA office review of the Establishment Inspection Report prepared by the investigator, can list conditions the FDA believes may have violated cGMP or other FDA regulations. FDA guidelines specify that a warning letter be issued for violations of "regulatory significance," also known as Official Action Indicated, or OAI. Failure to adequately and promptly correct the observation(s) can result in regulatory action. In addition to Form FDA 483 notices and warning letters, failure to comply with the statutory and regulatory requirements can subject a manufacturer to possible legal or regulatory action, such as suspension of manufacturing, recall of product, seizure of product, injunctive action or possible civil or criminal penalties.

The FDA closely regulates the post-approval marketing and promotion of drugs, including standards and regulations for healthcare professional marketing activities and materials, direct-to-consumer advertising, dissemination of off-label information, industry-sponsored scientific and educational activities and promotional activities involving the Internet. Drugs may be marketed only for their approved indications and in accordance with the provisions of the confines of the pivotal studies and the approved label. Further, we may be required to develop additional data or conduct additional preclinical studies and clinical trials, and we may be required to submit and obtain FDA approval of a new or supplemental NDA for changes to, among other things, the indications, labeling, or manufacturing processes or facilities of a drug. Failure to comply with these requirements can subject a manufacturer to possible legal or regulatory action, such as warning letters, corrective advertising, suspension of manufacturing, seizure of product, injunctive action or potential civil and criminal penalties.

Physicians may prescribe legally available drugs for uses that are not described in the product's labeling and that differ from those tested by us and approved by the FDA, if in their professional medical judgment, the physicians deem such use to be appropriate. Such off-label uses are common across certain medical specialties. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA does, however, impose stringent restrictions on manufacturers' communications regarding off-label use.

To distribute products commercially, we or our collaborators, as applicable, must comply with state laws that require the registration of manufacturers and wholesale distributors of pharmaceutical products in a state, including, in certain states, manufacturers and distributors who ship products into the state even if such manufacturers or distributors have no place of business within the state. Some states also impose requirements on manufacturers and distributors to establish the pedigree of product in the chain of distribution.

Drug Enforcement Administration regulation . The DEA regulates drugs that are controlled substances. Controlled substances are those drugs that appear on one of the five schedules pro mulgated and administered by the DEA under the Controlled Substances Act, or CSA. The CSA governs, among other things, the inventory, distribution, recordkeeping, handling, security and disposal of controlled substances. Any drug that acts on the central n ervous system has the potential to become a controlled substance based on an evaluation of its abuse potential, and scheduling by the DEA is a separate process that may delay the commercial launch of a drug even after FDA approval of the NDA. Companies wit h a scheduled drug are subject to periodic and ongoing inspections by the DEA and similar state drug enforcement authorities to assess ongoing compliance with the DEA's regulations. Any failure to comply with these regulations could lead to a variety of sa nctions, including the revocation or a denial of renewal of any DEA registration, injunctions, or civil or criminal penalties.

Outside of the United States

Outside of the United States, the ability to market a product is contingent upon obtaining marketing authorization from the appropriate regulatory authorities. The requirements governing marketing authorization, pricing and reimbursement vary widely from country to country. Whether or not we obtain FDA approval for a product candidate, we must obtain the requisite approvals from regulatory authorities in foreign jurisdictions prior to the commencement of clinical studies or marketing and sale of the product in those countries. Approval in the United States does not guarantee approval in other countries and vice-versa.

Hatch-Waxman Exclusivity . Market exclusivity provisions of the Hatch-Waxman Act can delay the submission or approval of applications seeking to rely upon the FDA's findings of safety and effectiveness for a previously approved NDA. A new chemical entity, or NCE, subject to an NDA is entitled to a five-year period of non-patent marketing exclusivity in the United States. A drug is an NCE if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the action of the drug substance. During the exclusivity period, the FDA may not accept for review an abbreviated new drug application, or ANDA, or a 505(b)(2) NDA submitted by another company for another version of such drug where the applicant does not own or have a legal right of reference to all the data required for approval. However, such an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement of patents listed with the FDA by the NDA holder. The Hatch-Waxman Act also provides three years of marketing exclusivity for an NDA, or supplement to an existing NDA, if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application. This three-year exclusivity covers only the conditions of use associated with the new clinical investigations and does not prohibit the FDA from approving ANDAs for drugs containing the original active ingredient. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA. However, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the preclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness.

Orphan drug designation and exclusivity . Under the Orphan Drug Act, the FDA may designate a drug product as an "orphan drug" if it is intended to treat a rare disease or condition (generally meaning that it affects fewer than 200,000 individuals in the United States, or more in cases in which there is no reasonable expectation that the cost of developing and making a drug product available in the United States for treatment of the disease or condition will be recovered from sales of the product). A company must request orphan product designation before submitting an NDA. If the request is granted, the FDA will disclose the identity of the therapeutic agent and its potential use. Orphan product designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

If a product with orphan status receives the first FDA approval for the disease or condition for which it has such designation or for a select indication or use within the rare disease or condition for which it was designated, the product generally will receive orphan product exclusivity. Orphan product exclusivity means that the FDA may not approve any other applications for the same product for the same indication for seven years, except in certain limited circumstances. Competitors may receive approval of different products for the indication for which the orphan product has exclusivity and may obtain approval for the same product but for a different indication or the same product for the same indication if demonstrated to be clinically superior. If a drug or drug product designated as an orphan product ultimately receives marketing approval for an indication broader than what was designated in its orphan product application, it may not be entitled to exclusivity.

Drug product manufacturing . Our Swiss subsidiary, Arena GmbH operates a drug product manufacturing facility in Zofingen, Switzerland. Swissmedic, a public service organization of the Swiss federal government, is the central Swiss agency for the authorization and supervision of therapeutic products. Our Swiss manufacturing facility has been inspected by the competent regional authorities (Regionales Heilmittelinspektorat der Nordwestschweiz, Basel, Switzerland), acting on behalf of Swissmedic, which issued GMP and production licenses to Arena GmbH for the production of drugs. The FDA conducted a pre-approval inspection of this facility for BELVIQ in July 2010, a subsequent inspection in 2014, and a pre-approval inspection for BELVIQ XR in March 2016, which resulted in No Actions Indicated, and classified this facility as acceptable. The FDA generally performs routine inspections about every two years, but the FDA may inspect a facility at any time.

Prescription drug reimbursement . In the United States and markets in other countries, sales of prescription drug products depend in part on the availability of reimbursement from third -party payers. Third-party payers include government health administrative authorities, managed care organizations, private health insurers and other organizations. The process for determining whether a payer will provide coverage for a drug product may be separate from the process for setting the price or reimbursement rate that the payer will pay for the drug product. Third-party payers may limit coverage to specific drug products on an approved list, or formulary, which might not include all of the FDA-a pproved drug products for a particular indication. Third-party payers are increasingly challenging the price and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. We may need to conduct expensive pharmacoeconomic studies to demonstrate the cost-effectiveness of our products. A payer's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Adequate third-party reimbur sement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development. Patients who are prescribed medications for the treatment of their conditions, and their prescribing phy sicians, generally rely on third-party payers to reimburse all or part of the costs associated with their prescription drugs. Patients are less likely to use our products unless coverage is provided and reimbursement is adequate to cover a significant port ion of the cost of our products. Therefore, coverage and adequate reimbursement are important to new product acceptance.

If a drug is reimbursed by Medicare or Medicaid, pricing and rebate programs must comply with, as applicable, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 as well as the Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 1990 and the Veterans Health Care Act of 1992, or VHCA, each as amended. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. Under the VHCA, drug companies are required to offer certain drugs at a reduced price to a number of federal agencies including US Department of Veterans Affairs and US Department of Defense, the Public Health Service and certain private Public Health Service designated entities in order to participate in other federal funding programs including Medicare and Medicaid. Participation under the VHCA requires submission of pricing data and calculation of discounts and rebates pursuant to complex statutory formulas, as well as entry into government procurement contracts governed by the Federal Acquisition Regulations.

The containment of healthcare costs has become a priority of federal, state and foreign governments, and the prices of drugs have been a focus in this effort. In addition, emphasis on managed care in the United States has increased and we expect will continue to increase the pressure on drug pricing. Coverage policies, third-party reimbursement rates and drug pricing regulation may change at any time. In particular, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the ACA, was enacted in the United States in March 2010 and contains provisions that may reduce the profitability of drug products, including, for example, increased rebates for drugs sold to Medicaid programs, extension of Medicaid rebates to Medicaid managed care plans, mandatory discounts for certain Medicare Part D beneficiaries and annual fees based on pharmaceutical companies' share of sales to federal healthcare programs. There have been judicial and Congressional challenges to certain aspects of the ACA. In March 2017, the U.S. House of Representatives introduced legislation known as the American Health Care Act, which, if enacted, would amend or repeal significant portions of the ACA. Among other changes, the American Health Care Act would repeal the annual fee on certain brand prescription drugs and biologics imposed on manufacturers and importers, eliminate penalties on individuals and employers that fail to maintain or provide minimum essential coverage, create refundable tax credits to assist individuals in buying health insurance, and modify federal funding of Medicaid and certain eligibility requirements. While it is uncertain when or if the provisions in the American Health Care Act will become law, or the extent to which any changes may impact our business, it is clear that concrete steps are being taken to repeal and replace certain aspects of the ACA. Even if favorable coverage and reimbursement status is attained for our products, less favorable coverage policies and reimbursement rates may be implemented in the future. In the case of BELVIQ, Medicare explicitly excludes coverage of drugs for weight loss.

In countries outside the United States, pricing of pharmaceutical products may be subject to governmental control. Evaluation criteria used by many government agencies for the purposes of pricing and reimbursement typically focus on a product's degree of innovation and its ability to meet a clinical need unfulfilled by currently available therapies. Some countries operate positive and negative list systems under which products may only be marketed once a reimbursement price has been agreed. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost-effectiveness of a particular drug candidate to currently available therapies. Other countries allow companies to fix their own prices for medicines, but monitor and control company profits. In addition, in some countries, cross-border imports from low-priced markets exert a commercial pressure on pricing within a country. There can be no assurance that any country that has price controls or reimbursement limitations for drug products will allow favorable reimbursement and pricing arrangements for any of our products.

Healthcare fraud and abuse . Pharmaceutical companies are subject to various federal and state laws pertaining to healthcare fraud and abuse, including, but not limited to, anti-kickback and false claims laws.

The Federal Anti-Kickback Statute makes it illegal for any person or entity, including a prescription drug manufacturer, or a party acting on its behalf, to knowingly and willfully solicit, offer, receive or provide any remuneration, directly or indirectly, in exchange for, or to induce, the referral of business, including the purchase, order, lease of any good, facility, service or item, including

the prescription of a particular drug, for which payment may be made under federal healthcare programs such as Medicare and Medicaid. Some of the sta te prohibitions are broader in scope and apply to referral of patients for healthcare services reimbursed by any source, not only the Medicare and Medicaid programs.

In the course of practicing medicine, physicians may legally prescribe FDA-approved drugs for an indication that has not been approved by the FDA and which, therefore, is not described in the product's approved labeling, so-called "off-label use" or "the practice of medicine," if deemed appropriate in the physicians' professional medical judgment. The FDA does not ordinarily regulate the behavior of physicians in their choice of treatments. The FDA and other government agencies do, however, restrict communications on the subject of off-label use by a manufacturer or those acting on behalf of a manufacturer. Companies may not promote FDA-approved drugs for off-label uses. The FDA and other governmental agencies do permit a manufacturer (and those acting on its behalf) to engage in some limited, non-misleading, non-promotional exchanges of scientific information regarding unapproved indications.

There are numerous federal false claims laws and civil monetary penalty laws that forbid, among other things, anyone from knowingly presenting, or causing to be presented for payment to third-party payers (including Medicare and Medicaid) claims for reimbursed drugs or services that are false or fraudulent, claims for items or services not provided as claimed or claims for medically unnecessary items or services.

Violations of fraud and abuse laws may be punishable by criminal, civil and/or administrative sanctions, including individual imprisonment, disgorgement, criminal fines and civil monetary penalties, as well as possible exclusion from federal healthcare programs (including Medicare and Medicaid). In addition, under certain healthcare fraud and abuse laws, there is an ability for private individuals to bring similar actions. Additionally, many states have analogous fraud and abuse laws, some of which may be broader in scope. Further, there are an increasing number of state laws that require pharmaceutical companies to establish marketing compliance programs, file periodic reports with the state, make periodic public disclosures on sales, marketing, pricing, clinical trials and other activities, or register their sales representatives, as well as prohibiting certain other sales and marketing practices. The federal transparency requirements under the ACA require certain manufacturers of drugs, devices, biologics and medical supplies to annually report to the Department of Health and Human Services information related to payments and other transfers of value to physicians and teaching hospitals and physician ownership and investment interests. Additionally, recent federal legislation imposes additional obligations on certain pharmaceutical manufacturers, among others, regarding drug product tracking and tracing.

Our activities are also potentially subject to federal and state consumer protection and unfair competition laws. We are also subject to the US Foreign Corrupt Practices Act, or the FCPA, which prohibits companies and individuals from engaging in specified activities to obtain or retain business or to influence a person working in an official capacity. Under the FCPA, it is illegal to pay, offer to pay, or authorize the payment of anything of value to any foreign government official, governmental staff members, political party or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity.

Healthcare privacy and security laws . The Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information. In addition, many state laws apply to the use and disclosure of health information. We may be subject to, or our collaborators' marketing activities may be limited by, HIPAA and its implementing regulations.

Manufacturing, Revenues from External Customers, Sources and Availability of Materials, and Long-Lived Assets

In January 2008, we acquired from Siegfried AG (formerly Siegfried Ltd, and referred to collectively in this document as Siegfried) certain drug product facility assets, including manufacturing facility production licenses, fixtures, equipment, other personal property and real estate assets in Zofingen, Switzerland. We are using this facility to manufacture and package BELVIQ as well as for toll manufacturing of certain drug products for Siegfried, which is also located in Zofingen. From time to time, we may also use this facility to manufacture and package tablets and capsules for other of our programs or for other entities.

BELVIQ was made available to patients by prescription in the United States by Eisai in June 2013 and in South Korea by Ildong Pharmaceutical Co., Ltd., or Ildong, in February 2015. Through December 31, 2016, there have been no commercial sales of BELVIQ in any other territories.

Our revenues of $124.0 million for the year ended December 31, 2016, included (i) $98.9 million, or 79.8%, from Eisai, (ii) $11.4 million, or 9.2%, from Ildong and (iii) $3.6 million, or 2.9%, from Siegfried. Our revenues of $38.3 million for the year ended December 31, 2015, included (i) $23.7 million, or 61.9%, from Eisai, (ii) $8.9 million, or 23.2%, from Ildong and (iii) $3.5 million, or 9.0%, from Siegfried. Our revenues of $37.0 million for the year ended December 31, 2014, included $34.6 million, or 93.6%, from Eisai and $1.5 million, or 4.0%, from Siegfried.

We purchase raw materials, starting materials, intermediates, API, excipients and other materials from commercial sources. To decrease the risk of an interruption to our supply, when we believe it is reasonable for us to do so, we source these materials from multiple suppliers so that, in general, the loss of any one source of suppl y would not have a material adverse effect on commercial production. However, currently we have only one or a limited number of suppliers for some of these materials. The loss of a primary source of supply would potentially delay our production. Our facili ty in Zofingen, Switzerland is currently the only manufacturer of finished drug product for BELVIQ. Eisai maintains a safety stock of BELVIQ to help mitigate risks related to having only one manufacturer of finished drug product.

The carrying value of long-lived assets located in the United States and Switzerland were $35.1 million and $11.1 million, respectively, at December 31, 2016. The carrying value of long-lived assets located in the United States and Switzerland were $41.5 million and $38.1 million, respectively, at December 31, 2015. The carrying value of long-lived assets located in the United States and Switzerland were $49.0 million and $42.4 million, respectively, at December 31, 2014.

Compliance with Environmental Regulations

Our research and development programs involve the controlled use of hazardous materials, chemicals, biological materials and various radioactive compounds. In the United States, we are subject to regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the US Environmental Protection Agency, the California Environmental Protection Agency, the Toxic Substances Control Act, the Resource Conservation and Recovery Act, the CSA and other federal, state or local regulations.

With regard to Arena GmbH's drug product manufacturing facility, Arena GmbH has contracted with Siegfried to provide certain safety, health and environmental services. Arena GmbH is subject to regulation under the Environmental Protection Act (Umweltschutzgesetz, USG), the Chemicals Act (Chemikaliengesetz, ChemG), and the Federal Act on the Protection of Waters (Gewässerschutzgesetz, GSchG), which refer to several ordinances such as the Ordinance on Air Pollution Control (Luftreinhalte-Verordnung, LRV), the Ordinance on Incentive Taxes on Volatile Organic Compounds (Verordnung über die Lenkungsabgabe auf flüchtigen organischen Verbindungen, VOCV), the Water Protection Ordinance (Gewässerschutzverordnung, GSchV), the Ordinance of the Handling of Wastes (Verordnung über den Verkehr mit Abfällen, VeVA), the Chemicals Ordinance (Chemikalienverordnung, ChemV), the Chemical Risk Reduction Ordinance (Chemikalien-Risikoreduktions-Verordnung, ChemRRV) and the Ordinance on Protection against Major Accidents (Störfallverordnung, StFV). The competent authorities in Switzerland for the implementation of environmental regulations are BAFU (Bundesamt für Umwelt / Federal Office for the Environment), which is the Swiss federal agency for the environment, and the respective authorities of the Canton of Aargau (Abteilung für Umwelt, AfU). Furthermore, the BAFU and the BAG (Bundesamt für Gesundheit / Federal Office of Public Health) share authorities with regard to the implementation and, together with the respective authority of the Canton of Aargau (Amt für Verbraucherschutz), the supervision of compliance with the laws and regulations related to chemicals. Occupational health and safety is regulated, in particular, by the EKAS (Eidgenössische Koordinationskommission für Arbeitssicherheit) guideline No. 6508 (ASA), governing the evaluation of worker safety and the reporting to the relevant authorities. The competent authority for the implementation of occupational health and safety regulations is the Canton of Aargau (Amt für Wirtschaft und Arbeit), whereby exposure limits are set by SUVA (Schweizerische Unfallversicherungsanstalt), which is the Swiss Accident Insurance Fund.

We may be subject to further such regulations in the future. Although we believe that our operations comply in all material respects with the applicable environmental laws and regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. In the event of such an accident, we could be held liable for any damages that result, and the extent of that liability could exceed our resources. Our compliance with these laws and regulations has not had, and is not expected to have, a material effect upon our capital expenditures, results of operations or competitive position.

Research and Development Expenses

Research and development activities are the primary source of our expenses. Our research and development expenses include personnel costs, research supplies, facility and equipment costs, clinical and preclinical study fees, and manufacturing costs for non-commercial products. Such expenses totaled $66.4 million, $88.4 million, and $100.3 million for the years ended December 31, 2016, 2015, and 2014, respectively. For research and development sponsored by collaborators for which we initially incur the costs, we record the costs within research and development expenses and record the reimbursements we receive from the collaborators for these costs within revenues; these expenses and revenues totaled $4.1 million, $2.1 million, and $10.0 million for the years ended December 31, 2016, 2015, and 2014, respectively.

Employees

As of March 10, 2017, we had a total of 106 employees, including 79 in research, development and manufacturing and 27 in administration, which includes finance, legal, facilities, information technology and other general support areas.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, are available free of charge on our website (*www.arenapharm.com*) as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

Item 1A. Risk Factors

Investment in our stock involves a high degree of risk. You should consider carefully the risks described below, together with other information in this Annual Report on Form 10-K and other public filings, before making investment decisions regarding our stock. If any of the following events actually occur, our business, operating results, prospects or financial condition could be materially and adversely affected. This could cause the trading price of our common stock to decline and you may lose all or part of your investment. Moreover, the risks described below are not the only ones that we face. Additional risks not presently known to us or that we currently deem immaterial may also affect our business, operating results, prospects or financial condition.

Risks Relating to Our Business

We will need to obtain additional funds or enter into collaboration agreements to execute on our corporate strategy, and we may not be able to do so at all or on terms you view as favorable; your ownership may be substantially diluted if we do obtain additional funds; you may not agree with the manner in which we allocate our available resources; and we may not be profitable.

It takes many years and potentially hundreds of millions of dollars to successfully develop a compound into a marketed drug. We have accumulated a large deficit that has primarily resulted from the significant expenditures we have made in research and development since our inception. We expect that our losses and operating expenses will continue to be substantial.

All of our current active development programs are in Phase 2 or an earlier development stage, and we currently do not have, and we may not have in the future, adequate funds to develop any of our compounds into marketed drugs.

We may enter into collaboration or other agreements with other entities to continue to develop and, if successful, commercialize one or more of our drug candidates. We may not be able to enter into any such agreement on terms that we or third parties, including investors or analysts, view as favorable, if at all. Our ability to enter into any such agreement for any of our programs or drug candidates depends on many factors, potentially including the outcomes of additional testing (including clinical trial results) or regulatory applications for marketing approval, and we do not control these outcomes.

We may seek to obtain additional funding through the capital markets or other financing sources, or we may eliminate, scale back or delay some or all of our research and development programs. Any such additional funding may dilute or otherwise negatively impact your ownership interest, and any such reductions or failure to apply our resources effectively may narrow, slow or otherwise adversely impact the development and commercialization of one or more of our drug candidates, which we believe may reduce our opportunities for success and have a material adverse effect on our business and prospects.

We may allocate our resources in ways that do not improve our results of operations or enhance the value of our assets, and our stockholders and others may also not agree with the manner in which we choose to allocate our resources or obtain additional funding. Any failure to apply our resources effectively or obtain additional funding could have a material adverse effect on our business or the development of our drug candidates and cause the market price of our common stock to decline.

In addition, we cannot assure you that we will be profitable or, if we are profitable for any particular time period, that we will be profitable in the future.

We are executing a revised strategy, and we may not be successful in transitioning from a company with a broad research and development focus and a commercial stage drug to a company focused on developing its clinical-stage pipeline.

In June 2016, we initiated a strategic shifting of priorities to emphasize our proprietary clinical-stage pipeline, and the implementation of cost reductions that included a substantial reduction of our workforce, primarily in areas of research, manufacturing and general and administrative. In January 2017, we announced we had amended our agreements relating to lorcaserin, a drug we had internally discovered and developed and that is being marketed for weight management under the tradenames BELVIQ and BELVIQ XR, in an effort to further reduce our expenses. In order to execute our revised strategy, we are also hiring new personnel, primarily to support development of our pipeline, and revising our systems, processes and vendors. We cannot guarantee that we will be able to

realize any cost savings or other anticipated benefits from the actions we have taken to date or may take in the future, or that our efforts will not interfere with our ability to achieve our bus iness objectives or have other negative consequences.

Drug development programs are expensive, time consuming, uncertain and susceptible to change, interruption, delay or termination.

Drug development programs are very expensive, time consuming and difficult to design and implement. Our drug candidates are in various stages of clinical and preclinical development and are prone to the risks of failure inherent in research and development. Clinical trials and preclinical studies are needed to demonstrate that drug candidates are safe and effective to the satisfaction of the US Food and Drug Administration, or FDA, and similar non-US regulatory authorities, and the FDA or other regulatory authority may require us to, or we or others may decide to, conduct additional research and development even after a drug is approved. The commencement or completion of our clinical trials or preclinical studies could be substantially delayed or prevented by several factors, including the following:

- limited number of, and competition for, suitable patients required for enrollment in our clinical trials or animals to conduct our preclinical studies;
- limited number of, and competition for, suitable sites to conduct our clinical trials or preclinical studies;
- delay or failure to obtain approval or agreement from the applicable regulatory authority to commence a clinical trial or approval of a study protocol;
- delay or failure to obtain sufficient supplies of drug candidates, drugs or other materials for the trial or study;
- delay or failure to reach agreement on acceptable agreement terms or protocols; and
- delay or failure to obtain institutional review board, or IRB, approval to conduct a clinical trial at a prospective site.

For example, recruitment for ulcerative colitis studies is competitive and challenging, and led us to make changes to our internal staffing, external vendors and trial design relating to our etrasimod program. It is not known how such changes, or any future changes we may implement, will impact clinical trials for our drug candidates, and it is difficult to predict when ongoing trials will be fully enrolled or when data will be available. Recruitment for trials for other indications, such as our ralinepag for pulmonary arterial hypertension, or PAH, can also be competitive and challenging.

In addition, the FDA, other regulatory authorities, collaborators, or we may suspend, delay or terminate our development programs at any time for various reasons, including those listed above affecting the commencement or completion of trials and the following:

- lack of effectiveness of any drug candidate during clinical trials;
- side effects experienced by study participants or other safety issues;
- slower than expected rates of patient recruitment and enrollment or lower than expected patient retention rates;
- inadequacy of or changes in our manufacturing process or compound formulation;
- delays in obtaining regulatory approvals to commence a study, or “clinical holds,” or delays requiring suspension or termination of a study by a regulatory authority, such as the FDA, after a study is commenced;
- changes in applicable regulatory policies and regulations;
- delays in identifying and reaching agreement on acceptable terms with prospective clinical trial sites;
- uncertainty regarding proper dosing;
- unfavorable results from ongoing clinical trials or preclinical studies;
- failure of our clinical research organizations to comply with all regulatory and contractual requirements or otherwise perform their services in a timely or acceptable manner;
- scheduling conflicts with participating clinicians and clinical institutions;
- failure to design appropriate clinical trial protocols;
- insufficient data to support regulatory approval;
- termination of clinical trials at one or more clinical trial sites;
- inability or unwillingness of medical investigators to follow our clinical protocols;

- difficulty in maintaining contact with subjects during or after treatment, which may result in incomplete data;
- lack of sufficient funding to continue clinical trials or preclinical studies; or
- changes in business priorities or perceptions of the value of the program.

There is typically a high rate of attrition from the failure of drug candidates proceeding through clinical trials, and many companies have experienced significant setbacks in advanced development programs even after promising results in earlier studies or trials. We have experienced setbacks in our internal and partnered development programs and expect to experience additional setbacks from time to time in the future. In addition, even if the earlier-stage results of our development programs are favorable, these programs may take significantly longer than expected to complete or may not be completed at all. If we or our collaborators abandon or are delayed in our development efforts related to any drug or drug candidate, we may not be able to generate sufficient revenues to continue our operations at the current level or be profitable, our reputation in the industry and in the investment community would likely be significantly damaged, additional funding may not be available to us or may not be available on terms we or others believe are favorable, and our stock price may decrease significantly.

We may not be successful in initiating or completing our studies or trials or advancing our programs on our projected timetable, if at all. Any failure to initiate or delays in our studies, trials or development programs, or unfavorable results or decisions or negative perceptions regarding any of our programs, could cause our stock price to decline significantly. This is particularly the case with respect to our clinical programs.

Our efforts will be seriously jeopardized if we are unable to retain and attract key and other employees.

Our success depends on the continued contributions of our principal management, development and scientific personnel, and the ability to hire and retain key and other personnel. We face competition for such personnel, and we believe that risks and uncertainties related to our business may impact our ability to hire and retain key and other personnel. If we do not recruit and retain effective management and other key employees, particularly our executive officers, our operations, ability to generate or raise additional capital, and our business in general may be adversely impacted. For example, to execute our clinical programs, our strategy is to maintain a sufficient and robust clinical expertise and program management function. We are in the process of modifying and building this function, and we may not be able to establish the function we believe necessary to support our clinical goals and meet our corporate objectives.

Our business may be negatively impacted based on the clinical trials and preclinical studies of, and decisions affecting, one or more of our drug candidates.

The results and timing of clinical trials and preclinical studies, as well as related decisions by us, collaborators and regulators, can affect our stock price. Results of clinical trials and preclinical studies are uncertain and subject to different interpretations by regulatory agencies, us or others. The design of these trials and studies (which may change significantly and be more expensive than anticipated depending on results and regulatory decisions), as well as related analyses of such results, including adverse effects, may not be viewed favorably by us or third parties, including investors, analysts, current or potential collaborators, the academic and medical communities, and regulators, which could adversely impact the development and opportunities for regulatory approval of drug candidates and commercialization (and even result in withdrawal from the market) of approved drugs. The same may be true of decisions regarding the focus and prioritization of our research and development efforts. Stock prices of companies in our industry have declined significantly when such results and decisions were unfavorable or perceived negatively or when a drug candidate or product did not otherwise meet expectations.

The development, approval or commercialization of any of our drug candidates could be negatively affected by circumstances related to other drug candidates or approved products.

Information on our drug candidates in clinical development is preliminary and incomplete, and for such drug candidates, particularly in the earlier stages of development, information on approved products in the same or related drug classes may indicate potential risks related to the development of our drug candidates. For example, etrasimod is an orally available modulator of the S1P receptors. An approved drug that is also an orally available modulator of the S1P receptors, Gilenya, is associated with risks such as adverse cardiovascular effects, including lowering of the heart rate and heart blocks, infection, macular edema, respiratory effects, fetal risk, a rare brain infection, and elevations in liver enzymes. These adverse reactions and risks may be associated with S1P receptor modulation and could be found to be associated with the use of etrasimod. Such adverse reactions and risks, either actual or perceived, could negatively impact its development, approval or commercialization, or our ability to enter into a collaboration on acceptable terms.

Top-line data may not accurately reflect th e complete results of a particular study or trial.

We may publicly disclose top-line or interim data from time to time, which is based on a preliminary analysis of then-available efficacy and safety data, and the results and related findings and conclusions are subject to change following a more comprehensive review of the data related to the particular study or trial. We also make assumptions, estimations, calculations and conclusions as part of our analyses of data, and others, including regulatory agencies, may not accept or agree with our assumptions, estimations, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular drug candidate or drug and our company in general. In addition, the information we may publicly disclose regarding a particular study or clinical trial is based on what is typically extensive information, and you or others may not agree with what we determine is the material or otherwise appropriate information to include in our disclosure, and any information we determine not to disclose may ultimately be deemed significant with respect to future decisions, conclusions, views, activities or otherwise regarding a particular drug, drug candidate or our business.

Our hypothesis that selectively targeting receptors can lead to more efficacious or safer drugs may not be correct.

In general, we have designed and optimized our drug candidates (including etrasimod, ralinepag and APD371) to selectively target certain receptors found on cells in humans. Our hypothesis is that selectivity may allow our drug candidates to address diseases more efficaciously or without some of the negative effects associated with less selective drugs. In certain cases, we believe early research and, if available, early clinical testing, provides preliminary support for our hypothesis. However, our hypothesis may not be correct, early research and early phase clinical testing may not be predictive of efficacy or safety in later trials, and our drug candidates may not be approved or, if approved, have the desired efficacy or safety profile.

The results of preclinical studies and completed clinical trials are not necessarily predictive of future results, and our current drug candidates or any approved drugs may not be further developed or have favorable results in later studies or trials.

Preclinical studies and Phase 1 and Phase 2 clinical trials are not primarily designed to test the efficacy of a drug candidate, but rather to test safety, to study pharmacokinetics and pharmacodynamics, and to understand the drug candidate's side effects at various doses and schedules. Favorable results in early studies or trials may not be confirmed in later studies or trials, including preclinical studies that continue or that are initiated after earlier clinical trials and large-scale clinical trials, and our drug candidates or drugs in subsequent trials or studies may fail to show desired safety and efficacy despite having progressed through earlier-stage trials. Unfavorable results from clinical trials or preclinical studies could result in delays, modifications or abandonment of ongoing or future clinical trials, or abandonment of a program. Clinical and preclinical results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals or commercialization. Negative or inconclusive results or adverse medical events during such trials or studies could cause a clinical trial to be delayed, repeated or terminated; a program to be abandoned; or negatively impact a related marketed drug, which could have a material adverse effect on our business, financial condition and results of operations.

Drug discovery and development is intensely competitive in the therapeutic areas on which we focus. If the number of our competitors increase or they develop treatments that are approved faster, marketed better, less expensive or demonstrated to be more effective or safer than our drugs or drug candidates, our commercial opportunities will be reduced or eliminated.

Many of the drugs we or our collaborators are attempting or may attempt to discover and develop may compete with existing therapies in the United States and other territories. In addition, many companies are pursuing the development of new drugs that target the same diseases and conditions that we target.

For example, with regard to etrasimod, there are other drugs that have a similar mechanism of action already in Phase 3 clinical development for the same indications that we are pursuing, such as ulcerative colitis. By way of another example, with regard to ralinepag, a competitor with the same mechanism of action, selexipag is already currently approved in the United States, Europe and other countries. Our competitors, particularly large pharmaceutical companies, may have substantially greater research, development and marketing and sales capabilities and greater financial, scientific and human resources than we do. Companies that complete clinical trials, obtain required regulatory agency approvals and commence commercial sale of their drugs before we do for the same indication may achieve a significant competitive advantage, including certain patent and marketing exclusivity rights. In addition, our competitors' drugs may have fewer side effects, more desirable characteristics (such as efficacy, route of administration or frequency of dosing), or be viewed more favorably by patients, healthcare providers, healthcare payers, the medical community, the media or others than our drug candidates or drugs, if any, for the same indication. Our competitors may also market generic or other drugs that compete with our drugs at a lower price than our drugs, which may negatively impact our drug sales, if any. Any results from our research and development efforts, or from our joint efforts with our existing or any future collaborators, may not compete successfully with existing or newly discovered products or therapies.

Our revenues in the future will be substantially dependent on the success of our or our collaborators marketing of drugs we have discovered or developed. To the extent such drugs are not commercially successful, our business, financial condition and re sults of operations may be materially adversely affected and the price of our common stock may decline.

We believe our revenues will be substantially dependent on the success of the drugs we or our collaborators successfully develop. We do not know whether or when such drug candidates will be approved by regulatory authorities for sale or commercialized. Even if approved and commercialization begins, we do not know if such commercialization will be successful or otherwise meet our, your, analysts' or others' expectations, and the market price of our common stock could decline significantly. For example, sales of lorcaserin to date have been less than we and others initially anticipated, and, because lorcaserin is the only approved and marketed drug in which we have a financial interest, our revenue for the near-term is substantially dependent on our licensing agreement with Eisai and sales of lorcaserin.

We cannot guarantee future product sales or achievement of any other milestones. In addition, our licensing agreement with Eisai for lorcaserin, and any of our other collaborations, may be terminated early in certain circumstances, which may result in us not receiving additional milestone or other payments under the terminated agreement.

The degree of market acceptance and commercial success of a drug will depend on a number of factors, including the following, as well as risks identified in other risk factors:

- the number of patients treated with the drug and their results;
- market acceptance and use of the drug, which may depend on the public's view of the drug, economic changes, national and world events, potentially seasonal and other fluctuations in demand, the timing and impact of current or new competition, and the drug's perceived advantages or disadvantages over alternative treatments (including relative convenience, ease of administration, and prevalence and severity of any adverse events, including any unexpected adverse events);
- the actual and perceived safety and efficacy of the drug on both a short- and long-term basis among actual or potential patients, healthcare providers and others in the medical community, regulatory agencies and insurers and other payers, including related decisions by any such entity or individual;
- incidence and severity of any side effects, including as a result of off-label use or in combination with one or more drugs;
- new data relating to the drug, including as a result of additional studies, trials or analyses of the drug or related drugs or drug candidates;
- the willingness of physicians to prescribe and of patients to use the drug;
- the claims, limitations, warnings and other information in the drug's current or future labeling;
- any current or future scheduling designation for the drug by the US Drug Enforcement Administration, or DEA, or any comparable foreign authorities;
- our or our collaborators' maintenance of an effective sales force, marketing team, strategy and program, and medical affairs group and related functions, as well as its sales, marketing and other representatives accurately describing the drug consistent with its approved labeling;
- the price and perceived cost-effectiveness of the drug, including as compared to possible alternatives;
- the ability of patients and physicians and other providers to obtain and maintain coverage and adequate reimbursement, if any, by third-party payers, including government payers;
- the ability and desire of group purchasing organizations, or GPOs, including distributors and other network providers, to sell the drug to their constituencies;
- introduction of counterfeit or unauthorized versions of the drug;
- to the extent the drug is approved and marketed in a jurisdiction with a significantly lower price than in another jurisdiction, the impact of the lower pricing in the higher-priced territory, including on the pricing of reimbursement, if available, and by the diversion of lower-priced of the drug into the higher-priced territory; and
- the availability of adequate commercial manufacturing and supply chain for the drug.

Our drugs may not be commercially successful if not widely covered and adequately reimbursed by third-party payers, and we may depend on others to obtain and maintain third-party payer access; inadequate third-party coverage and reimbursement could make enter ing into agreements with pharmaceutical companies to collaborate or commercialize our drugs more difficult and diminish our revenues.

Our and our collaborators' ability to successfully commercialize any of our drugs that have been or may be approved will depend, in part, on government regulation and the availability of coverage and adequate reimbursement from third-party payers, including private health insurers and government payers, such as the Medicaid and Medicare programs, increases in government-run, single-payer health insurance plans and compulsory licenses of drugs. We expect government and third-party payers will continue their efforts to contain healthcare costs by limiting coverage and reimbursement levels for new drugs. In addition, many countries outside of the United States have nationalized healthcare systems in which the government pays for all such products and services and must approve product pricing. A government or third-party payer decision not to approve pricing, or provide adequate coverage and reimbursements, for our drugs, if any, could limit market acceptance of and demand for our drugs.

It is increasingly difficult to obtain coverage and adequate reimbursement levels from third-party payers, and significant uncertainty exists as to the coverage and reimbursement of newly approved prescription drug products. We or our collaborators also face competition in negotiating for coverage from pharmaceutical companies and others with competitive drugs or other treatment, and these competitors may have significantly more negotiating leverage or success with respect to individual payers than we or our collaborators may have.

We expect that the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the ACA, its potential repeal, as well as other federal and state healthcare reform measures that have been or may be implemented in the future, may result in more rigorous coverage criteria, more limited coverage and downward pressure on the price that we may receive for any approved product, which could seriously decrease our future revenues. Any reduction in reimbursement from Medicare, Medicaid or other government programs may result in a similar reduction in payments from private payers. For example, reimbursement has been challenging for BELVIQ, including because Medicare explicitly excludes coverage for drugs for weight loss. The implementation of cost containment measures or other healthcare reforms may also limit our commercial opportunities by reducing the amount a potential collaborator is willing to pay to license our programs or drug candidates in the future, which may prevent us from being able to generate revenue, attain profitability, commercialize our products or establish and maintain collaborations.

Forecasting potential sales for drugs will be difficult, and if our projections are inaccurate, our business may be harmed and our stock price may be adversely affected.

Our business planning requires us to forecast or make assumptions regarding demand and revenues for our drugs if they are approved despite numerous uncertainties. These uncertainties may be increased if we rely on our collaborators to conduct commercial activities and provide us with accurate and timely information. Actual results may deviate materially from projected results for various reasons, including the following, as well as risks identified in other risk factors:

- the rate of adoption in the particular market, including fluctuations in demand for various reasons, such as fluctuations related to economic changes, national and world events, holidays and seasonal changes;
- pricing (including discounting or other promotions), reimbursement, product returns or recalls, competition, labeling, DEA scheduling, adverse events and others items that impact commercialization;
- lack of patient and physician familiarity with the drug;
- lack of patient use and physician prescribing history;
- lack of commercialization experience with the drug;
- actual sales to patients may significantly differ from expectations based on sales to wholesalers; and
- uncertainty relating to when the drug may become commercially available to patients and rate of adoption in other territories.

We expect that our revenues from drug sales will continue to be based in part on estimates, judgment and accounting policies, and incorrect estimates or regulators' or others' disagreement regarding such estimates or accounting policies may result in changes to guidance, projections or previously reported results. Expected and actual product sales and quarterly and other results may greatly fluctuate, including in the near-term, and such fluctuations can adversely affect the market price of our common stock, perceptions of our ability to forecast demand and revenues, and our ability to maintain and fund our operations.

Data generated or analyzed with respect to product use in the market or required postmarketing or other studies or trials may result in decreased demand, lower sales, product recall, regulatory ac tion or litigation.

A New Drug Application, or NDA, holder (or the equivalent outside the United States) is responsible for assessing and monitoring the safety of a drug that has been approved for marketing, including reviewing reports of adverse safety events. In addition, NDA holders often conduct additional studies or trials or analyze new or previous data related to an approved drug, including with respect to required postmarketing studies and in connection with seeking additional regulatory approvals in new territories.

For example, as a condition to obtaining FDA approval of lorcaserin, the FDA required the conduct of postmarketing studies, including evaluation of the effect of long-term treatment with lorcaserin on the incidence of major adverse cardiovascular events, or MACE (non-fatal myocardial infarction, non-fatal stroke and cardiovascular death), in overweight and obese subjects with cardiovascular disease or multiple cardiovascular risk factors (otherwise known as the cardiovascular outcomes trial, or CVOT). The FDA-required portion of the trial is designed to evaluate lorcaserin's effect on the incidence of major adverse cardiovascular events compared to placebo, with a non-inferiority margin for the hazard ratio of 1.4. The trial also includes FDA-required echocardiographic assessments. Along with the FDA-required portion of the trial, we expect that the trial will include the non-FDA required evaluation of whether lorcaserin reduces the incidence of conversion to type 2 diabetes in patients without type 2 diabetes at baseline and the incidence of MACE+ (MACE or hospitalization for unstable angina or heart failure, or any coronary revascularization), both as compared to placebo. We expect that the trial (including the non-FDA required portion) will run for up to several more years, but the duration could be longer or shorter depending on the actual number of events observed. New data relating to lorcaserin, including from adverse event reports or required postmarketing, registration or other studies or trials, may result in label changes, may adversely affect sales or development, result in withdrawal of lorcaserin from the market, or result in litigation. In addition, analyses of previous data can have similar risks. We expect Eisai to continue to generate data from new studies and trials, as well as to continue analyzing existing data from previously conducted studies and trials, including for potential use in applications for the marketing approval of lorcaserin. Regulatory agencies may consider the new data or analyses in reviewing marketing applications for lorcaserin in their territories or impose post-approval requirements that require significant additional expenditures. Furthermore, the discovery of significant problems with a product or class of products similar to lorcaserin could have an adverse effect on the lorcaserin program, including commercialization.

The commercialization and continuing development of lorcaserin may be adversely impacted by cardiovascular side effects associated with drugs used for the treatment of obesity.

We developed lorcaserin to more selectively stimulate the serotonin 2C receptor than did fenfluramine or dexfenfluramine because we believe this may avoid the cardiovascular side effects associated with fenfluramine and dexfenfluramine (often used in combination with phentermine, the combination of which was commonly referred to as "fen-phen"). These two drugs were serotonin-releasing agents and non-selective serotonin receptor agonists, and were withdrawn from the market in 1997 after reported incidences of heart valve disease and pulmonary hypertension associated with their usage. In in vitro studies examining affinity, activity and serotonin receptor subtype specificity, lorcaserin demonstrated affinity for, and activity at, serotonin 2A, 2B and 2C receptors, but demonstrated greater affinity, activity and selectivity for the serotonin 2C receptor than for the serotonin 2A and 2B receptors. Activation of the latter two receptors has been associated with undesirable effects. Activation of the 2A receptor has been associated with central nervous system, or CNS, effects, including altered perception, mood and abuse potential, and activation of the 2B receptor has been associated with cardiac valvulopathy.

We may not be correct in our belief that more selectively stimulating the serotonin 2C receptor will avoid these undesired side effects, or lorcaserin's selectivity profile may not be adequate to avoid these side effects. Lorcaserin's selectivity profile and the potential relationship between the activity of lorcaserin and the activity of fenfluramine and dexfenfluramine may result in increased regulatory scrutiny of the safety of lorcaserin, may raise potential adverse publicity and may affect product sales or result in litigation.

If we license or otherwise partner our drugs, our failure to maintain such agreements or poor performance under such agreements could negatively impact our business.

Our collaborators may have primary responsibility for the regulatory approval and, ultimately, marketing and distribution of our drug candidate in the territory or territories under the applicable collaboration. We may have limited or no control over the amount and timing of resources that any of these collaborators will dedicate to such activities. This is the case with lorcaserin and our license agreement with Eisai.

When we enter collaboration agreements, we are subject to a number of other risks, including:

- our collaborators may not comply with applicable regulatory guidelines, which could adversely impact the commercialization or development of the drug candidate;
- there could be disagreements regarding the agreements or the study or development that delay or terminate the commercialization, research, study or development, delay or eliminate potential payments under the agreements or increase our costs under or outside of the agreements;
- our collaborators may not effectively allocate adequate resources or may have limited experience in a particular territory; and
- our collaborators may not perform as expected, including with regard to making any required payments, and the agreements may not provide adequate protection or may not be effectively enforced.

We or our collaborators might terminate our agreements in certain circumstances or amend the terms of our agreement, and investors and analysts may not view any termination or amendments as favorable.

We are responsible for manufacturing lorcaserin and certain other drugs. We also rely on other companies, including third-party manufacturers and sole-source suppliers, and we or such other companies may encounter failures or difficulties or not receive or provide adequate supply, which could adversely affect development or commercialization.

Our drug product manufacturing facility in Switzerland is currently the only source for finished drug product of lorcaserin.

In addition, we do not own or operate manufacturing facilities that can produce active pharmaceutical ingredient, or API, intermediates and other material required to make our drug candidates or lorcaserin. Instead, we currently contract with other companies to supply API, intermediates and other materials. Certain of these materials are available from only one or a small number of suppliers, and using a new supplier, if available, could result in substantial delay and greater cost. Our dependence on single or limited sources of materials may adversely affect our ability to develop and deliver drug products on a timely and competitive basis, or at all.

Any performance failure on the part of us or a third-party manufacturer could result in a product recall or seizure, delay or otherwise adversely affect sales of an approved product or the clinical development or regulatory approval of lorcaserin or one or more of our other drug candidates. We or third-party manufacturers may encounter difficulties involving production yields, regulatory compliance, lot release, quality control and quality assurance, as well as shortages of qualified personnel. For example, in December 2014, Eisai and we discovered that a small number of bottles of lorcaserin in a limited number of lots had a missing or incomplete label, and, as a precautionary measure, Eisai voluntarily initiated a recall from wholesalers of the involved lots for inspection.

The ability to adequately and timely manufacture and supply drug product is dependent on the uninterrupted and efficient operation of the manufacturing facilities, which is impacted by many manufacturing variables, including:

- availability or contamination of raw materials and components used in the manufacturing process, particularly those for which we have no other source or supplier;
- capacity of our facilities or those of our contract manufacturers;
- having the ability to adjust to changes in actual or anticipated use of the facility, including with respect to having sufficient capacity and a sufficient number of qualified personnel;
- facility contamination by microorganisms or viruses or cross contamination;
- compliance with regulatory requirements, including inspectional notices of violation and warning letters;
- maintenance and renewal of any required licenses or certifications;
- changes in actual or forecasted demand;
- timing and number of production runs;
- production success rates and bulk drug yields; and
- timing and outcome of product quality testing.

In addition, we or our third-party manufacturers may encounter delays and problems in manufacturing our drug candidates or drugs for a variety of reasons, including accidents during operation, failure of equipment, delays in receiving materials, natural or

other disasters, political or governmental unrest or changes, social unrest, intentional misconduct or other factors inherent in operating complex manufacturing facilities. Commercially available starting mat erials, reagents and excipients may be or become scarce or more expensive to procure, and we may not be able to obtain favorable terms in agreements with subcontractors. We or our third-party manufacturers may not be able to operate our respective manufact uring facilities in a cost-effective manner or in a time frame that is consistent with our expected future manufacturing needs. If we or our third-party manufacturers cease or interrupt production or if our third-party manufacturers and other service provi ders fail to supply materials, products or services to us for any reason, such interruption could delay progress on our programs, or interrupt the commercial supply, with the potential for additional costs and lost revenues. If this were to occur, we may a lso need to seek alternative means to fulfill our manufacturing needs.

We may not be able to enter into or maintain agreements with manufacturers whose facilities and procedures comply with applicable law. Manufacturers are subject to ongoing periodic inspection (which may be unannounced) by the FDA, the DEA, corresponding state and foreign authorities and other regulatory authorities to ensure strict compliance with Current Good Manufacturing Practices, or cGMPs, regulations and other applicable government regulations and corresponding foreign standards. We do not have control over a third-party manufacturer's compliance with these regulations and standards. In addition, we have contracted with Siegfried to provide to us certain business and technical services, including safety, health and environmental services. We are, therefore, relying at least in part on Siegfried's judgment, experience and expertise. We intend to reduce or eliminate our dependence on Siegfried for such business and technical services, and any changes may result in increased cost, additional risk or otherwise negatively impact our operations. If we or one of our manufacturers or other company in the supply chain fail to maintain compliance or otherwise experience setbacks, we or they could be subject to civil or criminal penalties, the production of one or more of our drug candidates or lorcaserin could be interrupted or suspended, or our product could be recalled or withdrawn, resulting in delays, additional costs and potentially lost revenues.

Our drug candidates are subject to extensive regulation, and we may not receive required regulatory approvals, or timely approvals, for any of our drug candidates.

Preclinical and clinical development, manufacturing, labeling, packaging, storage, recordkeeping, advertising, promotion, export, marketing and distribution, and other activities relating to developing and manufacturing drugs are subject to extensive regulation by the FDA and other regulatory agencies. We are subject to periodic inspections (which may be unannounced) by the FDA, the DEA and other regulatory agencies, including inspections at our Swiss manufacturing facility. Failure to comply with applicable regulatory requirements may, either before or after product approval, subject us to administrative or judicially imposed sanctions that may negatively impact research and development or commercialization, or otherwise negatively impact our business. Regulatory agencies have in the past inspected certain aspects of our business in the United States and Switzerland, and we were provided with observations of objectionable conditions or practices with respect to our business in the United States. There is no assurance that regulatory agencies will not provide us with observations in future inspections or that we satisfactorily addressed observations provided to us in past inspections.

Regulatory approval of a drug candidate is not guaranteed, and our business and reputation may be harmed by any failure or significant delay in receiving regulatory approval. The number and types of preclinical studies and clinical trials that will be required for FDA approval varies depending on the drug candidate, the disease or condition that the drug candidate is designed to target and the regulations applicable to any particular drug candidate. Despite the time and expense exerted in preclinical and clinical studies, failure can occur at any stage, and we could encounter problems that cause us to abandon clinical trials or to repeat or perform additional preclinical studies and clinical trials.

We cannot predict when or whether, or assure you that, our collaborators' or our past or any future regulatory submissions or responses will be sufficient to the applicable regulatory authority or others, that the applicable regulatory authority or others will consider data or our analyses, interpretations or procedures related to any of our drug candidates as sufficient or persuasive, or that any regulatory authority will ever approve any of our drug candidates in the future.

To market any drugs outside of the United States, we and our current or future collaborators must comply with numerous and varying regulatory requirements of other countries. Approval procedures vary among countries and can involve additional product testing and additional administrative review periods. The time required to obtain approval in other countries might differ from that required to obtain FDA approval. The regulatory approval process in other countries may include all of the risks associated with FDA approval as well as additional risks, some of which may be unanticipated. The approval by the FDA or any other regulatory authority does not assure or predict with any certainty that any other regulatory authority will approve the drug.

In addition, existing regulatory policies and laws may change. We cannot predict the likelihood, nature or extent of new government regulation, either in the United States or in other countries, or the impact on our drug candidates or drugs. For example, new FDA regulation could delay or prevent marketing approvals, increase the cost of research and development, and result in narrower product labeling and expensive post-marketing requirements.

Our activities and drugs will still be subject to extensive postmarketi ng regulation if approved.

Following regulatory approval of any of our drug candidates, we and our collaborators will be subject to ongoing obligations and continued regulatory review from the FDA and other applicable regulatory agencies, such as continued adverse event reporting requirements. There may also be additional postmarketing obligations imposed by the FDA or other regulatory agencies. These obligations may result in significant expense and limit the ability to commercialize such drugs.

The FDA or other regulatory agencies may also require that the sponsor of the NDA or foreign equivalent, as applicable, conduct additional clinical trials to further assess approved drugs after approval under a post-approval commitment. Such additional studies may be costly and may impact the commercialization of the drug. For example, as part of the approval of BELVIQ, the FDA required the conduct of the CVOT described above as well as postmarketing studies to assess the safety and efficacy of BELVIQ for weight management in obese pediatric and adolescent patients. Along with being costly and time consuming, a delay or unfavorable results from these trials could negatively impact market acceptance of BELVIQ; limit the revenues we generate from sales; result in BELVIQ's withdrawal from the market; negatively impact the potential approval of lorcaserin in other territories for weight management, for other indications, in combination with other agents or using different formulations; and result in litigation.

The FDA or other regulatory agencies may also impose significant restrictions on the indicated uses for which a drug may be marketed. Additionally, the FDA may require a Risk Evaluation and Mitigation Strategies, or REMS, study, including in connection with a drug's approval, to help ensure that the benefits of the drug outweigh its risks. A REMS may be required to include various elements, such as a medication guide or patient package insert, a communication plan to educate healthcare providers of the drug's risks, limitations on who may prescribe or dispense the drug, requirements that patients enroll in a registry or undergo certain health evaluations or other measures that the FDA deems necessary to ensure the safe use of the drug.

With regard to any of drug that receives regulatory approval, the labeling, packaging, adverse event reporting, storage, advertising and promotion for the drug will be subject to extensive regulatory requirements. We and the manufacturers of our products are also required to comply with cGMP regulations, which include requirements relating to quality control and quality assurance, as well as the corresponding maintenance of records and documentation. Further, regulatory agencies must approve these manufacturing facilities before they can be used to manufacture our products, and these facilities are subject to ongoing regulatory inspections. In addition, regulatory agencies subject a drug, its manufacturer and the manufacturer's facilities to continual review and inspections. The subsequent discovery of previously unknown problems with a drug, including adverse events of unanticipated severity or frequency, or problems with the facility where the drug is manufactured, may result in restrictions on the marketing of that drug, up to and including withdrawal of the drug from the market. In the United States, the DEA and comparable state-level agencies also heavily regulate the manufacturing, holding, processing, security, recordkeeping and distribution of drugs that are considered controlled substances, and the DEA periodically inspects facilities for compliance with its rules and regulations.

Our ability to generate revenues from any of our drugs that receive regulatory approval will be subject to a variety of risks, many of which are out of our control.

Any drug that may be approved for marketing may not gain market acceptance among patients, healthcare providers, healthcare payers or the medical community. We believe that the degree of market acceptance and our ability to generate revenues from such products will depend on a number of factors, including:

- timing of market introduction of our drugs and competitive drugs and alternative treatments;
- actual and perceived efficacy and safety of our drugs;
- incidence and severity of any side effects;
- potential or perceived advantages or disadvantages as compared to alternative treatments;
- effectiveness of sales, marketing and distribution support;
- price of our future products, both in absolute terms and relative to alternative treatments;
- the general marketplace for the particular drug;
- the effect of current and future healthcare laws on our drug candidates;
- availability of coverage and adequate reimbursement from government and other third-party payers; and
- product labeling or product insert requirements of the FDA or other regulatory authorities.

If our approved drugs fail to achieve market acceptance, we may not be able to generate significant revenues to be profitable.

Collaboration relationships may lead to disputes and delays in drug development an d commercialization, and we may not realize the full commercial potential of our drug candidates or drugs.

We may have conflicts with our prospective, current or past collaborators, such as conflicts concerning rights and obligations under our agreements, the interpretation of preclinical or clinical data, the achievement of milestone or other payments, the ownership of intellectual property, or research and development, regulatory, commercialization or other strategy. Collaborators may stop supporting our drug candidates or drugs, including if they no longer view the program as in their best financial or other interests or they develop or obtain rights to competing drug candidates or drugs. In addition, collaborators may fail to effectively develop, obtain approval for or commercialize our drugs, which may result in us not realizing their full commercial potential. If any conflicts arise with any of our current, past or prospective collaborators, the other party may act in a manner that is adverse to our interests. Any such disagreement could result in one or more of the following, each of which could delay, or lead to termination of, development or commercialization of our drug candidates or drugs, and in turn prevent us from generating revenues:

- unwillingness on the part of a collaborator to pay for studies or other research, milestones, royalties or other payments that we believe are due to us under a collaboration;
- uncertainty regarding ownership of intellectual property rights arising from our collaboration activities, which could prevent us from entering into additional collaborations;
- unwillingness on the part of a collaborator to keep us informed regarding the progress of its development, regulatory, commercialization, pharmacovigilance or other activities or to permit public disclosure of the results of those activities;
- slowing or cessation of a collaborator's research, development, regulatory or commercialization efforts with respect to our drug candidates or drugs; or
- litigation or arbitration.

We have obtained orphan drug designation from the FDA for ralinepag for the treatment of PAH, but we may be unable to maintain the benefits associated with orphan drug designation, including the potential for market exclusivity.

Under the Orphan Drug Act, the FDA may grant orphan drug designation to a drug intended to treat a rare disease or condition, which is defined as one occurring in a patient population of fewer than 200,000 in the United States, or a patient population greater than 200,000 in the United States where there is no reasonable expectation that the cost of developing the drug will be recovered from sales in the United States. In the United States, orphan drug designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages and user-fee waivers. In addition, if a drug that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the drug is entitled to orphan drug exclusivity, which means that the FDA may not approve any other applications to market the same drug for the same indication for seven years, except in limited circumstances, such as a showing of clinical superiority to the drug with orphan drug exclusivity or where the manufacturer is unable to assure sufficient drug quantity.

Even though ralinepag has been granted orphan drug status for the treatment of PAH, exclusive marketing rights in the United States may be limited if we seek approval for an indication broader than the orphan-designated indication or may be lost if the FDA later determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantities of the drug to meet the needs of patients with the rare disease or condition. Further, even if we obtain orphan drug exclusivity for a drug, that exclusivity may not effectively protect the drug from competition because different drugs with different active moieties (which is the molecule or ion responsible for the action of the drug substance) can be approved for the same condition. Even after an orphan drug is approved, the FDA can subsequently approve the same drug with the same active moiety for the same condition if the FDA concludes that the later drug is safer, more effective, or makes a major contribution to patient care. Orphan drug designation neither shortens the development time or regulatory review time of a drug nor gives the drug any advantage in the regulatory review or approval process.

Setbacks and consolidation in the pharmaceutical and biotechnology industries could make entering into agreements with pharmaceutical companies to collaborate or commercialize our drugs more difficult and diminish our revenues.

Setbacks in the pharmaceutical and biotechnology industries, such as those caused by safety concerns relating to drugs or drug candidates, as well as competition from generic drugs, litigation and industry consolidation, may have an adverse effect on us, including by making it more difficult to enter into agreements with pharmaceutical companies to collaborate or commercialize our drugs and diminishing our revenues. For example, the FDA may be more cautious in approving our drug candidates based on safety concerns relating to these or other drugs or drug candidates, or pharmaceutical companies may be less willing to enter into new collaborations or continue existing collaborations if they are integrating a new operation as a result of a merger or acquisition or if their therapeutic areas of focus change following a merger.

We and our collaborators may from time to time rely on third parties to conduct clinical trials and preclinical studies. If those parties do not comply with regulatory and contractual requirements, success fully carry out their contractual obligations or meet expected deadlines, our drug candidates may not advance in a timely manner or at all.

In the course of our discovery, preclinical testing and clinical trials, we and our collaborators may from time to time rely on third parties, including laboratories, investigators, clinical research organizations and manufacturers, to perform critical services. For example, we rely on third parties to conduct our clinical trials and many of our preclinical studies. Clinical research organizations are responsible for many aspects of the trials, including finding and enrolling subjects for testing and administering the trials. Although we rely on these third parties to conduct our clinical trials, we are responsible for ensuring that each of our clinical trials is conducted in accordance with its investigational plan and protocol. Moreover, the FDA and foreign regulatory authorities require us to comply with regulations and standards, commonly referred to as Good Clinical Practices, or GCPs, for conducting, monitoring, recording and reporting the results of clinical trials to ensure that the data and results are scientifically credible and accurate and that the trial subjects are adequately informed of the potential risks of participating in clinical trials. Our reliance on third parties does not relieve us of these responsibilities and requirements. These third parties may not be available when we need them or, if they are available, may not comply with all regulatory and contractual requirements or may not otherwise perform their services in a timely or acceptable manner, and we may need to enter into new arrangements with alternative third parties and our preclinical studies or clinical trials may be extended, delayed or terminated. These independent third parties may also have relationships with other commercial entities, some of which may compete with us. In addition, if such third parties fail to perform their obligations in compliance with regulatory requirements and our protocols, our preclinical studies or clinical trials may not meet regulatory requirements or may need to be repeated. As a result of our dependence on third parties, we may face delays or failures outside of our direct control. These risks also apply to the development activities of collaborators, and we do not control their research and development, clinical trial or regulatory activities.

We may participate in new strategic transactions that could impact our liquidity, increase our expenses, present significant distractions to our management and be viewed as unfavorable.

From time to time we consider strategic transactions, such as out-licensing or in-licensing of compounds or technologies, acquisitions of companies and asset purchases. Additional potential transactions we may consider include a variety of different business arrangements, such as strategic collaborations, joint ventures, spin-offs, restructurings, divestitures, business combinations and investments. In addition, another entity may pursue us as an acquisition target. Any such transaction may be viewed as unfavorable by our stockholders or others and may require us to incur non-recurring or other charges, may create potential liabilities, may increase our near- and long-term expenditures and may pose significant integration challenges, require additional expertise or disrupt our management or business, which could harm our operations and financial results.

As part of an effort to enter into significant transactions, we conduct business, legal and financial due diligence with the goal of identifying and evaluating material risks involved in the transaction. Despite our efforts, we ultimately may be unsuccessful in ascertaining or evaluating all such risks and, as a result, might not realize the intended advantages of the transaction. If we fail to realize the expected benefits from any transaction we may consummate, whether as a result of unidentified risks, integration difficulties, regulatory setbacks or other events, our business, results of operations and financial condition could be adversely affected.

We may incur substantial liabilities for any product liability claims or otherwise as a drug product manufacturer.

We develop, test, manufacture and expect to commercialize drugs for use by humans. We face an inherent risk of product liability exposure related to the testing of our drug candidates in clinical trials, and face an even greater risk with the commercialization of lorcaserin as well as any other drug that may be approved for marketing. In addition, under our agreement with Eisai, Arena GmbH and Eisai will, for a limited period of time, in general share equally in losses resulting from third-party product liability claims relating to lorcaserin, with certain limited exceptions.

Whether or not we are ultimately successful in any product liability or related litigation, such litigation would consume substantial amounts of our financial and managerial resources, and might result in adverse publicity, all of which would impair our business. In addition, damages awarded in a product liability action could be substantial and could have a negative impact on our financial condition.

An individual may bring a liability claim against us if one of our drugs or drug candidates causes, or merely appears to have caused, an injury. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for our drug;
- injury to our reputation;
- increased difficulty to attract, or withdrawal of, clinical trial subjects;

- costs of related litigation;
- substantial monetary awards to subjects or other claimants;
- loss of revenues; and
- the inability to commercialize our drug candidates.

We will have limited product liability insurance that covers our clinical trials and products. We may not be able to maintain or obtain insurance coverage at a reasonable cost, and we may not have insurance coverage that will be adequate to satisfy any liability that may arise, which could have an adverse effect on our results of operations and financial condition.

We expect that Arena GmbH will, from time to time, manufacture BELVIQ for commercialization and lorcaserin and other drug candidates for clinical trials or other studies and potentially commercialization. Arena GmbH will also, from time to time, manufacture certain drug products for other companies. Arena GmbH is subject to liability for non-performance, product recalls and breaches of the agreements with our collaborators and other third parties.

We have significant contractual obligations, which may adversely affect our cash flow, cash position and stock price.

We have long-term leases on real properties and other contractual obligations. If we are unable to generate cash from operations sufficient to meet our financial obligations, we will need to obtain additional funds from other sources, which may include one or more financings. However, we may be unable to obtain sufficient additional funds when we need them on favorable terms or at all. The sale of equity or convertible debt securities or other financing transaction in the future may be dilutive to our stockholders, and some financing arrangements may require us to enter into covenants that would further restrict certain business activities or our ability to incur additional indebtedness or conduct other financing transactions, and may contain other terms that are not favorable to our stockholders or us.

Also, if we are unable to generate cash from operations or obtain additional funds from other sources sufficient to meet our contractual obligations, or we need to use existing cash to fund our contractual obligations, we may have to delay or curtail some or all of our development and commercialization programs, sell or license some or all of our assets on terms that you or others may view as unfavorable, or default under our agreements. Our contractual obligations could have significant additional negative consequences, including, without limitation:

- increasing our vulnerability to general adverse economic conditions;
- limiting our ability to obtain additional funds;
- placing us at a possible competitive disadvantage to less leveraged competitors and competitors that have better access to capital resources; and
- litigation or other disagreements.

We may be subject, directly or indirectly, to federal and state healthcare laws, including but not limited to fraud and abuse and false claims laws. If we are unable to comply, or have not fully complied, with such laws, we could face substantial penalties and prosecution.

In the United States, drug manufacturers and marketers are subject to various state and federal fraud and abuse laws, including, without limitation, the Federal Anti-Kickback Statute and Federal False Claims Act. There are similar laws in other countries. These laws may impact, among other things, the research, manufacturing, sales, marketing and education programs for our drugs.

The Federal Anti-Kickback Statute prohibits persons and entities from knowingly and willingly soliciting, offering, receiving or providing any remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual, or the purchase, lease, order or the furnishing or arranging for, a good, item, facility or service, for which payment may be made, in whole or in part, under a federal healthcare program such as the Medicare and Medicaid programs. Several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the statute has been violated. The Federal Anti-Kickback Statute is broad and, despite a series of narrow statutory exceptions and regulatory safe harbors, prohibits many arrangements and practices that are lawful in businesses outside of the healthcare industry. Moreover, the ACA, among other things, amended the intent requirement of the Federal Anti-Kickback Statute and certain criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of these statutes or specific intent to violate them. The ACA also provides that the government may assert that a claim including items or services resulting from a violation of the Federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the Federal Civil False Claims

Act. Many states have also adopted laws similar to the Federal Anti-Kickback Statute, some of which apply to the referral of patients for healthcare items or services reimbursed by any source, not only the Medicare and Medicaid programs.

The Federal Civil False Claims Act prohibits, among other things, persons or entities from knowingly presenting, or causing to be presented, a false claim to, or the knowing use of false statements to obtain payment from the federal government. Suits filed under the Federal Civil False Claims Act can be brought by any individual on behalf of the government, known as "qui tam" actions, and such individuals, commonly known as "whistleblowers," may share in any amounts paid by the entity to the government in fines or settlement. The filing of qui tam actions has caused a number of pharmaceutical, medical device and other healthcare companies to have to defend a Federal Civil False Claims Act action. When an entity is determined to have violated the Federal Civil False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties for each separate false claim, in addition to other penalties that may apply. Various states have also enacted laws modeled after the Federal Civil False Claims Act, some of which are broader in scope and may apply regardless of payer.

The Federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, created federal criminal statutes that prohibit, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payers, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Additionally, the civil monetary penalties statute imposes penalties against any person or entity that, among other things, is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent.

The Federal Physician Payment Sunshine Act, created under the ACA, and its implementing regulations requires certain manufacturers of drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to report annually to the US Department of Health and Human Services, or HHS, information related to payments or other transfers of value made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members.

We may be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their respective implementing regulations, impose specified requirements relating to the privacy, security and transmission of individually identifiable health information.

Additionally, the Drug Supply Chain Security Act imposes obligations on manufacturers of pharmaceutical products, among others, related to product tracking and tracing. Among the requirements, manufacturers will be required to provide certain information regarding the drug product to individuals and entities to which product ownership is transferred, label drug product with a product identifier, and keep certain records regarding the drug product. The transfer of information to subsequent product owners by manufacturers will eventually be required to be done electronically. Manufacturers will also be required to verify that purchasers of the manufacturers' products are appropriately licensed. Further, manufacturers will have drug product investigation, quarantine, disposition, and notification responsibilities related to counterfeit, diverted, stolen, and intentionally adulterated products, as well as products that are the subject of fraudulent transactions or which are otherwise unfit for distribution such that they would be reasonably likely to result in serious health consequences or death.

We are unable to predict whether we could be subject to actions under any of these fraud and abuse or other laws, or the impact of such actions. If we are found to be in violation of any of the laws described above and other applicable state and federal fraud and abuse laws, we may be subject to penalties, including civil, criminal and/or administrative penalties, damages, fines, individual imprisonment, disgorgement, possible exclusion from government healthcare reimbursement programs and the curtailment or restructuring of our operations, all of which could have a material adverse effect on our business and results of operations.

We may not be able to effectively integrate, manage or maintain our international operations, and such difficulty could adversely affect our business operations, financial condition, results of operations and stock price.

The headquarters of our operations outside of the United States is in Switzerland. Activities conducted in Switzerland include clinical operations and regulatory, manufacturing, quality control, quality assurance, development of manufacturing processes, qualifying suppliers and otherwise managing aspects of the supply chain, regulatory compliance, distribution of finished products, alliance management, and strategic planning and development. We also have drug candidates in clinical trials outside of the United States. There are significant risks associated with foreign operations, including, but not limited to, compliance with local laws and regulations, the protection of our intellectual property, the ability to integrate our corporate culture with local customs and cultures, the distraction to our management, foreign currency exchange rates and the impact of shifts in the United States and local economies on

those rates, and integration of our policies and procedures, including disclosure controls and procedures and internal control over financial reporting, with our international operations.

With respect to local laws and regulations, the European Union, Switzerland and certain other foreign territories have restrictions on the transfer, use and maintenance of certain personal data, including providing that transfers of personal data outside of their territories may only take place if the country to which the personal data is transferred ensures an "adequate" level of privacy protection. The European Commission has previously found that the United States did not provide adequate levels of protection. Any restrictions on our data transfers may negatively impact our ability and increase our costs to maintain international operations, including our Swiss manufacturing facility and clinical trials and other studies.

In October 2015 and July 2016, we initiated measures to reduce our expenditures and streamline our operations in Switzerland, including changes with respect to the staffing, process, procedures and strategy relating our Swiss manufacturing facility and our ongoing Phase 2 clinical trials. These staffing and other changes may increase risks related to our international operations as well as our operations in general.

We use biological materials, hazardous materials, chemicals and radioactive compounds.

Our activities involve the use of potentially harmful biological materials, as well as materials, chemicals and various radioactive compounds that could be hazardous to human health and safety or the environment. These materials and various wastes resulting from their use are stored at our facility pending ultimate use and disposal. We cannot completely eliminate the risk of contamination, which could cause:

- interruption of our development or manufacturing efforts;
- injury to our employees and others;
- environmental damage resulting in costly clean up; and
- liabilities under domestic or foreign laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products.

In such an event, we may be held liable for any resulting damages, and any such liability could exceed our resources. Although we carry insurance in amounts and type that we consider commercially reasonable, we cannot be certain that the coverage or coverage limits of our insurance policies will be adequate, and we do not have insurance coverage for losses relating to an interruption of our research and development efforts caused by contamination.

Our business and operations might be adversely affected by business disruptions and security breaches, including any cybersecurity incidents.

Our US operations are located in a business park in San Diego, and our clinical operations outside the US are located in single building in Zug, Switzerland. We also have a drug product manufacturing facility in Zofingen, Switzerland, and we expect that, at least for the near-term, this facility will be the sole location for the manufacturing of lorcaserin finished drug product. We depend on our facilities and on collaborators, contractors and vendors for the continued operation of our business, some of whom are located in Europe and Asia. Natural disasters or other catastrophic events, including interruptions in the supply of natural resources, political and governmental changes, disruption in transportation networks or delivery services, severe weather conditions, wildfires and other fires, explosions, actions of animal rights activists, terrorist attacks, earthquakes and wars could disrupt our operations or those of our collaborators, contractors and vendors.

We depend on the efficient and uninterrupted operation of our computer and communications systems, which we use for, among other things, sensitive company data, including our financial data, intellectual property and other proprietary business information.

While certain of our operations have business continuity and disaster recovery plans and other security measures intended to prevent and minimize the impact of IT-related interruptions, our IT infrastructure and the IT infrastructure of our current and any future collaborators, contractors and vendors are vulnerable to damage from cyberattacks, computer viruses, unauthorized access, electrical failures and natural disasters or other catastrophic events. We could experience failures in our information systems and computer servers, which could result in an interruption of our normal business operations and require substantial expenditure of financial and administrative resources to remedy. System failures, accidents or security breaches can cause interruptions in our operations and can result in a material disruption of our research and development programs, manufacturing or commercialization activities and other business operations. The loss of data from completed or future studies or clinical trials could result in delays in our research, development or regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Similarly, we rely on third parties to supply materials for the manufacture of our drug candidates and lorcaserin, conduct studies and clinical

trials of our drug candidates and warehouse, market and distribute lorcaserin, and similar events relating to their computer systems could also have a material adverse effect on our business. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inapp ropriate disclosure of confidential or proprietary information, we could incur liabilities and the development of any of our other drug candidates and the commercialization of drugs could be delayed or otherwise adversely affected.

Even though we believe we carry commercially reasonable business interruption and liability insurance, and our contractors may carry liability insurance that protect us in certain events, we might suffer losses as a result of business interruptions that exceed the coverage available under our and our contractors' insurance policies or for which we or our contractors do not have coverage. For example, we are not insured against a terrorist attack. Any natural disaster or catastrophic event could have a significant negative impact on our operations and financial results. Moreover, any such event could delay our research and development programs and adversely affect, which may include stopping, our commercial production.

We and certain of our current and former employees and directors have been named as defendants in litigation that could result in substantial costs and divert management's attention.

Beginning in September 2010, a number of lawsuits were filed against us and certain of our employees and directors on behalf of certain purchasers of our common stock. The lawsuits in general include allegations that we and certain of our employees and directors violated laws by making materially false and misleading statements regarding our BELVIQ trials, thereby artificially inflating the price of our common stock. The plaintiffs are seeking unspecified monetary damages and other relief.

There is no guarantee that we will be successful in defending these lawsuits. Also, our insurance coverage may be insufficient, our assets may be insufficient to cover any amounts that exceed our insurance coverage, and we may have to pay damage awards or otherwise may enter into settlement arrangements in connection with such claims. A settlement of any of these lawsuits could involve the issuance of common stock or other equity, which may dilute your ownership interest. Any payments or settlement arrangements could have material adverse effects on our business, operating results, financial condition or your ownership interest. Even if the plaintiffs' claims are not successful, this litigation could result in substantial costs and significantly and adversely impact our reputation and divert management's attention and resources, which could have a material adverse effect on our business, operating results or financial condition. In addition, such lawsuits may make it more difficult to finance our operations, obtain certain types of insurance (including directors' and officers' liability insurance), and attract and retain qualified executive officers, other employees and directors.

Our executive officers and directors may sell shares of their stock, and these sales could adversely affect our stock price.

Sales of our stock by our executive officers and directors, or the perception that such sales may occur, could adversely affect the market price of our stock. Our executive officers and directors may sell stock in the future, either as part, or outside, of trading plans under Rule 10b5-1 of the US Securities and Exchange Commission, or SEC.

Negative US and global economic conditions may pose challenges to our business strategy, which relies on funding from collaborators or the financial markets, and creates other financial risks for us.

Negative conditions in the US or global economy, including financial markets, may adversely affect our business and the business of our current and prospective collaborators, distributors and licensees, which we sometimes refer to generally as our collaborators, and others with which we do or may conduct business. The duration and severity of these conditions is uncertain. If negative economic conditions persist or worsen, we may be unable to secure funding to sustain our operations or to find suitable collaborators to advance our internal programs, even if we achieve positive results from our research and development or business development efforts. Such negative conditions could also impact commercialization of BELVIQ or any other drugs we develop as well as our financial condition.

From time to time, we may maintain a portfolio of investments in marketable debt securities, which are recorded at fair value. Although we have established investment guidelines relative to diversification and maturity with the objectives of maintaining safety of principal and liquidity, we rely on credit rating agencies to help evaluate the riskiness of investments, and such agencies may not accurately predict such risk. In addition, such agencies may reduce the credit quality of our individual holdings, which could adversely affect their value. Lower credit quality and other market events, such as changes in interest rates and further deterioration in the credit markets, may have an adverse effect on the fair value of our investment holdings and cash position.

Currency fluctuations may negatively affect o ur financial condition.

We primarily spend and generate cash in US dollars, and present our consolidated financial statements in US dollars. However, a portion of our expected and potential payments and receipts under our agreements are in foreign currencies, including Swiss francs. For example, payments and receipts under our agreements with Siegfried are required to be paid in Swiss francs. A fluctuation of the exchange rates of foreign currencies versus the US dollar may, thus, adversely affect our financial results, including cash balances, expenses and revenues. We may in the future enter into hedging transactions to try to reduce our foreign currency exposure, but there is no assurance that such transactions will occur or be successful.

Laws, rules and regulations relating to public companies may be costly and impact our ability to attract and retain directors and executive officers; our disclosure controls and procedures and our internal control over financial reporting may not prevent potential errors and fraud.

Laws and regulations affecting public companies, including rules adopted by the SEC and by NASDAQ, as well as the laws and regulations of foreign governments, may result in increased costs to us, particularly as we continue to develop the required capabilities in the United States and abroad to commercialize our products. These laws, rules and regulations could make it more difficult or costly for us to obtain certain types of insurance, including directors' and officers' liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on our board committees or as executive officers. We cannot estimate accurately the amount or timing of additional costs we may incur to respond to these laws, rules and regulations.

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all potential errors and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There are inherent limitations in all control systems, and no system of controls can provide absolute assurance that all control issues and instances of fraud, if any, or misstatements due to error, if any, within the company have been detected. While we believe that our disclosure controls and procedures and internal control over financial reporting are and have been effective at the reasonable assurance level, we intend to continue to examine and refine our disclosure controls and procedures and internal control over financial reporting and to monitor ongoing developments in these areas.

Risks Relating to Our Intellectual Property

Our success is dependent on intellectual property rights held by us and third parties and our interest in these rights is complex and uncertain.

Our success will depend on our own and on current or future collaborators' abilities to obtain, maintain and defend patents. In particular, the patents directed to our drug candidates and drugs are important to developing and commercializing drugs and our revenue. We have numerous US and foreign patents issued and patent applications pending for our technologies. There is no assurance that any of our patent applications will issue, or that any of the patents will be enforceable or will cover a drug or other commercially significant technology or method, or that the patents will be held to be valid for their expected terms.

The procedures for obtaining a patent are complex. These procedures require an analysis of the scientific technology related to the invention and many sophisticated legal issues. Obtaining patent rights outside the United States often requires the translation of highly technical documents and an improper translation may jeopardize our patent protection. Ensuring adequate quality of translators and foreign patent attorneys is often very challenging. Consequently, the process for having our pending patent applications issue as patents will be difficult, complex and time consuming. Our patent position is very uncertain and we do not know when, or if, we will obtain additional patents, or if the scope of the patents obtained will be sufficient to protect our drugs, or be considered sufficient by parties reviewing our patent positions pursuant to a potential marketing, licensing or financing transaction.

In addition, other entities may challenge the validity or enforceability of our patents in litigation or administrative proceedings. We cannot make assurances as to how much protection, if any, our patents will provide if we attempt to enforce them or they are challenged. It is possible that a competitor or a generic pharmaceutical provider may successfully challenge our patents and those challenges may result in reduction or elimination of our patent coverage.

We also rely on confidentiality agreements and trade secrets to protect our technologies. However, such information is difficult to protect. We require our employees to contractually agree not to improperly use our confidential information or disclose it to others, but we may be unable to determine if our employees have conformed or will conform to their legal obligations under these agreements. We also enter into confidentiality agreements with prospective collaborators, collaborators, service providers and consultants, but we may not be able to adequately protect our trade secrets or other proprietary information in the event of any unauthorized use or disclosure or the lawful development by others of this information. Many of our employees and consultants were, and many of them may currently be, parties to confidentiality agreements with other pharmaceutical and biotechnology companies,

and the use of our technologies could violate these agreements. In addition, third parties may indep endently discover our trade secrets or other proprietary information.

Some of our research and development collaborators and scientific consultants have rights to publish data and information to which we have rights. We generally seek to prevent our collaborators and consultants from disclosing scientific discoveries before we have the opportunity to file patent applications on such discoveries. In some of our collaborations, we do not control our collaborators' ability to disclose their own discoveries under the collaboration and in some of our academic relationships we are limited to relatively short periods to review a proposed publication and file a patent application. If we cannot maintain confidentiality in connection with our collaborations and relationships, our ability to receive patent protection or protect our proprietary information will be impaired.

We believe that the United States is by far the largest single market for pharmaceuticals in the world. Because of the critical nature of patent rights to our industry, changes in US patent laws could have a profound effect on our future profits, if any. It is unknown which, if any, patent laws will change, how changes to the patent laws will ultimately be enforced by the courts and the impact on our business.

A dispute regarding the infringement or misappropriation of our proprietary rights or the proprietary rights of others could be costly and result in delays or termination of our future research, development, manufacturing and sales activities.

Our commercial success depends upon our ability to develop and manufacture our drugs and drug candidates, market and sell drugs, and conduct our research and development activities without infringing or misappropriating the proprietary rights of others. There are many issued patents and pending patent applications owned by others relating to research and development programs that could be determined to be similar, identical or superior to ours or our licensors or collaborators. We may be exposed to future litigation by others based on claims that our drugs, drug candidates, technologies or activities infringe the intellectual property rights of others. Numerous issued patents and pending patent applications owned by others exist in the areas of our research and development, including some which purport to allow the patent holder to control the use of all drugs that modulate a particular drug target regardless of whether the infringing drug bears any structural resemblance to a chemical compound known to the patent holder at the time of patent filing. Numerous issued patents and pending patent applications owned by others also exist in the therapeutic areas in which we are developing drugs. There are also numerous issued patents and pending patent applications owned by others that are directed to chemical compounds or synthetic processes that may be necessary or useful to use in our research, development, manufacturing or commercialization activities. These could materially affect our ability to develop our drug candidates or manufacture, import or sell drugs, and our activities, or those of our licensors or collaborators, could be determined to infringe these patents. Because patent applications can take many years to issue, there may be currently pending applications, unknown to us, which may later result in issued patents that our drugs, drug candidates or technologies may infringe. There also may be existing patents owned by others, of which we are not aware, that our drug candidates or technologies may infringe. Further, there may be issued patents or pending patent applications owned by others in fields relevant to our business, of which we are or may become aware, that we believe (i) are invalid, unenforceable, or we do not infringe; (ii) relate to immaterial portions of our overall research and development, manufacturing and commercialization efforts; or (iii) in the case of pending patent applications, the resulting patent would not be granted or, if granted, would not likely be enforced in a manner that would materially impact such efforts. We cannot assure you that others holding any of these patents or patent applications will not assert infringement claims against us and seek damages or enjoinment of our activities. We also cannot assure you that, in the event of litigation, we will be able to successfully assert non-infringement, unenforceability, invalidity or immateriality, or that any infringement claims will be resolved in our favor.

In addition, others may infringe or misappropriate our proprietary rights. We may have to institute costly legal action to protect our intellectual property rights, or may not be able to afford the costs of enforcing or defending our intellectual property rights.

There could be significant litigation and other administrative proceedings in our industry that affect us regarding patent and other intellectual property rights. Any legal action or administrative action against us, or our collaborators, claiming damages or seeking to enjoin commercial activities relating to our research and development, manufacturing and commercialization activities could:

- require us, or our collaborators, to obtain a license which may not be available on commercially reasonable terms, if at all;
- prevent us from importing, making, using, selling or offering to sell the subject matter claimed in patents held by others and subject us to potential liability for damages;
- consume a substantial portion of our managerial, scientific and financial resources; or
- be costly, regardless of the outcome.

Furthermore, because of the substantial amount of pre-trial document and witness discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised. In addition, during the

course of intellectual property litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substanti al adverse effect on the trading price of our common stock.

We are aware of third-party patents, as well as third-party patent applications, that could adversely affect the potential commercialization of etrasimod. For example, we are aware of a third-party patent, as well as third-party patent applications, with broad claims to administering an S1P modulators by starting with a lower dose and then increasing to a higher, standard daily dose. While we do not believe that any such claims that would cover the potential commercialization of etrasimod are valid and enforceable, we may be incorrect in this belief. In addition, other patents may issue from third-party patent applications with respect to certain dosing regimens, which could also adversely affect the potential commercialization of etrasimod, if etrasimod is approved with a specific dosing regimen.

We have been contacted from time to time by third parties regarding their intellectual property rights, sometimes asserting that we may need a license to use their technologies. For example, a third party has communicated that it believes its issued US patents (one of which has subsequently expired) include patent claims that cover lorcaserin or its use. If we fail to obtain any required licenses or make any necessary changes to our technologies, we may become involved in expensive and time-consuming litigation or we may be unable to develop or commercialize some or all of our drugs or drug candidates.

We and Eisai have filed a patent infringement lawsuit against an ANDA filer relating to a "Paragraph IV certification." While we intend to vigorously enforce our intellectual property rights relating to lorcaserin, we cannot predict the outcome of any litigation matter. For example, our existing patents could be invalidated, found unenforceable or found not to cover a generic form of lorcaserin. If an ANDA filer were to prevail in patent litigation and/or receive approval to sell a generic version of lorcaserin, lorcaserin would become subject to increased competition and our revenue would be adversely affected.

We cannot protect our intellectual property rights throughout the world.

Filing, prosecuting, defending and enforcing patents on all of our drug candidates throughout the world would be prohibitively expensive. The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States, and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. Many countries, including certain countries in Europe, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties (for example, the patent owner has failed to "work" the invention in that country or the third party has patented improvements). In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of the patent. Compulsory licensing of life-saving drugs is also becoming increasingly popular in developing countries either through direct legislation or international initiatives. Such compulsory licenses could be extended to include some of our drug candidates, which could limit our potential revenue opportunities. Moreover, the legal systems of certain countries, particularly certain developing countries, do not favor the aggressive enforcement of patents and other intellectual property protection, particularly those relating to pharmaceuticals, which makes it difficult for us to stop the infringement of our patents. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

Risks Relating to Our Securities

Our stock price will likely be volatile, and your investment in our stock could decline in value.

Our stock price has fluctuated historically. From January 1, 2015, to March 10, 2017, the market price of our stock was as low as $1.30 per share and as high as $6.28 per share.

Very few drug candidates being tested will ultimately receive regulatory approval, and companies in our industry sometimes experience significant volatility in their stock price. Our stock price may fluctuate significantly depending on a variety of factors, including:

- regulatory actions or decisions or legislation affecting drugs or drug candidates, including ours and those of our competitors;
- the commercial availability and success or failure of any of our drug candidates or lorcaserin;
- the development and implementation of our continuing development and research plans, including outcome studies for lorcaserin;
- the entrance into, or failure to enter into, a new collaboration or the modification or termination of an existing collaboration or other material transaction;

- the timing and receipt by us of milestone and other payments or failing to achieve and receive the same;
- fluctuation in prescriptions, sales or financial results (including with respect to revenue recognition) or inaccurate sales or cash forecasting;
- accounting restatements and changes;
- supply chain or manufacturing issues;
- discussions or recommendations affecting our drugs or drug candidates by FDA advisory committees or other reviewers of preclinical or clinical data or other information related to lorcaserin, drug candidates or other drugs;
- results or decisions affecting the development or commercialization of any of our drug candidates or lorcaserin, including the results of studies, trials and other analyses;
- the timing of the development of our drug candidates;
- changes in our research and development budget or the research and development budgets of our existing or potential collaborators;
- the introduction, development or withdrawal of drug candidates or drugs by others that target the same diseases and conditions that we or our collaborators target or the introduction of new drug discovery techniques;
- the success, failure or setbacks of our or a perceived competitor's drugs or drug candidates;
- expenses related to, and the results of, litigation, other disputes and other proceedings;
- financing strategy or decisions;
- the allocation of our resources;
- our ability, or the perception by investors of our ability, to continue to meet all applicable requirements for continued listing of our common stock on The NASDAQ Stock Market, and the possible delisting of our common stock if we are unable to do so;
- developments in intellectual property rights or related announcements; and
- capital market conditions.

We are not able to control many of these factors. If our financial or scientific results in a particular period do not meet stockholders' or analysts' expectations, our stock price may decline and such decline could be significant.

We may be unable to comply with the applicable continued listing requirements of the NASDAQ Global Select Market .

Our common stock is currently listed on the NASDAQ Global Select Market, or NASDAQ. In order to maintain this listing, we must satisfy minimum financial and other continued listing requirements and standards, including a minimum closing bid price requirement for our common stock of $1.00 per share. There can be no assurance that we will be able to comply with the applicable listing standards. For example, if we were to fail to meet the minimum bid price requirement for 30 consecutive business days, we could become subject to delisting. Although NASDAQ may provide us with a compliance period in which to regain compliance with the minimum bid price requirement, we cannot assure you that we would be able to regain compliance within the period provided by NASDAQ. In order to regain compliance with such requirement, the closing bid price of our common stock would need to meet or exceed $1.00 per share for at least 10 consecutive business days during the compliance period. If we were not able to regain compliance within the allotted compliance period for this requirement or any other applicable listing standard, including any extensions that may be granted by NASDAQ, our shares of common stock would be subject to delisting. In the event that our common stock is delisted from NASDAQ and is not eligible for quotation or listing on another market or exchange, trading of our common stock could be conducted only in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such event, it could become more difficult to dispose of, or obtain accurate price quotations for, our common stock, and there would likely also be a reduction in our coverage by securities analysts and the news media, which could cause the price of our common stock to decline further.

Any future equity or debt issuances or other financing transactions may have dilutive or adverse effects on our existing stockholders.

We have been opportunistic in our efforts to obtain cash, and we expect to continue to evaluate various funding alternatives from time to time. We have primarily financed our operations, and we may continue to finance our operations, by issuing and selling our common stock or securities convertible into or exercisable for shares of our common stock. We may issue additional shares of

common stock or conv ertible securities that could dilute your ownership in our company and may include terms that give new investors rights that are superior to yours. We have an effective registration statement to sell shares of our common stock and certain other securities, and we may elect to sell shares pursuant to such registration from time to time, including pursuant to an Equity Distribution Agreement that we put in place in January 2017 with Citigroup Global Markets Inc. Through March 13, 2017, we had sold 2,017,301 s hares for aggregate gross proceeds of $3.2 million under the Equity Distribution Agreement, which permits total sales of up to $50.0 million in the aggregate.

Moreover, any issuances by us of equity securities may be at or below the prevailing market price of our common stock and in any event may have a dilutive impact on your ownership interest, which could cause the market price of our common stock to decline. In addition, we may also raise additional funds through the incurrence of debt or other financing transaction, and the investors may have rights superior to your rights in the event we are not successful and are forced to seek the protection of bankruptcy laws or the transaction may otherwise adversely affect our business prospects and existing stockholders.

There are a substantial number of shares of our common stock that may become eligible for future sale in the public market, and the sale of our common stock could cause the market price of our common stock to fall.

As of March 10, 2017, there were (i) options to purchase 36,585,754 shares of our common stock outstanding under our equity incentive plans at a weighted-average exercise price of $2.33 per share, (ii) 502,974 restricted stock unit awards outstanding under our equity incentive plans, (iii) performance restricted stock unit awards outstanding under our equity incentive plans targeted at 358,194 shares (however, the actual number of shares that may be awarded ranges from 0% to 200% of such amount), (iv) 7,345,674 additional shares of common stock remaining issuable under our 2013 Long-Term Incentive Plan, as amended, and our 2009 Employee Stock Purchase Plan, as amended, and (v) 62,501 shares of common stock remaining issuable under our Deferred Compensation Plan.

Once issued, the shares described above will be available for immediate resale in the public market. The market price of our common stock could decline as a result of such resales due to the increased number of shares available for sale in the market. As of March 10, 2017, there were 245,469,142 shares of our common stock outstanding.

The holders of our common stock and other securities may take actions that are contrary to your interests, including selling their stock.

A small number of stockholders may hold or acquire a significant amount of our outstanding stock. From time to time, there is a large short interest in our stock. These holders of such stock or positions may seek control of us, support transactions that we or you do not believe are favorable, and have interests that are different from yours. In addition, sales of a large number of shares of our stock by these large stockholders or other stockholders within a short period of time could adversely affect our stock price.

We may also be involved in disagreements with the holders of our stock, warrants or other securities in the future. Such disagreements may lead to proxy contests or litigation, which may be expensive and consume management’s time, involve settlements, the terms of which may not be favorable to us, or result in other negative consequences to our business.

Certain of our agreements, provisions in our charter documents, possible future agreements and Delaware law could delay or prevent a change in management or a takeover attempt that you may consider to be in your best interests.

There is a standstill provision in our marketing and supply agreement with Eisai, and we may enter into agreements with similar provisions. In addition, we may in the future adopt a stockholders’ rights agreement, which would cause substantial dilution to any person who attempts to acquire us in a manner or on terms not approved by our board of directors. These provisions or agreements, as well as other provisions in our certificate of incorporation and bylaws and under Delaware law, could delay or prevent the removal of directors and other management and could make more difficult a merger, tender offer or proxy contest involving us that you may consider to be in your best interests. For example, our charter provisions:

- allow our board of directors to issue preferred stock without stockholder approval;
- limit who can call a special meeting of stockholders;
- eliminate stockholder action by written consent; and
- establish advance notice requirements for nomination for election to the board of directors or for proposing matters to be acted upon at stockholders’ meetings.

Item 1B. Unresolv ed Staff Comments

None.

Item 2. Properties

As set forth in the table below, we lease approximately 336,000 square feet of research, development, warehouse and office space located at various addresses in the same business park in San Diego, California and own or lease approximately 153,000 square feet of laboratory, manufacturing, warehouse and office space located in the same business park in Zofingen, Switzerland.

Location	Own/ Lease	Description
6114 Nancy Ridge Drive, San Diego, California	Lease	This chemical development facility consists of approximately 40,000 square feet (which includes approximately 18,000 of internal square feet and approximately 22,000 square feet of integrated external space), of which approximately 5,000 square feet is office space. We sublease this facility to a third party.
6118 Nancy Ridge Drive, San Diego, California	Lease	This facility of approximately 30,000 square feet consists of approximately 30% laboratory space and 70% office space. We sublease approximately 15,000 square feet of this space to Beacon and the rest is substantially unoccupied.
6122-6124-6126 Nancy Ridge Drive, San Diego, California	Lease	This facility of approximately 68,000 square feet consists of approximately 28,500 square feet of laboratory space, 37,500 square feet of office space and 2,000 square feet of warehouse space, which is substantially unoccupied.
6138-6150 Nancy Ridge Drive, San Diego, California	Lease	This facility of approximately 55,000 square feet consists of approximately 33,000 square feet of laboratory space and 22,000 square feet of office space, which is substantially unoccupied.
6154 Nancy Ridge Drive, San Diego, California	Lease	This facility of approximately 143,000 square feet consists of approximately 131,000 square feet of office space and 12,000 square feet of warehouse space, which is partially unoccupied.
Zofingen, Switzerland	Own	This facility of approximately 134,000 square feet includes approximately 76,000 square feet we occupy of which 39,000 square feet is manufacturing space, 30,000 square feet is warehouse space and 7,000 square feet is office space. We lease the remaining 58,000 square feet of warehouse space to Siegfried.
Zofingen, Switzerland	Lease	We lease from Siegfried a total of approximately 19,000 square feet, consisting of approximately 11,000 square feet of office space, 5,000 square feet of warehouse space and 3,000 square feet of laboratory space, in various facilities.
Zug, Switzerland	Lease	We lease a total of approximately 4,500 square feet of office space.

We expect these facilities to be sufficient for our needs for at least the near term. We have significantly more space in San Diego than we expect to need for the foreseeable future, and we have subleased certain of our space and are exploring subleasing additional unused space to reduce our expenses.

Item 3. Legal Proceedings

Beginning on September 20, 2010, a number of complaints were filed in the US District Court for the Southern District of California, or District Court, against us and certain of our current and former employees and directors on behalf of certain purchasers of our common stock. The complaints were brought as purported stockholder class actions, and, in general, include allegations that we and certain of our current and former employees and directors violated federal securities laws by making materially false and misleading statements regarding our BELVIQ program, thereby artificially inflating the price of our common stock. The plaintiffs sought unspecified monetary damages and other relief. On August 8, 2011, the District Court consolidated the actions and appointed a lead plaintiff and lead counsel. On November 1, 2011, the lead plaintiff filed a consolidated amended complaint. On March 28, 2013, the District Court dismissed the consolidated amended complaint without prejudice. On May 13, 2013, the lead plaintiff filed a second consolidated amended complaint. On November 5, 2013, the District Court dismissed the second consolidated amended complaint without prejudice as to all parties except for Robert E. Hoffman, who was dismissed from the action with prejudice. On November 27, 2013, the lead plaintiff filed a motion for leave to amend the second consolidated amended complaint. On March 20, 2014, the District Court denied plaintiff's motion and dismissed the second consolidated amended complaint with prejudice. On April 18, 2014, the lead plaintiff filed a notice of appeal, and on August 27, 2014, the lead plaintiff filed his appellate brief in the US Court of Appeals for the

Ninth Circuit, or Ninth Circuit. On October 24, 2014, we filed our answering br ief in response to the lead plaintiff's appeal. On December 5, 2014, the lead plaintiff filed his reply brief. A panel of the Ninth Circuit heard oral argument on the appeal on May 4, 2016. On October 26, 2016, the Ninth Circuit panel reversed the District Court's dismissal of the second consolidated amended complaint and remanded the case back to the District Court for further proceedings. On January 25, 2017, the District Court permitted us to submit a renewed motion to dismiss the second consolidated ame nded complaint. On February 2, 2017, we filed the renewed motion to dismiss. On February 23, 2017, the lead plaintiff filed his opposition, and on March 2, 2017, we filed our reply. Due to the stage of these proceedings, we are not able to predict or reaso nably estimate the ultimate outcome or possible losses relating to these claims.

On September 30, 2016, we and Eisai Inc. filed a patent infringement lawsuit against Lupin Limited and Lupin Pharmaceuticals, Inc. (collectively, Lupin) in the U.S. District Court for the District of Delaware. The lawsuit relates to a "Paragraph IV certification" notification that we and Eisai Inc. received regarding an abbreviated new drug application, or ANDA, submitted to the FDA by Lupin requesting approval to engage in the commercial manufacture, use, importation, offer for sale or sale of a generic version of BELVIQ ® (lorcaserin hydrochloride tablets, 10 mg). In its notification, Lupin alleged that no valid, enforceable claim of any of the patents that are listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, or Orange Book, for BELVIQ ® will be infringed by Lupin's manufacture, importation, use, sale or offer for sale of the product described in its ANDA. The lawsuit claims infringement of U.S. Patent Nos. 6,953,787; 7,514,422; 7,977,329; 8,207,158; 8,273,734; 8,546,379; 8,575,149; 8,999,970 and 9,169,213. In accordance with the Hatch-Waxman Act, as a result of filing a patent infringement lawsuit within 45 days of receipt of Lupin's notification, the FDA cannot approve the ANDA any earlier than 7.5 years from NDA approval unless a District Court finds that all of the asserted claims of the patents-in-suit are invalid, unenforceable or not infringed. On January 11, 2017, Lupin filed an answer, defenses and counterclaims to the September 30, 2016 complaint. We and Eisai Inc. filed an answer to Lupin's counterclaims on February 1, 2017. We and Eisai Inc. are seeking a determination from the court that, among other things, Lupin has infringed our patents, Lupin's ANDA should not be approved until the expiration date of our patents, and Lupin should be enjoined from commercializing a product that infringes our patents. Trial is currently scheduled for April 15, 2019. The parties are currently in the fact discovery phase of the case. We cannot predict the ultimate outcome of any proceeding.

On March 6, 2017, we and Eisai Inc. filed a patent infringement lawsuit against Teva Pharmaceuticals USA, Inc. and Teva Pharmaceutical Industries Ltd. (collectively, Teva) in the U.S. District Court for the District of Delaware. The lawsuit also relates to a "Paragraph IV certification" notification that we and Eisai Inc. received regarding an ANDA submitted to the FDA by Teva requesting approval to engage in the commercial manufacture, use, importation, offer for sale or sale of a generic version of BELVIQ XR ® (lorcaserin hydrochloride extended-release tablets, 20 mg). In its notification, Teva alleged that no valid, enforceable claim of any of the patents that are listed in the Orange Book for BELVIQ XR ® will be infringed by Teva's manufacture, importation, use, sale or offer for sale of the product described in its ANDA. The lawsuit claims infringement of U.S. Patent Nos. 6,953,787; 7,514,422; 7,977,329; 8,207,158; 8,273,734; 8,546,379; 8,575,149; 8,999,970 and 9,169,213. In accordance with the Hatch-Waxman Act, as a result of filing a patent infringement lawsuit within 45 days of receipt of Teva's notification, the FDA cannot approve the ANDA any earlier than 7.5 years from NDA approval unless a District Court finds that all of the asserted claims of the patents-in-suit are invalid, unenforceable or not infringed. Teva has not yet filed an answer to the March 6, 2017 complaint. We and Eisai Inc. are seeking a determination from the court that, among other things, Teva has infringed our patents, Teva's ANDA should not be approved until the expiration date of our patents, and Teva should be enjoined from commercializing a product that infringes our patents. We cannot predict the ultimate outcome of any proceeding.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market information

Our common stock is listed on the NASDAQ Global Select Market under the symbol "ARNA." The following table sets forth, for the periods indicated, the high and low sale prices for our common stock as reported by the NASDAQ Global Select Market.

	High	Low
Year ended December 31, 2016		
First quarter	$ 1.97	$ 1.41
Second quarter	2.15	1.50
Third quarter	1.81	1.48
Fourth quarter	1.86	1.35

	High	Low
Year ended December 31, 2015		
First quarter	$ 6.28	$ 3.30
Second quarter	4.79	3.90
Third quarter	5.12	1.86
Fourth quarter	2.68	1.60

Holders

As of March 10, 2017, there were approximately 107 stockholders of record of our common stock, one of which is Cede & Co., a nominee for Depository Trust Company, or DTC. Shares of common stock that are held by financial institutions as nominees for beneficial owners are deposited into participant accounts at DTC, and are considered to be held of record by Cede & Co. as one stockholder.

Dividends

We have never paid cash dividends on our capital stock. We anticipate that we will retain earnings, if any, to support operations and finance the growth and development of our business and, therefore, do not expect to pay cash dividends in the foreseeable future.

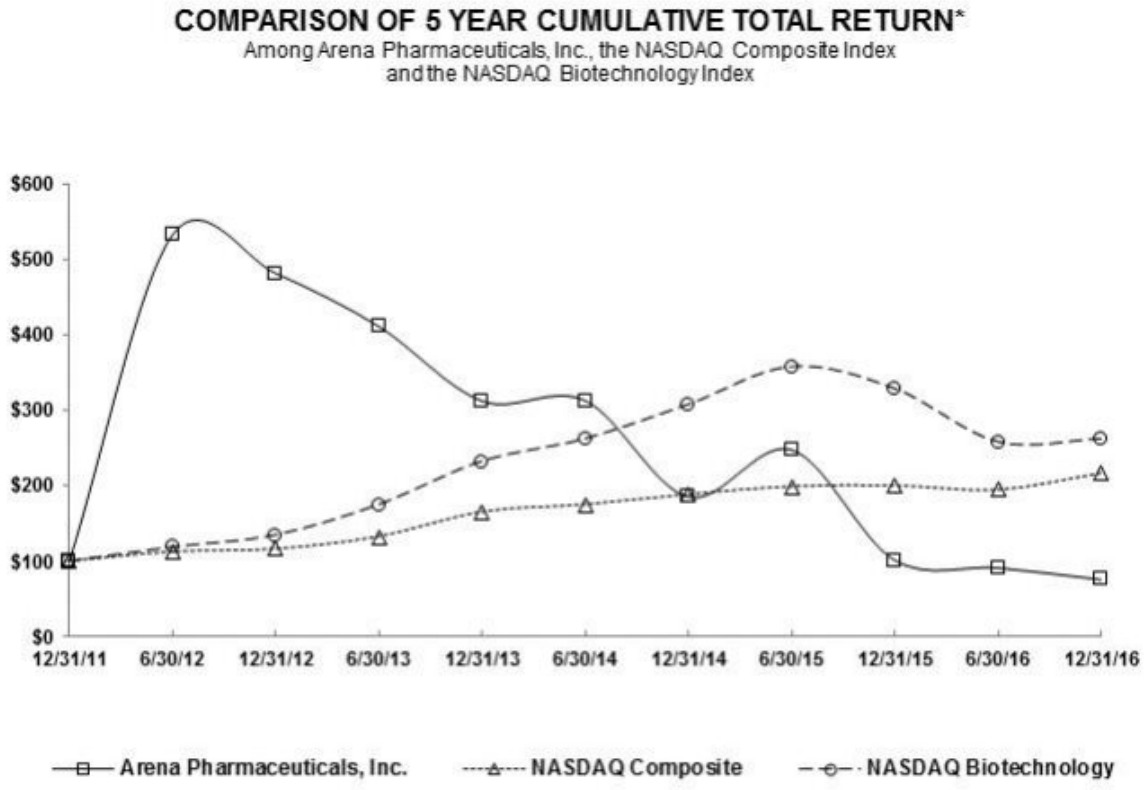
Securities authorized for issuance under equity compensation plans

Information on securities authorized for issuance under our equity compensation plans is set forth in Item 12 of Part III of this Annual Report on Form 10-K.

Performance graph

The graph below compares the cumulative five-year total return on our common stock from December 31, 2011, through December 31, 2016, to the cumulative total return over such period for (i) the NASDAQ Composite Index and (ii) the NASDAQ Biotechnology Index. The graph assumes the investment of $100 on December 31, 2011, with the reinvestment of dividends, although dividends have not been declared on our common stock, and is calculated according to the Securities and Exchange Commission's methodology. We caution that the stock price performance shown in the graph may not be indicative of future stock price performance. The graph, including each of the graph lines, was provided by Research Data Group, Inc.

This information, including the graph below, is not deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, or subject to the Securities and Exchange Commission's proxy rules, other than as provided in such rules, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and shall not be deemed incorporated by reference into any prior or subsequent filing by us under the Securities Ac t of 1933 or the Securities Exchange Act of 1934, except to the extent that we specifically incorporate it by reference into any such filing.



Item 6. Select ed Financial Data

The following Selected Financial Data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data" included below in this Annual Report on Form 10-K.

	Years ended December 31,				
	2016	2015	2014	2013	2012
	(In thousands, except per share data)				
Consolidated Statement of Operations Data:					
Revenues					
Net product sales	$ 26,349	$ 19,726	$ 15,983	$ 5,702	$ —
Other Eisai collaboration revenue	79,701	9,505	18,611	72,416	23,617
Other collaboration revenue	13,796	4,845	879	586	153
Toll manufacturing	4,129	4,250	1,497	2,690	3,817
Total revenues	123,975	38,326	36,970	81,394	27,587
Operating Costs and Expenses					
Cost of product sales	9,297	8,590	6,369	1,803	—
Cost of toll manufacturing	6,044	4,585	1,390	4,377	3,671
Research and development	66,425	88,411	100,347	66,468	54,112
General and administrative	31,243	35,966	34,137	31,681	26,226
Restructuring charges	6,346	3,972	—	—	—
Impairment of long-lived assets	21,766	—	—	—	—
Amortization of intangibles	—	—	—	—	691
Total operating costs and expenses	141,121	141,524	142,243	104,329	84,700
Interest and other income (expense), net	(5,750)	(4,781)	44,765	3,500	(28,364)
Net loss	(22,896)	(107,979)	(60,508)	(19,435)	(85,477)
Less net loss attributable to noncontrolling interest in consolidated variable interest entity	380	—	—	—	—
Deemed dividends related to beneficial conversion feature of convertible preferred stock	—	—	—	—	(2,824)
Net loss allocable to common stockholders	$ (22,516)	$ (107,979)	$ (60,508)	$ (19,435)	$ (88,301)
Net loss per share allocable to common stockholders, basic and diluted	$ (0.09)	$ (0.45)	$ (0.28)	$ (0.09)	$ (0.45)
Shares used in calculating net loss per share allocable to common stockholders, basic and diluted	243,133	240,671	219,734	218,104	196,524

	As of December 31,				
	2016	2015	2014	2013	2012
	(In thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 90,712	$ 156,184	$ 163,209	$ 221,878	$ 156,091
Total assets	169,010	256,792	276,385	339,807	261,206
Total deferred revenues	37,455	109,042	108,302	139,190	62,735
Total lease financing obligations	65,266	68,245	70,737	72,794	74,458
Total derivative liabilities	—	—	474	4,892	15,042
Accumulated deficit	(1,398,736)	(1,376,220)	(1,268,241)	(1,207,733)	(1,188,298)
Total equity	40,395	53,542	47,345	91,857	98,639

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with "Item 8. Financial Statements and Supplementary Data" included below in this Annual Report on Form 10-K, or Annual Report. Operating results are not necessarily indicative of results that may occur in future periods.

This discussion and analysis contains forward-looking statements that involve a number of risks, uncertainties and assumptions. Actual events or results may differ materially from our expectations. Important factors that could cause actual results to differ materially from those stated or implied by our forward-looking statements include, but are not limited to, those set forth in "Item 1A.

Risk Factors" in this Annual Report. All forward-looking statements included in this Annual Report are based on information available to us as of the ti me we file this Annual Report and, except as required by law, we undertake no obligation to update publicly or revise any forward-looking statements.

OVERVIEW AND RECENT DEVELOPMENTS

We are a biopharmaceutical company focused on developing novel, small molecule drugs with optimized receptor pharmacology designed to deliver broad clinical utility across multiple therapeutic areas. Our proprietary pipeline includes potentially first or best in class programs for which we own global commercial rights.

Our three most advanced investigational clinical programs are etrasimod (formerly APD334) in Phase 2 evaluation for multiple inflammatory indications, ralinepag (formerly APD811) in Phase 2 evaluation for pulmonary arterial hypertension (PAH), and APD371 entering Phase 2 evaluation for the treatment of pain associated with Crohn's disease.

Additionally, we have collaborations with the following pharmaceutical companies: Eisai Inc. and Eisai Co., Ltd. (collectively, Eisai) (commercial stage), Axovant Sciences Ltd., or Axovant, (Phase 2 candidate), and Boehringer Ingelheim International GmbH, or Boehringer Ingelheim, (preclinical candidate).

In 2016, we made significant changes to our operations, including:

- hiring a new chief executive officer, other executive management and new clinical operations team;
- appointment of three new independent directors;
- implementing a reduction in force; and
- restructuring our agreements with Eisai and other distributors relating to lorcaserin.

In May 2016, our Board of Directors appointed Amit Munshi as our President and Chief Executive Officer, and he joined our Board of Directors in June 2016 following our 2016 Annual Stockholders' Meeting. Harry F. Hixson, Jr., Ph.D., who served as our interim Chief Executive Officer from October 2015 to May 2016, continues to serve on our Board of Directors. In June 2016, our Board of Directors appointed Kevin R. Lind as our Executive Vice President and Chief Financial Officer. In August 2016, our Board of Directors appointed Vincent Aurentz as our Executive Vice President and Chief Business Officer.

In February 2017, Arena appointed Jayson Dallas, M.D., Oliver Fetzer, Ph.D., and Garry A. Neil, M.D. as independent directors to the company's Board of Directors.

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

In the third quarter of 2016, we committed to a reduction of our Switzerland manufacturing workforce of approximately 23%, or approximately 15 employees, which we substantially completed by the end of January 2017. As a result of this workforce reduction, we recorded a restructuring charge in the third quarter of 2016 of $0.2 million for cash termination benefits.

On December 28, 2016, we amended and restated the terms of the marketing and supply agreement for lorcaserin with Eisai by entering into a new Transaction Agreement and a new Supply Agreement (collectively with the Transaction Agreement, the Eisai Agreement) with Eisai. Under the Eisai Agreement, Eisai acquired global commercialization and manufacturing rights to lorcaserin, including in the territories retained by us under the prior agreement, with control over global development and commercialization decisions. Eisai is responsible for all lorcaserin development expenses going forward. We also assigned to Eisai our rights under the commercial lorcaserin distribution agreements with Ildong Pharmaceutical Co., Ltd., or Ildong, for South Korea; CY Biotech Company Limited, or CYB, for Taiwan; and Teva Pharmaceuticals Ltd.'s Israeli subsidiary, Abic Marketing Limited, or Teva, for Israel.

In general, developing drugs and obtaining marketing approval is a long, uncertain and expensive process, and our ability to execute on our plans and achieve our goals depends on numerous factors, many of which we do not control. To date, we have generated limited revenues. We expect to continue to incur substantial net losses for at least the short term as we advance our clinical development programs, support our collaborators, and manufacture lorcaserin for Eisai.

We plan to raise additional cash from outside sources in order to carry out our operational strategy and advance our clinical pipeline. There is no guarantee that adequate funds will be available when needed from additional debt or equity financing , development and commercialization partnerships or from other sources, or on terms acceptable to us. If our efforts to obtain sufficient additional funds are not successful, we would be required to delay, scale back, or eliminate some or a ll of our research or development, manufacturing operations, administrative operations, and clinical or regulatory activities, which could negatively affect our ability to achieve certain corporate goals. We believe our cash resources are sufficient to all ow us to continue operations for the next twelve months .

Our clinical operations outside of the United States are located in Zug, Switzerland, where we maintain research and development operations for our pipeline programs. We also continue to manufacture for BELVIQ in Zofingen, Switzerland.

See the above “Business” section for a more complete discussion of our business.

RESULTS OF OPERATIONS

We are providing the following summary of our revenues, research and development expenses and general and administrative expenses to supplement the more detailed discussion below. The dollar values in the following tables are in millions.

Revenues

Source of revenue	Years ended December 31, 2016	2015	2014	% change from 2015 to 2016	% change from 2014 to 2015
Revenue associated with upfront payments from Eisai	$ 66.0	$ 7.5	$ 7.6	*	(1.2)%
Arena’s portion of Eisai net product sales	19.2	14.2	16.0	34.9%	(10.9)%
Milestones earned from Eisai	12.0	0.0	0.5	—%	*
Arena’s portion of Ildong’s net product sales	7.2	5.5	0.0	30.3%	—%
Collaboration agreement with Boehringer Ingelheim	5.1	0.0	0.0	—%	—%
Toll manufacturing agreements	4.1	4.3	1.5	(2.9)%	*
Revenue associated with upfront payment from Ildong	3.9	0.4	0.4	*	—%
Reimbursement of development expenses and patent and trademark expenses from Eisai	1.7	2.0	10.5	(14.1)%	(81.3)%
Milestones earned from Ildong	0.3	3.0	0.0	(89.5)%	—%
Other collaboration agreements	4.5	1.4	0.5	*	*
Total revenues	$ 124.0	$ 38.3	$ 37.0	223.8%	3.7%

* The change is more than 100%.

Research and development expenses

Type of expense	Years ended December 31, 2016	2015	2014	% change from 2015 to 2016	% change from 2014 to 2015
External clinical and preclinical study fees and internal non-commercial manufacturing costs	$ 31.8	$ 34.1	$ 44.6	(6.7)%	(23.6)%
Salary and other personnel costs (excluding non-cash share-based compensation)	17.2	29.1	30.6	(40.9)%	(4.9)%
Facility and equipment costs	8.0	10.0	10.0	(20.6)%	0.1%
Non-cash share-based compensation	5.6	7.6	7.1	(26.0)%	6.5%
Research supply costs	2.3	6.2	5.5	(63.1)%	13.7%
Other	1.5	1.4	2.5	10.3%	(45.3)%
Total research and development expenses	$ 66.4	$ 88.4	$ 100.3	(24.9)%	(11.9)%

General and administrative expenses

Type of expense	Years ended December 31, 2016	2015	2014	% change from 2015 to 2016	% change from 2014 to 2015
Salary and other personnel costs (excluding non-cash share-based compensation)	$ 11.4	$ 14.5	$ 13.0	(21.5)%	10.9%
Legal, accounting and other professional fees	9.0	8.0	8.4	13.2%	(5.3)%
Facility and equipment costs	5.1	5.3	4.2	(5.0)%	25.9%
Non-cash share-based compensation	4.4	6.7	6.4	(34.1)%	5.0%
Other	1.3	1.5	2.1	(10.7)%	(27.3)%
Total general and administrative expenses	$ 31.2	$ 36.0	$ 34.1	(13.2)%	5.4%

YEAR ENDED DECEMBER 31, 2016, COMPARED TO YEAR ENDED DECEMBER 31, 2015

Revenues. We recognized revenues of $124.0 million for the year ended December 31, 2016, compared to $38.3 million for the year ended December 31, 2015. This increase was primarily due to (i) $64.0 million of revenue resulting from the rights delivered by us to Eisai pursuant to the Eisai Agreement entered in December 2016, (ii) a total of $12.3 million of milestones from Eisai and Ildong that we earned during 2016 primarily from the approval of the once-daily formulation of lorcaserin in the United States (branded as BELVIQ XR), the approval of the twice-daily formulation of lorcaserin in Mexico (branded as VENESPRI), and the approval of BELVIQ in Brazil, (iii) an increase of $6.6 million in net product sales of BELVIQ, primarily due to recognition of deferred revenue discussed below, and (iv) $5.1 million earned in the year ended December 31, 2016, under our collaboration agreement with Boehringer Ingelheim, or Boehringer Ingelheim Agreement, which commenced in December 2015. These increases were partially offset by the $3.0 million milestone from Ildong that we earned in February 2015 for the approval of BELVIQ in South Korea.

Prior to the Eisai Agreement, we received from Eisai, Ildong, CYB and Teva total upfront payments of $122.5 million. Revenues from these upfront payments were previously deferred, as we determined that the exclusive rights did not have standalone value without our ongoing development and regulatory activities. Accordingly, these payments were recognized ratably as revenue over the periods in which we expected the services to be rendered. The Eisai Agreement eliminated our obligation to continue performing the development and regulatory activities required in the prior agreements. Therefore, on December 28, 2016, $64.0 million of deferred revenues from these upfront payments was allocated to the rights delivered by us to Eisai pursuant to the Eisai Agreement and recognized as revenue in 2016.

At December 31, 2016, we had a total of $37.5 million in deferred revenues. Under the Eisai Agreement, we have agreed to manufacture and supply, and Eisai has agreed to purchase from us, all of Eisai's requirements (or specified minimum quantities if such quantities are greater than Eisai's requirements), subject to certain exceptions, for lorcaserin for development and commercial use for an initial two-year period. The initial period may be extended by Eisai for an additional six months. Eisai will pay us agreed upon prices to deliver finished drug product during this time and also pay us manufacturing support payments. Of the $37.5 million in deferred revenues at December 31, 2016, we expect to recognize $30.8 million as revenue as we manufacture and supply lorcaserin to Eisai over this period. The remaining amount of revenues is primarily attributable to the upfront payments we received under our collaboration agreements with Axovant and Boehringer Ingelheim which we expect to recognize as the services are performed under these agreements.

We previously deferred recognition of revenue and the related cost at the time we sold BELVIQ to Eisai and Ildong because we did not have the ability to estimate the amount of product that could have been returned to us and thus recognized revenues and the related costs from net product sales when Eisai and Ildong shipped BELVIQ to their distributors. In December 2016, primarily pursuant to a change in the terms of the Eisai Agreement, we determined that we now have the ability to reasonably estimate returns for product sold to Eisai and Ildong. Accordingly, we recognized revenues and the related costs in December 2016 on net product sales which had been previously deferred. The $6.6 million increase in net product sales of BELVIQ for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily related to (i) the recognition of revenue of $8.7 million which had been previously deferred and (ii) a $2.0 million sales price adjustment from Eisai for sales sold from Eisai to distributors from April 1, 2016, through December 28, 2016, which would have been otherwise due from us to Eisai under the prior agreement but will not be refunded by us to Eisai pursuant to the Eisai Agreement, partially offset by a decrease in the volume of BELVIQ tablets sold to distributors in the United States by Eisai and in South Korea by Ildong.

Absent any new collaborations, we expect our 2017 revenues will primarily consist of (i) product payments for manufacturing and supply of BELVIQ to Eisai, (ii) manufacturing support payments from Eisai (iii) royalty payments from Eisai based upon Eisai's sales of BELVIQ to its distributors, (iv) toll manufacturing, (v) amortization of the upfront payments we have received from our collaborators and (vi) reimbursements from collaborators for research funding.

Revenues from royalties based on sales of BELVIQ are difficult to predict , and our overall revenues will likely vary from quarter to quarter and year to year. In the short term, we expect the amount of BELVIQ-related revenue we earn to decrease significantly due to the terms of the Eisai Agreement.

Cost of product sales. Cost of product sales consists primarily of direct and indirect costs related to manufacturing BELVIQ, including, among other costs, salaries, share-based compensation and other personnel costs, machinery depreciation costs and amortization expense related to our manufacturing facility production licenses. Cost of products sold increased to $9.3 million for the year ended December 31, 2016, from $8.6 million for the year ended December 31, 2015. This increase was primarily due to costs recognized in December 2016 of $2.6 million on net product sales which had been previously deferred, partially offset by a decrease in the volume of BELVIQ tablets sold to distributors in the United States by Eisai and in South Korea by Ildong.

Cost of toll manufacturing. Cost of toll manufacturing consists of direct and indirect costs associated with manufacturing drug products, primarily for Siegfried AG, or Siegfried, under toll manufacturing agreements, including related salaries, other personnel costs, machinery depreciation costs, amortization expense related to our manufacturing facility production licenses, and material costs. Cost of toll manufacturing increased by $1.4 million to $6.0 million for the year ended December 31, 2016, from $4.6 million for the year ended December 31, 2015, primarily due to increased costs incurred on toll manufacturing performed for Siegfried and from a toll manufacturing agreement that we entered into in April 2015 with a third party.

Research and development expenses. Research and development expenses, which account for the majority of our expenses, consist primarily of salaries and other personnel costs, clinical trial costs (including payments to contract research organizations, or CROs), preclinical study fees, manufacturing costs for non-commercial products, research supply costs and facility and equipment costs. We expense research and development costs as they are incurred when these expenditures have no alternative future uses. We generally do not track our earlier-stage, internal research and development expenses by project; rather, we track such expenses by the type of cost incurred.

Research and development expenses decreased by $22.0 million to $66.4 million for the year ended December 31, 2016, from $88.4 million for the year ended December 31, 2015. This decrease was primarily due to decreases of $11.9 million in salary and other personnel costs, $3.9 million in research supply costs, $2.0 million in non-cash, share-based compensation expense and $2.0 million in facility and equipment costs, primarily due to the recent reduction in the number of our research and development employees. This decrease was also due to a decrease of $2.3 million in external clinical and preclinical study fees and internal non-commercial manufacturing costs.

We expect to incur substantial research and development expenses in 2017 and for the aggregate amount in 2017 to be potentially greater than the amount incurred in 2016. While we expect our internal costs to be lower primarily due to our recent workforce reductions, we expect to incur higher external clinical trial costs. Our actual expenses may be higher or lower than anticipated due to various factors, including our focus, progress and results. For example, patient enrollment in our Phase 2 clinical trials for etrasimod is competitive and challenging and has taken longer than projected. This has resulted in our related external expenses being lower at this point than anticipated.

Included in the $31.8 million of total external clinical and preclinical study fees and internal non-commercial manufacturing costs noted in the table above in this section for the year ended December 31, 2016, were the following:

- $17.6 million related to etrasimod,
- $7.3 million related to lorcaserin and non-commercial manufacturing costs and
- $4.7 million related to ralinepag.

Included in the $34.1 million of total external clinical and preclinical study fees and internal non-commercial manufacturing costs noted in the table above in this section for the year ended December 31, 2015, were the following:

- $16.2 million related to lorcaserin and non-commercial manufacturing costs,
- $8.7 million related to etrasimod and
- $5.1 million related to ralinepag.

Cumulatively through December 31, 2016, we have recognized (i) external clinical and preclinical study fees of $307.7 million for lorcaserin, $43.8 million for nelotanserin, $33.5 million for etrasimod, $21.1 million for ralinepag and $7.5 million for APD371 and (ii) $52.6 million for non-commercial manufacturing and other development costs for lorcaserin and, to a lesser extent, nelotanserin.

While expenditures on current and future clinical development programs are expected to be substantial, they are subject to many uncertainties, including whether we have adequate funds an d develop our drug candidates with one or more collaborators or independently. As a result of such uncertainties, we cannot predict with any significant degree of certainty the duration and completion costs of our research and development projects or wheth er, when and to what extent we will generate revenues from the commercialization and sale of any of our drug candidates. The duration and cost of clinical trials may vary significantly over the life of a project as a result of unanticipated events arising during clinical development and a variety of factors, including:

- the nature and number of trials and studies in a clinical program;
- the potential therapeutic indication;
- the number of patients who participate in the trials;
- the number and location of sites included in the trials;
- the rates of patient recruitment, enrollment and withdrawal;
- the duration of patient treatment and follow-up;
- the costs of manufacturing drug candidates; and
- the costs, requirements, timing of, and the ability to secure regulatory approvals.

General and administrative expenses. General and administrative expenses decreased by $4.8 million to $31.2 million for the year ended December 31, 2016, from $36.0 million for the year ended December 31, 2015. This decrease was primarily due to decreases of $3.1 million in salary and other personnel costs and $2.3 million in non-cash, share-based compensation expense, primarily due to the recent reduction in the number of our employees. This decrease was partially offset by an increase of $1.0 million in legal, accounting and other professional fees. We expect that our 2017 general and administrative expenses will be lower than in 2016, primarily due to the recent workforce reductions and other cost control initiatives.

Restructuring charges. We recognized $6.3 million of restructuring charges for the year ended December 31, 2016, in connection with employee termination costs, including severance and other benefits, related to the reduction of our US workforce to which we committed in June 2016 and the reduction of our manufacturing workforce in Zofingen, Switzerland to which we committed in July 2016. We recognized $4.0 million of restructuring charges for the year ended December 31, 2015, in connection with employee termination costs, including severance and other benefits, related to the workforce reductions to which we committed in the fourth quarter of 2015.

Impairment of long-lived assets. We recognized an impairment loss of $21.8 million for the year ended December 31, 2016. The Eisai Agreement entered on December 28, 2016, results in a significant change in our expected use of our Zofingen facility. We have agreed to manufacture and supply all of Eisai's requirements (or specified minimum quantities if such quantities are greater than Eisai's requirements), subject to certain exceptions, for BELVIQ for an initial two-year period. Eisai may extend this initial period for an additional six months upon payment of an exercise fee. Eisai will pay us agreed-upon prices to deliver BELVIQ during this period. Based on our estimate of future cash flows that are directly associated with our Zofingen facility, we determined that long-lived assets with a carrying amount of $32.9 million were no longer recoverable and were in fact impaired and wrote them down to $11.1 million, which was based on the estimated fair value of the Zofingen facility asset group.

Interest and other expense, net. Interest and other expense, net, increased by $1.0 million to $5.8 million for the year ended December 31, 2016, from $4.8 million for the year ended December 31, 2015. This increase was primarily due to (i) $0.9 million in foreign currency transaction gains, net for the year ended December 31, 2016, compared to $2.0 million in foreign currency transaction gains, net for the year ended December 31, 2015, and (ii) a $0.5 million gain from revaluation of our derivative liabilities related to our previously outstanding warrant for the year ended December 31, 2015, with no revaluation recorded for the year ended December 31, 2016, as the warrant expired in August 2015 according to its terms and (iii) a $0.2 million increase in fixed asset disposal losses, net. This increase was partially offset by an increase of $0.4 million in rental income and a decrease of $0.3 million in interest expense.

YEAR ENDED DECEMBER 31, 2015, COMPARED TO YEAR ENDED DECEMBER 31, 2014

Revenues. We recognized revenues of $38.3 million for the year ended December 31, 2015, compared to $37.0 million for the year ended December 31, 2014. This increase was primarily due to (i) an increase of $3.7 million in net product sales of BELVIQ primarily due to sales of BELVIQ in South Korea commencing in February 2015, partially offset by a decrease in net product sales of BELVIQ in the United States, (ii) the $3.0 million milestone payment from Ildong, that we earned in February 2015 for the approval of BELVIQ in South Korea and (iii) an increase of $2.8 million in toll manufacturing revenue. These increases were partially offset by a decrease in revenues of $8.5 million from Eisai for reimbursements of our development expenses and patent and trademark expenses

primarily due to the completion of our Phase 2 smoking cessation trial in early 2015 and lower costs related to our once-daily formulation studi es which were substantially completed in 2014.

Cost of product sales. Cost of products sold increased to $8.6 million for the year ended December 31, 2015, from $6.4 million for the year ended December 31, 2014. This increase was due to sales of BELVIQ commencing in February 2015 and an increase in the volume of BELVIQ tablets sold to distributors in the United States by Eisai, partially offset by a decrease in per tablet manufacturing costs.

Cost of toll manufacturing. Cost of toll manufacturing increased by $3.2 million to $4.6 million for the year ended December 31, 2015, from $1.4 million for the year ended December 31, 2014, primarily due to including costs of materials for drug products in both the sales price and cost of toll manufacturing for products manufactured for Siegfried (prior to 2015 materials for drug products were supplied by Siegfried at no cost to us), and to a lesser extent, from a new toll manufacturing agreement that we entered into with a third party in April 2015.

Research and development expenses. Research and development expenses decreased by $11.9 million to $88.4 million for the year ended December 31, 2015, from $100.3 million for the year ended December 31, 2014. This decrease was primarily due to a decrease of $10.5 million in external clinical and preclinical study fees and internal non-commercial manufacturing costs, primarily a result of completing the Phase 2 clinical trial evaluating lorcaserin for smoking cessation in 2014 and lower internal, non-commercial manufacturing costs related to BELVIQ XR. This decrease was partially offset by increases related to our Phase 2 programs for etrasimod and ralinepag.

Included in the $34.1 million of total external clinical and preclinical study fees and internal non-commercial manufacturing costs noted in the table above in this section for the year ended December 31, 2015, were the following:

- $16.2 million related to lorcaserin and non-commercial manufacturing costs,
- $8.7 million related to etrasimod and
- $5.1 million related to ralinepag.

Included in the $44.6 million of total external clinical and preclinical study fees and internal non-commercial manufacturing costs noted in the table above in this section for the year ended December 31, 2014, were the following:

- $35.3 million related to lorcaserin and non-commercial manufacturing costs,
- $4.2 million related to etrasimod and
- $2.8 million related to ralinepag.

General and administrative expenses. General and administrative expenses increased by $1.9 million to $36.0 million for the year ended December 31, 2015, from $34.1 million for the year ended December 31, 2014. This increase was primarily due to an increase of $1.5 million in salary and other personnel costs, primarily as a result of accrued severance costs following the retirement of our former Chief Executive Officer in October 2015, and an increase of $1.1 million in facility and equipment costs primarily resulting from increased depreciation costs following our 2014 purchase of the remaining portion of our building in Switzerland and increased costs for our enterprise resource planning, or ERP, system. These increases were partially offset by decreases of $0.4 million in legal, accounting and other professional fees and $0.6 million in product liability insurance expense primarily related to a refund we received for a prior year's premium.

Restructuring charges. We recognized $4.0 million of restructuring charges for the year ended December 31, 2015, in connection with employee termination costs, including severance and other benefits, related to the workforce reductions to which we committed in the fourth quarter of 2015, compared to no restructuring charges for the year ended December 31, 2014.

Interest and other income (expense), net. Interest and other income (expense), net, was an expense of $4.8 million for the year ended December 31, 2015, compared to income of $44.8 million for the year ended December 31, 2014. This change of $49.6 million was primarily due to a gain on sale of available-for-sale securities of $49.6 million realized in the year ended December 31, 2014, related to our sale of shares we held in TaiGen Biopharmaceuticals Holding Limited, or TaiGen, and a $3.9 million decrease in non-cash gain on valuation of derivative liabilities, partially offset by $2.0 million in foreign currency transaction gains, net for the year ended December 31, 2015, compared to $2.2 million in foreign currency transaction losses, net for the year ended December 31, 2014.

LIQUIDITY AND CAPITA L RESOURCES

We have accumulated a large deficit since inception that has primarily resulted from the significant research and development expenditures we have made in seeking to identify and develop compounds that could become marketed drugs. Sales of lorcaserin to date have been less than we and others initially anticipated, and, because lorcaserin is the only approved and marketed drug in which we have a financial interest, our revenue for the near-term is substantially dependent upon the Eisai Agreement and sales of lorcaserin, unless we enter into a new collaboration regarding one of our current internal programs. We expect to continue to incur substantial losses for at least the short term.

To date, we have obtained cash and funded our operations to date primarily through the sale of common and preferred stock, the issuance of debt and related financial instruments, payments from collaborators and customers and sale leaseback transactions. From our inception through December 31, 2016, we have generated $2.0 billion in cash from these sources, of which $1.3 billion was through sales of equity, $513 million was through payments from collaborators and customers, $97 million was through the issuance of debt and related financial instruments and $77 million was from sale and leaseback transactions.

Short term liquidity.

At December 31, 2016, we had $90.7 million in cash and cash equivalents. In January 2017, we entered into an Equity Distribution Agreement, pursuant to which we may sell and issue shares of our common stock having an aggregate offering price of up to $50 million from time to time (the ATM Offering). Sales of the shares under the Equity Distribution Agreement may be made in transactions that are deemed to be “at-the-market” equity offerings as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made by means of ordinary brokers’ transactions, including on the NASDAQ Stock Market. As of March 10, 2017, we sold 2,017,301 shares of our common stock at an average market price of $1.56 per share under the Equity Distribution Agreement, for aggregate gross proceeds of $ 3.2 million before deducting commissions and other issuance costs. As of March 10, 2017, aggregate gross proceeds of up to $ 46.8 million remained available to us under the Equity Distribution Agreement.

In addition to payments expected from Eisai for royalties, manufacturing support and purchases of product supply of BELVIQ, other potential sources of liquidity in the short term include (i) milestone and other payments from collaborators, (ii) entering into new collaboration, licensing or commercial agreements for one or more of our drug candidates or programs, (iii) the sale or lease of our facilities or other assets and (iv) sale of equity, issuance of debt or other transactions.

Long term liquidity.

It will require substantial cash to achieve our objectives of discovering, developing and commercializing drugs, and this process typically takes many years and potentially several hundreds of millions of dollars for an individual drug. We may not have adequate available cash, or assets that could be readily turned into cash, to meet these objectives in the long term. We will need to obtain significant funds under our existing collaborations, under new collaboration, licensing or other commercial agreements for one or more of our drug candidates and programs or patent portfolios, or from other potential sources of liquidity, which may include the sale of equity, issuance of debt or other transactions.

In addition to potential payments from our current collaborators, as well as funds from public and private financial markets, potential sources of liquidity in the long term include (i) upfront, milestone, royalty and other payments from any future collaborators or licensees and (ii) revenues from sales of any drugs we obtain regulatory approval to commercialize on our own. The length of time that our current cash and cash equivalents and any available borrowings will sustain our operations will be based on, among other things, the rate of adoption and commercial success of BELVIQ and any other drug we or our collaborators obtain regulatory approval to market, regulatory decisions affecting our and our collaborator’s drug candidates, prioritization decisions regarding funding for our programs, progress in our clinical and earlier-stage programs, the time and costs related to current and future clinical trials and nonclinical studies, our research, development, manufacturing and commercialization costs (including personnel costs), our progress in any programs under collaborations, costs associated with intellectual property, our capital expenditures, and costs associated with securing any in-licensing opportunities. Any significant shortfall in funding may result in us reducing our development and/or research activities, which, in turn, would affect our development pipeline and ability to obtain cash in the future.

We evaluate from time to time potential acquisitions, in-licensing and other opportunities. Any such transaction may impact our liquidity as well as affect our expenses if, for example, our operating expenses increase as a result of such acquisition or license or we use our cash to finance the acquisition or license.

Sources and uses of our cash.

Net cash used in operating activities decreased by $36.0 million to $62.1 million in the year ended December 31, 2016, compared to $98.1 million in the year ended December 31, 2015. This decrease was primarily due to (i) the $10.0 million we received

from Eisai in December 2 016 pursuant to entering the Eisai Agreement, (ii) a decrease of $9.6 million in payments made for external clinical and preclinical study fees, (iii) reduced cash expenditures of approximately $9.4 million for personnel costs primarily resulting from the workforce reductions we effected at the end of 2015, in June 2016, and in July 2016, (iv) the $7.5 million payment we received from Boehringer Ingelheim, less $1.2 million of withholding taxes (which was refunded to us in October 2016), in February 2016 up on entering into the Boehringer Ingelheim Agreement, while we did not receive any similar upfront payments in the year ended December 31, 2015, and (v) reduced cash expenditures for research supply costs and facility and equipment costs primarily resulting from the workforce reductions. These decreases in net cash used in operations were partially offset by (i) the $3.0 million milestone payment we received from Ildong, less withholding taxes, in March 2015 for the marketing approval of BELVIQ in South Kore a, while we did not receive any similar milestone payment in the year December 31, 2016, and (ii) net payments of $7.6 million we received for shipments of BELVIQ to Eisai and Ildong in the year ended December 31, 2016, compared to $10.4 million in the yea r ended December 31, 2015.

Net cash used in operating activities was $98.1 million in the year ended December 31, 2015, compared to net cash provided by operating activities of $101.4 million in the year ended December 31, 2014. This decrease was primarily due to (i) net payments of $10.4 million received for shipments of BELVIQ to Eisai and Ildong in the year ended December 31, 2015, compared to $4.8 million in the year ended December 31, 2014, (ii) the $4.0 million upfront payment from Roivant Sciences Ltd., or Roivant, (which subsequently assigned its rights and obligations to Axovant) that we received in May 2015 and (iii) the $3.0 million milestone payment from Ildong that we received, less withholding taxes, in March 2015 for the marketing approval of BELVIQ in South Korea. These decreases in net cash used in operations were partially offset by an increase of $6.1 million in payments made to Eisai related to our share of the cardiovascular outcomes trial, or CVOT, and other development expenses incurred.

Net cash used in investing activities decreased by $7.4 million to $0.8 million in the year ended December 31, 2016, compared to $8.2 million in the year ended December 31, 2015. This decrease was primarily due to $1.0 million in purchases of property and equipment in the year ended December 31, 2016, compared to $11.0 million in the year ended December 31, 2015, partially offset by (i) a $1.3 million decrease in net proceeds from the sale of equipment and (ii) a $0.8 million increase in deposits and restricted cash in the year ended December 31, 2016, compared to a $0.6 million decrease in deposits and restricted cash in the year ended December 31, 2015. Net cash used in investing activities was $8.2 million in the year ended December 31, 2015, compared to net cash provided by investing activities of $40.9 million in the year ended December 31, 2014. This change of $49.1 million was primarily due to (i) proceeds from the sale of available-for-sale securities of $49.6 million received in the year ended December 31, 2014, and (ii) $11.0 million in purchases of property and equipment in the year ended December 31, 2015, compared to $8.9 million in the year ended December 31, 2014, partially offset by net proceeds from our sale of an unoccupied building in San Diego of $2.2 million received in the year ended December 31, 2015.

Net cash of $2.3 million was used in financing activities in the year ended December 31, 2016, as a result of $3.0 million of principal payments on our lease financing obligations, partially offset by net proceeds of $0.4 million from stock option exercises and purchases under our employee stock purchase plan and a $0.3 million security deposit received from a sublessee. Net cash of $101.1 million was provided by financing activities in the year ended December 31, 2015, as a result of net proceeds of $100.7 million from our January 2015 offering of 21,000,000 shares of common stock and net proceeds of $3.0 million from stock option exercises and purchases under our employee stock purchase plan, which were partially offset by $2.5 million for principal payments on our lease financing obligations. Net cash of $3.2 million was provided by financing activities in the year ended December 31, 2014, as a result of net proceeds of $5.2 million from stock option exercises and purchases under our employee stock purchase plan, which were partially offset by $2.1 million for principal payments on our lease financing obligations.

Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2016, in thousands:

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Financing obligations	$ 92,824	$ 8,712	$ 17,784	$ 16,715	$ 49,613
Purchase obligations	237	204	33	—	—
Operating leases	11,953	1,259	2,729	2,242	5,723
Total	$ 105,014	$ 10,175	$ 20,546	$ 18,957	$ 55,336

Our “financing obligations” relate to sale and leaseback transactions for certain of our properties. We have applied the financing method to these sale and leaseback transactions, which requires that the book value of the properties and related accumulated depreciation remain on our balance sheet with no sale recognized. The sales price of the properties is recorded as a financing obligation and a portion of each lease payment is recorded as interest expense. At December 31, 2016, we expect interest expense over the remaining term of these leases to total $37.5 million. Other of our properties are under operating leases and are included under

"operating leases" above. Our purchase obligations presented above reflect our minimum commitments to purchase goods or services under non-cancelable contracts as of December 31, 2016.

Off-balance sheet arrangements.

We do not have and did not have at December 31, 2016, any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

COLLABORATIONS

Lorcaserin - Eisai

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

On December 28, 2016, we and Eisai amended and restated the terms of the Second Amended Agreement by entering into the Eisai Agreement, which was determined to be a material modification of the Second Amended Agreement. Under the Eisai Agreement, we identified the following significant deliverables to Eisai which each qualify as a separate unit of accounting:

- An exclusive royalty-bearing license or transfer of intellectual property, or License, to commercialize lorcaserin world-wide relating to certain patents, regulatory approvals, samples, records, know-how related to lorcaserin, trademarks and domain names related to the lorcaserin brand names. We also assigned to Eisai our rights under the commercial lorcaserin distribution agreements with Ildong for South Korea, CYB for Taiwan and Teva for Israel. This is collectively referred to as the License Deliverable.
- Bulk inventory and precursor material for manufacturing lorcaserin, or Inventory Deliverable.
- A manufacturing and supply commitment for two years commencing December 28, 2016, or Manufacturing and Supply Commitment Deliverable.

The following table summarizes the revenues we recognized under our collaboration with Eisai for the periods presented, in thousands:

	Years ended December 31,		
	2016	2015	2014
Net product sales	$ 19,196	$ 14,236	$ 15,983
Amortization of upfront payments	66,014	7,541	7,630
Milestone payments	12,000	—	500
Reimbursement of development expenses	1,295	1,538	10,037
Reimbursement of patent and trademark expenses	392	426	444
Subtotal other Eisai collaboration revenue	79,701	9,505	18,611
Total	$ 98,897	$ 23,741	$ 34,594

Royalty payments

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

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

We did not earn or recognize any revenue from these royalty payments in the year ended December 31, 2016. We expect to record revenues from those royalty payments in the period in which the net sales upon which the royalties are calculated occur as reported to us by Eisai.

Upfront payments

Prior to the Eisai Agreement, we received from Eisai total upfront payments of $115.0 million under prior agreements. Revenues from these upfront payments were previously deferred, as we determined that the exclusive rights did not have standalone value without our ongoing development and regulatory activities. Accordingly, these payments were recognized ratably as revenue over the periods in which we expected the services to be rendered. The Eisai Agreement eliminated our obligation to continue performing the development and regulatory activities required in the Second Amended Agreement. Therefore, on December 28, 2016, $58.5 million of deferred revenues from these upfront payments was allocated to the value of the License provided to Eisai and recognized as revenue in 2016. The remaining portion, $20.9 million, was deferred as of December 31, 2016.

Milestone payments

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

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

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

In addition to the $12.0 million in milestones mentioned above and the other $86.5 million in milestones previously achieved since we entered the original agreement in 2010, we are eligible to receive a substantive commercial milestone of $25.0 million upon the achievement of global net sales of lorcaserin for a calendar year first exceeding $250.0 million.

Product purchase price and inventory purchase

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

On December 28, 2016, Eisai paid us $10.0 million to acquire our entire inventory of bulk lorcaserin and the precursor materials for manufacturing lorcaserin. This payment was included in the arrangement consideration allocated to the units of accounting under the Eisai Agreement. We expect this inventory will remain at our Zofingen, Switzerland facility for us to use to manufacture finished drug product in order to meet Eisai's requirements during the initial two-year period and, if applicable, the six-month extension period. The inventory that is not expected to be used to manufacture finished drug product will be physically transferred to Eisai upon the earlier of Eisai's request to transfer or the end of the manufacturing and supply commitment period.

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

We previously deferred recognition of revenue and the related cost at the time we sold lorcaserin to Eisai because we did not have the ability to estimate the am ount of product that could have been returned to us and thus recognized revenues and the related costs from net product sales when Eisai shipped BELVIQ to its distributors. Pursuant to a change in the terms of the Eisai Agreement, we determined that we now have the ability to reasonably estimate the amount of returns and thus will now recognize revenue and the related cost from product sales when we ship BELVIQ to Eisai. On December 28, 2016, we recognized revenues of $6.7 million and costs of $1.9 million on net product sales which had been previously deferred.

Development payments

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

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

Certain other terms

Eisai and we will each bear 50% of all future expenses and losses arising from any potential product liability claims during a specified period after the date of the Eisai Agreement. Thereafter, we and Eisai will each bear 50% of all expenses and losses arising from any alleged defective manufacturing of lorcaserin by Arena GmbH under the Eisai Agreement, and Eisai will be solely responsible for any expenses and losses associated with other product liability claims.

We may terminate the Transaction Agreement with respect to the United States, the European Union, China and Japan, (collectively, the Major Markets) if Eisai permanently ceases development and commercialization of lorcaserin products in such Major Market, or in its entirety if Eisai permanently ceases development and commercialization of lorcaserin products. We may also terminate the Transaction Agreement if Eisai challenges any patent currently controlled by us related to lorcaserin, if Eisai is debarred under the United States Federal Food, Drug, and Cosmetic Act, or if Eisai is in material breach of the standstill provisions.

Eisai may terminate the Transaction Agreement if, as a result of its change of control, it would be in breach of certain competition restrictions.

In the event the Transaction Agreement is terminated by us due to Eisai's failure to develop and commercialize lorcaserin products, Eisai's challenging of any of the licensed patents or Eisai's debarment or material breach of the standstill provisions, or by Eisai after a change of control that would result in Eisai being in breach of certain competition restrictions, Eisai will grant us an exclusive, royalty-free license to certain patent rights and know-how necessary or useful for the development and commercialization of lorcaserin products, re-assign the assets purchased by Eisai under the Eisai Agreement, and provide certain other transition assistance.

Nelotanserin - Axovant Sciences Ltd.

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

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

Orphan GPCR - Boehringer Ingelheim International GmbH

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

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

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

Other former collaborations

Ildong Pharmaceutical Co., Ltd **.**

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

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

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

On December 15, 2016, we earned a substantive milestone payment of $0.3 million upon the parties agreeing to include BELVIQ XR as an additional product under the Ildong Agreement. We recognized the milestone revenue in December 2016 and received the payment, less withholding taxes, in February 2017. We will pay 50% of this milestone to Eisai pursuant to the Eisai Agreement.

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

We previously deferred recognition of revenue and the related cost at the time we sold BELVIQ to Ildong because we did not have the ability to estimate the amount of product that could have been returned to us and thus recognized revenues and the related costs from net product sales when Ildong shipped BELVIQ to its distributors. In December 2016, we determined that we now have the

ab ility to reasonably estimate returns under the Ildong Agreement. Accordingly, we recognized revenues of $2.0 million and costs of $0.7 million in December 2016 on net product sales which had been previously deferred.

CY Biotech Company Limited

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

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

Abic Marketing Limited (Teva)

In July 2014, we entered into the Teva Agreement. Under this agreement, we granted Teva exclusive rights to commercialize BELVIQ in Israel for weight loss or weight management in obese and overweight patients, subject to regulatory approval of BELVIQ by the Israeli Ministry of Health, or MOH. The Teva Agreement provided for us to perform certain services and to manufacture and sell BELVIQ to Teva. As noted above, the Teva Agreement was assigned to Eisai pursuant to the Eisai Agreement on December 28, 2016.

We received from Teva an upfront payment of $0.5 million and a milestone payment of $0.3 million earned upon its application for regulatory approval of BELVIQ in Israel. Revenues from the upfront payment were deferred, as we determined that the exclusive rights did not have standalone value without our ongoing development and regulatory activities. Accordingly, this payment was recognized ratably as revenue over the period in which we expected the services to be rendered. The assignment of the Teva Agreement pursuant to the Eisai Agreement effectively eliminated our obligation to continue performing the development and regulatory activities required in the Teva Agreement. Therefore, on December 28, 2016, the $0.4 million of deferred revenues from this upfront payment was allocated to the value of the License provided to Eisai and recognized as revenue in 2016.

CRITICAL ACCOUNTING POLICIES AND MANAGEMENT ESTIMATES

The SEC defines critical accounting policies as those that are, in management's view, important to the portrayal of our financial condition and results of operations and demanding of management's judgment. Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with the U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. We base our estimates on historical experience and on various assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly from those estimates.

While our significant accounting policies are described in more detail in Note 1 to our consolidated financial statements, we believe the following accounting policies are critical in the preparation of our financial statements:

Revenue recognition. Our revenues to date have been generated primarily through collaboration agreements and, to a lesser extent, toll manufacturing agreements. Our collaboration agreements may contain multiple elements including commercialization rights, services (joint steering committee and research and development services) and manufactured products. Consideration we receive under these arrangements may include upfront payments, research and development funding, cost reimbursements, milestone payments, payments for product sales and royalty payments. We recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred and title has passed, (iii) the price is fixed or determinable and (iv) collectability is reasonably assured. Any advance payments we receive in excess of amounts earned are classified as deferred revenues. We previously deferred recognition of revenue and the related costs at the time we sold BELVIQ to our collaborators because we did not have the ability to estimate the amount of product that could have been returned to us and, as such, recognized revenues and the related costs from net product sales when our collaborators shipped BELVIQ to their distributors. In December 2016, we determined that we now have the ability to reasonably estimate the amount of

returns and thus now rec ognize revenue and the related cost from product sales when we ship BELVIQ to our collaborators. In December 2016, we recognized revenues and the related costs on net product sales which had been previously deferred.

We evaluate deliverables in a multiple-element arrangement to determine whether each deliverable represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value to the customer. If the delivered element does not have standalone value without one of the undelivered elements in the arrangement, we combine such elements and account for them as a single unit of accounting. The arrangement consideration that is fixed or determinable at the inception of the arrangement is allocated to each unit of accounting at the inception of the arrangement based on the relative selling price. D etermining whether a deliverable is a separate unit of accounting as well as estimating the selling prices of such unit of accounting requires the use of significant judgment. A change in such judgment could result in a significant change in the period in which revenue is recognized.

To determine the selling price of a separate deliverable, we use the hierarchy as prescribed in Accounting Standards Codification Topic 605-25 based on vendor-specific objective evidence, or VSOE, third-party evidence, or TPE, or best estimate of selling price, or BESP. VSOE is based on the price charged when the element is sold separately and is the price actually charged for that deliverable. TPE is determined based on third-party evidence for a similar deliverable when sold separately. BESP is the estimated selling price at which we would transact a sale if the elements of collaboration and license arrangements were sold on a stand-alone basis to the buyer. We may not be able to establish VSOE or TPE for the deliverables within collaboration and license arrangements, as we may not have a history of entering into such arrangements or selling the individual deliverables within such arrangements separately. In addition, there may be significant differentiation in these arrangements, which indicates that comparable third-party pricing may not be available. We may determine that the selling price for the deliverables within collaboration and license arrangements should be determined using BESP. The process for determining BESP involves significant judgment and includes consideration of multiple factors such as estimated revenues, market size, and development risk, among other factors contemplated in negotiating the arrangement with the customer .

Non-refundable upfront payments received under our collaboration agreements for commercialization rights have been deferred as such rights have not been deemed to have standalone value without the ongoing services required under the agreement. Such amounts are recognized as revenues on a straight-line basis over the period in which we expect to perform the services. In December 2016, we recognized a portion of the previously unrecognized non-refundable upfront payments received from Eisai as revenues in the amount of arrangement consideration allocated to the unit of accounting delivered to Eisai under the Eisai Agreement.

Amounts we receive as reimbursement for our research and development expenditures are recognized as revenue as the services are performed.

Under the milestone method, we recognize revenue that is contingent upon the achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. A milestone is an event (i) that can be achieved in whole or in part on either our performance or on the occurrence of a specific outcome resulting from our performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved and (iii) that would result in additional payments being due us. A milestone payment is considered substantive when the consideration payable to us for each milestone (a) is consistent with our performance necessary to achieve the milestone or the increase in value to the collaboration resulting from our performance, (b) relates solely to our past performance and (c) is reasonable relative to all of the other deliverables and payments under the arrangement. In making this assessment, we consider all facts and circumstances relevant to the arrangement, including factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether any portion of the milestone consideration is related to future performance or deliverables. Other contingent-based payments received are recognized when earned.

We also manufacture drug products under toll manufacturing agreements. Upon the customer’s acceptance of drug products manufactured by us under these agreements, we recognize toll manufacturing revenues.

Clinical trial expenses. We accrue clinical trial expenses based on work performed. In determining the amount to accrue, we rely on estimates of total costs incurred based on enrollment, the completion of trials and other events. We follow this method because we believe reasonably dependable estimates of the costs applicable to various stages of a clinical trial can be made. However, the actual costs and timing of clinical trials are highly uncertain, subject to risks and may change depending on a number of factors. Differences between the actual clinical trial costs and the estimated clinical trial costs that we have accrued in any prior period are recognized in the subsequent period in which the actual costs become known. Historically, these differences have not been material; however, material differences could occur in the future.

Accounting for long-lived assets. We assess the impairment of long-lived assets, consisting of property and equipment, and finite-lived intangible assets, whenever events or circumstances indicate that the carry value may not be recoverable. Examples of such circumstances include: (1) loss of legal ownership or title to an asset; (2) significant changes in our strategic business objectives

and utilization of the assets; and (3) the impact of significant negative industry or economic trends. If a change were to occur in any of the above-mentioned factors the likelihood of a material change in our net loss would increase.

If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. In addition, we base useful lives and amortization or depreciation expense on our subjective estimate of the period that the assets will generate revenue or otherwise be used by us. The estimated fair value of the asset group is based on an estimate of the net proceeds we would receive upon disposition of the asset group to a market participant. As the estimates used are based on the best information available at the time of the estimates, additional impairment charges may be required in the future as additional facts and information become available.

Share-based compensation. We grant equity-based awards under our share-based compensation plan and outside of our stock-based compensation plan. We estimate the fair value of stock option awards using the Black-Scholes option pricing model. This fair value is then amortized over the requisite service periods of the awards. The Black-Scholes option pricing model requires the input of subjective assumptions, including price volatility of the underlying stock, risk-free interest rate, dividend yield, and expected life of the option. We estimate the fair value of restricted stock unit awards based on the closing price of our common stock at the date of grant. Stock-based compensation expense is based on awards ultimately expected to vest, and therefore is reduced by forfeitures. Changes in assumptions used under the Black-Scholes option pricing model could materially affect our net loss and net loss per share.

Income taxes. Significant judgment is required by management to determine our provision for income taxes, our deferred tax assets and liabilities, and the valuation allowance to record against our net deferred tax assets, which are based on complex and evolving tax regulations throughout the world. Our tax calculation is impacted by tax rates in the jurisdictions in which we are subject to tax and the relative amount of income earned in each jurisdiction. Our deferred tax assets and liabilities are determined using the enacted tax rates expected to be in effect for the years in which those tax assets are expected to be realized.

The effect of an uncertain income tax position is recognized at the largest amount that is "more-likely-than-not" to be sustained under audit by the taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

The realization of our deferred tax assets is dependent upon our ability to generate sufficient future taxable income. We establish a valuation allowance when it is more-likely-than-not that the future realization of all or some of the deferred tax assets will not be achieved. The evaluation of the need for a valuation allowance is performed on a jurisdiction-by-jurisdiction basis, and includes a review of all available evidence, both positive and negative. At December 31, 2016, we concluded that it was more-likely-than-not that our deferred tax assets would not be realized.

The above listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP. See our audited consolidated financial statements and notes thereto included elsewhere in this Annual Report, which contain additional accounting policies and other disclosures required by GAAP.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We have two wholly owned subsidiaries in Switzerland, which exposes us to foreign currency exchange risk. The functional currency of our subsidiaries in Switzerland is the Swiss franc. Accordingly, all assets and liabilities of our subsidiaries are translated to US dollars based on the applicable exchange rate on the balance sheet date. Revenue and expense components are translated to US dollars at weighted-average exchange rates in effect during the period. Gains and losses resulting from foreign currency translation are reported as a separate component of accumulated other comprehensive gain (loss) in the equity section of our consolidated balance sheets.

Foreign currency transaction gains and losses, which are primarily the result of remeasuring US dollar-denominated receivables and payables at Arena GmbH, are recorded in the interest and other income (expense) section of our consolidated statement of operations and comprehensive loss. For the year ended December 31, 2016, we recognized foreign currency transaction gains, net of $0.9 million. If a 10% change in the US dollar-to-Swiss franc exchange rate were to have occurred on December 31, 2016, this change would not have had a material effect on our results of operations.

We have not hedged exposures denominated in foreign currencies, but may do so in the future.

Item 8. Financial Stateme nts and Supplementary Data

ARENA PHARMACEUTICALS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Regist ered Public Accounting Firm

The Board of Directors and Stockholders
Arena Pharmaceuticals, Inc.:

We have audited the accompanying consolidated balance sheets of Arena Pharmaceuticals, Inc. and subsidiaries (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive loss, equity, and cash flows for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Arena Pharmaceuticals, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Arena Pharmaceuticals, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 15, 2017, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

San Diego, California
March 15, 2017

ARENA PHARMACEUTICALS, INC.

Consolidated Balance Sheets
(In thousands, except share and per share data)

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 90,712	$ 156,184
Accounts receivable	20,162	4,934
Inventory	6,708	9,502
Prepaid expenses and other current assets	2,307	4,218
Total current assets	119,889	174,838
Land, property and equipment, net	43,828	71,828
Intangibles, net	2,357	7,775
Other non-current assets	2,936	2,351
Total assets	$ 169,010	$ 256,792
Liabilities and Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 12,116	$ 10,127
Payable to Eisai	9,074	12,080
Accrued clinical and preclinical study fees	3,883	3,286
Current portion of deferred revenues	35,288	21,425
Current portion of lease financing obligations	3,518	2,978
Total current liabilities	63,879	49,896
Other long-term liabilities	821	470
Deferred revenues, less current portion	2,167	87,617
Lease financing obligations, less current portion	61,748	65,267
Commitments and contingencies		
Equity:		
Preferred stock, $0.0001 par value, 7,500,000 shares authorized, no shares issued and outstanding at December 31, 2016, and 2015	—	—
Common stock, $0.0001 par value, 367,500,000 shares authorized at December 31, 2016, and 2015; 243,400,800 shares issued and outstanding at December 31, 2016; 242,871,179 shares issued and outstanding at December 31, 2015	24	24
Additional paid-in capital	1,441,715	1,430,917
Accumulated other comprehensive loss	(3,099)	(1,179)
Accumulated deficit	(1,398,736)	(1,376,220)
Total equity attributable to stockholders of Arena	39,904	53,542
Equity attributable to noncontrolling interest in consolidated variable interest entity	491	—
Total equity	40,395	53,542
Total liabilities and equity	$ 169,010	$ 256,792

See accompanying notes to consolidated financial statements.

ARENA PHARMACEUTICALS, INC.

Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except per share data)

	Years ended December 31,		
	2016	2015	2014
Revenues			
Net product sales	$ 26,349	$ 19,726	$ 15,983
Other Eisai collaboration revenue	79,701	9,505	18,611
Other collaboration revenue	13,796	4,845	879
Toll manufacturing	4,129	4,250	1,497
Total revenues	123,975	38,326	36,970
Operating costs and expenses			
Cost of product sales	9,297	8,590	6,369
Cost of toll manufacturing	6,044	4,585	1,390
Research and development	66,425	88,411	100,347
General and administrative	31,243	35,966	34,137
Restructuring charges	6,346	3,972	—
Impairment of long-lived assets	21,766	—	—
Total operating costs and expenses	141,121	141,524	142,243
Loss from operations	(17,146)	(103,198)	(105,273)
Interest and other income (expense)			
Interest income	290	158	83
Interest expense	(6,512)	(6,828)	(6,915)
Gain from valuation of derivative liabilities	—	474	4,418
Gain on sale of available-for-sale securities	—	—	49,553
Other income (expense)	472	1,415	(2,374)
Total interest and other income (expense), net	(5,750)	(4,781)	44,765
Net loss	(22,896)	(107,979)	(60,508)
Less net loss attributable to noncontrolling interest in consolidated variable interest entity	380	—	—
Net loss attributable to stockholders of Arena	$ (22,516)	$ (107,979)	$ (60,508)
Net loss attributable to stockholders of Arena per share:			
Basic	$ (0.09)	$ (0.45)	$ (0.28)
Diluted	$ (0.09)	$ (0.45)	$ (0.28)
Shares used in calculating net loss attributable to stockholders of Arena per share:			
Basic	243,133	240,671	219,734
Diluted	243,133	240,671	219,734
Comprehensive Loss:			
Net loss	$ (22,896)	$ (107,979)	$ (60,508)
Foreign currency translation adjustment	(1,920)	(4,087)	(2,820)
Comprehensive loss	(24,816)	(112,066)	(63,328)
Less comprehensive loss attributable to noncontrolling interest in consolidated variable interest entity	380	—	—
Comprehensive loss attributable to stockholders of Arena	$ (24,436)	$ (112,066)	$ (63,328)

See accompanying notes to consolidated financial statements.

ARENA PHARMACEUTICALS, INC.

Consolidated Statements of Equity

(In thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity Attributable to Stockholders of Arena	Equity Attributable to Noncontrolling Interest in Consolidated Variable Interest Entity	Total Equity
	Shares	Amount						
Balance at December 31, 2013	**218,816,242**	**$ 22**	**$ 1,293,840**	**$ 5,728**	**$ (1,207,733)**	**$ 91,857**	**$ —**	**$ 91,857**
Issuance of common stock upon exercise of options	1,115,068	—	4,078	—	—	4,078	—	4,078
Issuance of common stock under employee stock purchase plan	304,085	—	1,148	—	—	1,148	—	1,148
Issuance of common stock upon vesting of restricted stock unit awards	86,250	—	—	—	—	—	—	—
Share-based compensation expense, net of forfeitures	—	—	13,509	—	—	13,509	—	13,509
Share-based compensation expense capitalized	—	—	81	—	—	81	—	81
Translation loss	—	—	—	(2,820)	—	(2,820)	—	(2,820)
Net loss	—	—	—	—	(60,508)	(60,508)	—	(60,508)
Balance at December 31, 2014	**220,321,645**	**22**	**1,312,656**	**2,908**	**(1,268,241)**	**47,345**	**—**	**47,345**
Issuance of common stock to underwriters	21,000,000	2	100,656	—	—	100,658	—	100,658
Issuance of common stock upon exercise of options	1,154,084	—	2,211	—	—	2,211	—	2,211
Issuance of common stock under employee stock purchase plan	327,950	—	758	—	—	758	—	758
Issuance of common stock upon vesting of restricted stock unit awards	67,500	—	—	—	—	—	—	—
Share-based compensation expense, net of forfeitures	—	—	14,463	—	—	14,463	—	14,463
Share-based compensation expense capitalized	—	—	173	—	—	173	—	173
Translation loss	—	—	—	(4,087)		(4,087)	—	(4,087)
Net loss	—	—	—	—	(107,979)	(107,979)	—	(107,979)
Balance at December 31, 2015	**242,871,179**	**24**	**1,430,917**	**(1,179)**	**(1,376,220)**	**53,542**	**—**	**53,542**
Issuance of common stock upon exercise of options	115,564	—	179	—	—	179	—	179
Issuance of common stock under employee stock purchase plan	141,397	—	203	—	—	203	—	203
Issuance of common stock upon vesting of restricted stock unit awards	272,660	—	—	—	—	—	—	—
Share-based compensation expense, net of forfeitures	—	—	11,117	—	—	11,117	—	11,117
Share-based compensation expense capitalized	—	—	170	—	—	170	—	170
Contribution to variable interest entity	—	—	(871)	—	—	(871)	871	—
Translation loss	—	—	—	(1,920)	—	(1,920)	—	(1,920)
Net loss	—	—	—	—	(22,516)	(22,516)	(380)	(22,896)
Balance at December 31, 2016	**243,400,800**	**$ 24**	**$ 1,441,715**	**$ (3,099)**	**$ (1,398,736)**	**$ 39,904**	**$ 491**	**$ 40,395**

See accompanying notes to consolidated financial statements.

ARENA PHARMACEUTICALS, INC.

Consolidated Statements of Cash Flows
(In thousands)

	Years ended December 31,		
	2016	**2015**	**2014**
Operating activities:			
Net loss	$ (22,896)	$ (107,979)	$ (60,508)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	9,144	9,804	8,655
Amortization of intangibles	211	238	506
Impairment of long-lived assets	21,766	—	—
Share-based compensation	11,117	14,463	13,509
Gain from valuation of derivative liabilities	—	(474)	(4,418)
Gain on sale of available-for-sale securities	—	—	(49,553)
Amortization of prepaid financing costs	136	136	136
Loss on disposal or sale of equipment	1,270	1,007	172
Changes in operating assets and liabilities:			
Accounts receivable	(15,903)	(1,425)	6,407
Inventory	3,193	1,858	870
Prepaid expenses and other assets	1,962	575	(772)
Payables and accrued liabilities	(103)	(16,970)	13,240
Deferred revenues	(72,066)	553	(29,764)
Deferred rent	30	101	122
Net cash used in operating activities	(62,139)	(98,113)	(101,398)
Investing activities:			
Proceeds from sale of available-for-sale securities	—	—	49,553
Purchases of land, property and equipment	(950)	(10,992)	(8,905)
Proceeds from sale of equipment	954	2,232	47
Other non-current assets	(754)	609	209
Net cash provided by (used in) investing activities	(750)	(8,151)	40,904
Financing activities:			
Principal payments on lease financing obligations	(2,979)	(2,492)	(2,057)
Proceeds from issuance of common stock	370	103,628	5,225
Other financing activities	320	—	—
Net cash provided by (used in) financing activities	(2,289)	101,136	3,168
Effect of exchange rate changes on cash	(294)	(1,897)	(1,343)
Net decrease in cash and cash equivalents	(65,472)	(7,025)	(58,669)
Cash and cash equivalents at beginning of year	156,184	163,209	221,878
Cash and cash equivalents at end of year	$ 90,712	$ 156,184	$ 163,209
Supplemental disclosure of cash flow information:			
Interest paid	$ 6,303	$ 6,562	$ 6,778
Supplemental disclosure of non-cash investing and financing information:			
Payable to Siegfried for acquisition of land and building	$ —	$ —	$ 8,217

See accompanying notes to consolidated financial statements.

1. The Company and Summary of Significant Accounting Policies

The Company

Arena Pharmaceuticals, Inc., or Arena, was incorporated on April 14, 1997, and commenced operations in July 1997. We are a biopharmaceutical company focused on developing novel, small molecule drugs with optimized receptor pharmacology designed to deliver broad clinical utility across multiple therapeutic areas. Our proprietary pipeline includes potentially first or best in class programs for which we own global commercial rights.

Our three most advanced investigational clinical programs are etrasimod (formerly APD334) in Phase 2 evaluation for multiple inflammatory indications, ralinepag (formerly APD811) in Phase 2 evaluation for pulmonary arterial hypertension (PAH), and APD371 entering Phase 2 evaluation for the treatment of pain associated with Crohn's disease.

Additionally, we have collaborations with the following pharmaceutical companies: Eisai Inc. and Eisai Co., Ltd. (collectively, Eisai) (commercial stage), Axovant Sciences Ltd., or Axovant, (Phase 2 candidate), and Boehringer Ingelheim International GmbH, or Boehringer Ingelheim, (preclinical candidate).

We operate in one business segment. Our US operations are located in San Diego, California. Our primary clinical operations are located in Zug, Switzerland, and our commercial manufacturing facility is located in Zofingen, Switzerland.

We internally discovered the drug lorcaserin, which has been commercially sold in a twice-daily formulation under the brand name BELVIQ® in the United States since June 2013 and in South Korea since February 2015. The commercial launch of lorcaserin in a once-daily formulation under the brand name BELVIQ XR® in the United States was announced in October 2016.

On December 28, 2016, we amended and restated the terms of marketing and supply agreement for lorcaserin with Eisai by entering into a new Transaction Agreement and a new Supply Agreement (collectively with the Transaction Agreement, the Eisai Agreement) with Eisai. Under the Eisai Agreement, Eisai acquired global commercialization and manufacturing rights to lorcaserin, including in the territories retained by us under the prior agreement, with control over global development and commercialization decisions. Eisai is responsible for all lorcaserin development expenses going forward. We also assigned to Eisai our rights under the commercial lorcaserin distribution agreements with Ildong Pharmaceutical Co., Ltd., or Ildong, for South Korea; CY Biotech Company Limited, or CYB, for Taiwan; and Teva Pharmaceuticals Ltd.'s Israeli subsidiary, Abic Marketing Limited, or Teva, for Israel.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the U.S. generally accepted accounting principles, or GAAP, and reflect all of our activities, including those of our wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. The accompanying consolidated financial statements include the balances and activity of Beacon Discovery, Inc., or Beacon, a variable interest entity in which we have the controlling financial interest (see Note 16). The equity attributable to the noncontrolling interest in Beacon is presented as a separate component from the equity attributable to stockholders of Arena in the equity section of the consolidated balance sheets. The results of operations and comprehensive loss attributable to the noncontrolling interest in Beacon are presented as separate components from the results of operations and comprehensive loss attributable to the stockholders of Arena in the consolidated statements of operations and comprehensive loss.

Liquidity

It will require substantial cash to achieve our objectives of discovering, developing and commercializing drugs, and this process typically takes many years and potentially several hundreds of millions of dollars for an individual drug. We may not have adequate available cash, or assets that could be readily turned into cash, to meet these objectives in the long term. We will need to obtain significant funds under our existing collaborations, under new collaboration, licensing or other commercial agreements for one or more of our drug candidates and programs or patent portfolios, or from other potential sources of liquidity, which may include the sale of equity, issuance of debt or other transactions.

Our prospects are subject to the risks and uncertainties frequently encountered by companies in the early stages of development and commercialization, especially those companies in rapidly evolving and technologically advanced industries such as the biotechnology field. Our future viability largely depends on our ability to complete development of new drugs and drug candidates

and receive regulatory approvals for those drugs. No assurance can be given that our new drugs will be succes sfully developed, regulatory approvals will be granted, or acceptance of these drugs will be achieved. The development of novel, small molecule drugs for specific therapeutic applications is subject to a number of risks, including research, regulatory and marketing risks. There can be no assurance that our development stage drug candidates will overcome these risks and become commercially viable.

We incurred net losses of $22.9 million, $108.0 million and $60.5 million for the years ended December 31, 2016, 2015, and 2014, respectively. Additionally, we have used net cash of $62.1 million, $98.1 million and $101.4 million to fund our operating activities for years ended December 31, 2016, 2015, and 2014, respectively. We have had, and we will likely continue to have, an ongoing need to raise additional cash from outside sources to fund our future operations.

We believe our plans to raise additional cash from outside sources and, if necessary, our cost containment efforts are sufficient to allow us to continue operations for the next twelve months. Our plans include pursuing additional cash through strategic corporate partnerships and possibly engaging in future sales of equity or debt. There is no guarantee that adequate funds will be available when needed from equity financing or additional debt, development and commercialization partnerships, increased results of operations, or from other sources, or on terms acceptable to us. If our efforts to obtain sufficient additional funds are not successful, we would be required to delay, scale back, or eliminate some or all of our research or development, manufacturing operations, administrative operations, and clinical or regulatory activities, which could negatively affect our ability to achieve certain corporate goals.

Recent Accounting Pronouncements

Revenue recognition.

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2014-09, *Revenue from Contracts with Customers* . ASU No. 2014-09 supersedes most current revenue recognition guidance and establishes a comprehensive revenue recognition model with a broad principle that would require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this principle, an entity identifies the contract with a customer, identifies the separate performance obligations in the contract, determines the transaction price, allocates the transaction price to the separate performance obligations and recognizes revenue when each separate performance obligation is satisfied. FASB has subsequently issued additional ASUs to clarify certain elements of the new revenue recognition guidance.

The new guidance allows for two methods of adoption: (a) “full retrospective” adoption, meaning the standard is applied to all periods presented, or (b) “modified retrospective” adoption, meaning the cumulative effect of applying the new guidance is recognized as an adjustment to the opening retained earnings balance for the year of implementation. We plan to adopt the new revenue standard effective January 1, 2018, on a modified retrospective method with the cumulative effect of the change reflected in retained earnings as of January 1, 2018, and not restate prior periods.

The Company has continued to monitor FASB activity to assess certain interpretative issues and the associated implementation of the new standard. We are in the process of reviewing our revenue arrangements, which we expect to include product sales, manufacturing support payments, royalty payments, other collaboration payments and toll manufacturing, and are not yet able to estimate the anticipated impact to our consolidated financial statements from the implementation of the new standard as we continue to interpret the principles of the new standard.

Other.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern: Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.* Under GAAP, continuation of a reporting entity as a going concern is presumed as the basis for preparing financial statements unless and until the entity’s liquidation becomes imminent. Preparation of financial statements under this presumption is commonly referred to as the going concern basis of accounting. If and when an entity’s liquidation becomes imminent, financial statements should be prepared under the liquidation basis of accounting. Even when an entity’s liquidation is not imminent, there may be conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern. In those situations, financial statements should continue to be prepared under the going concern basis of accounting, but ASU No. 2014-15 should be followed to determine whether to disclose information about any relevant conditions and events. In accordance with ASU No. 2014-15, we adopted this standard beginning this annual reporting period ended December 31, 2016. The adoption of ASU No. 2014-15 did not have a material impact on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* . ASU No. 2016-01 supersedes and amends the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities to be measured at fair value with changes in

the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments also require enhanced disclosures about those investments. ASU No. 2016-01 is effective for annual reporting beginning after December 15, 2017, including interim periods within the year of adoption, and calls for prospective application, with early application permitted. We do not expect the adoption of ASU No. 2016-01 to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* . ASU No. 2016-02 amends the accounting guidance for leases. The amendments contain principles that will require lessees to recognize most leases on the balance sheet by recording a right-of-use asset and a lease liability, unless the lease is a short-term lease that has an accounting lease term of 12 months or less. The amendments also contain other changes to the current lease guidance that may result in changes to how entities determine which contractual arrangements qualify as a lease, the accounting for executory costs (such as property taxes and insurance), as well as which lease origination costs will be capitalizable. The new standard also requires expanded quantitative and qualitative disclosures. ASU No. 2016-02 is effective for annual reporting periods, and interim periods within those periods, beginning after December 15, 2018, with early adoption permitted. ASU No. 2016-02 requires the use of the modified retrospective transition method, whereby the new guidance will be applied at the beginning of the earliest period presented in the financial statements of the period of adoption. We are currently evaluating the impact of ASU No. 2016-02 on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting.* ASU No. 2016-09 modifies certain aspects of the accounting for share-based payment transactions, including income taxes, classification of awards, and classification on the statement of cash flows. Currently, excess tax benefits or deficiencies from our equity awards are recorded as additional paid-in capital on the consolidated balance sheet. Upon adoption, we will record any excess tax benefits or deficiencies from our equity awards on the consolidated statement of operation in the reporting periods in which stock options are exercised. This guidance also requires excess tax benefits and deficiencies to be presented as an operating activity on the statement of cash flows and allows an entity to make an accounting policy election to either estimate expected forfeitures or to account for them as they occur. We will adopt this ASU in the first quarter of 2017. Since we have a full valuation allowance on our deferred tax assets as of December 31, 2016, we do not expect any impact on our accumulated deficit upon adoption nor any impacts to income tax expense when stock options are exercised. We anticipate accounting for forfeitures as they occur upon the adoption of ASU No. 2016-09.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash* . ASU No. 2016-18 requires that restricted cash be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within the year of adoption, and calls for retrospective application to each period presented. We do not expect the adoption of ASU No. 2016-18 to have a material impact on our consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts (including assets, liabilities, revenues and expenses) and related disclosures. The amounts reported could differ under different estimates and assumptions.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with remaining maturities of three months or less when purchased.

Inventory

Inventory is stated at the lower of cost or market. We determine cost, which includes amounts related to materials, labor and overhead, using a first-in, first-out basis. We evaluate our inventory each period to identify potential obsolete, excess or otherwise non-saleable items. If non-saleable items are observed and there are no alternate uses for the inventory, we will record a write-down to net realizable value in the period that the decline in value is first recognized.

Concentrations of Risk

Financial instruments, which potentially subject us to concentrations of credit risk, consist primarily of cash and cash equivalents. We limit our exposure to credit loss by holding our cash primarily in US dollars or, from time to time, placing our cash and investments in US government, agency or government-sponsored enterprise obligations and in corporate debt instruments that are rated investment grade, in accordance with an investment policy approved by our Board of Directors.

BELVIQ h as been exclusively sold in the United States and South Korea by Eisai and Ildong, respectively, which are the only jurisdictions for which BELVIQ has been commercially sold. We also produce drug products for Siegfried AG, or Siegfried, and, to a lesser ex tent, another third party under toll manufacturing agreements.

Percentages of our total revenues are as follows:

	Years ended December 31,		
	2016	2015	2014
Eisai Agreement (see Note 9)	79.8%	61.9%	93.6%
Ildong Agreement (see Note 9)	9.2%	23.2%	1.0%
Toll manufacturing agreements	3.3%	11.1%	4.0%
Other collaboration agreements	7.7%	3.8%	1.4%
Total percentage of revenues	100.0%	100.0%	100.0%

Percentages of our total accounts receivable are as follows:

	December 31,		
	2016	2015	2014
Eisai Agreement (see Note 9)	93.1%	77.5%	93.1%
Toll manufacturing agreements	2.1%	9.6%	0.0%
Ildong Agreement (see Note 9)	2.0%	1.3%	0.4%
Other collaboration agreements	2.8%	11.6%	6.5%
Total percentage of accounts receivable	100.0%	100.0%	100.0%

We purchase raw materials, starting materials, intermediates, API, excipients and other materials from commercial sources. To decrease the risk of an interruption to our supply, when we believe it is reasonable for us to do so, we source these materials from multiple suppliers so that, in general, the loss of any one source of supply would not have a material adverse effect on commercial production. However, currently we have only one or a limited number of suppliers for some of these materials. The loss of a primary source of supply would potentially delay our production. Our facility in Zofingen, Switzerland is currently the only manufacturer of finished drug product for BELVIQ. Eisai maintains a safety stock of BELVIQ to help mitigate risks related to having only one manufacturer of finished drug product.

Property and Equipment

Property and equipment are stated at cost and depreciated over the estimated useful lives of the assets (generally 3 to 15 years) using the straight-line method. Buildings are stated at cost and depreciated over an estimated useful life of approximately 20 years using the straight-line method. Leasehold improvements are stated at cost and amortized over the shorter of the estimated useful lives of the assets or the lease term using the straight-line method. Capital improvements are stated at cost and amortized over the estimated useful lives of the underlying assets using the straight-line method. On December 31, 2016, for the property and equipment located at our Zofingen, Switzerland facility, we recorded an impairment charge of $17.2 million, changed our estimate of the useful life for these assets to be two remaining years and expect to depreciate the remaining carrying value of these assets using the straight-line method over this period pursuant to the Eisai Agreement (see Note 9).

Intangibles

Intangible assets consist of our manufacturing facility production licenses we acquired from Siegfried in January 2008. Through December 2016, we amortized these assets using the straight-line method over their estimated useful life of 20 years. On December 31, 2016, we recorded an impairment charge of $4.6 million for these assets, changed our estimate of the useful life for these assets to be two remaining years and expect to amortize the remaining carrying value of these assets using the straight-line method over this period pursuant to the Eisai Agreement (see Note 9).

Long-lived Assets

If indicators of impairment exist, we assess the recoverability of the affected long-lived assets by determining whether the carrying value of such assets can be recovered through undiscounted cash flows. If impairment is indicated, we measure the impairment loss by comparing the fair value to the carrying value of the asset.

Def erred Rent

For financial reporting purposes, rent expense is recognized on a straight-line basis over the term of the lease. The difference between rent expense and amounts paid under lease agreements is recorded as deferred rent in the liability section of our consolidated balance sheets.

Derivative Liabilities

We account for warrants and other derivative financial instruments as either equity or liabilities based upon the characteristics and provisions of each instrument. Warrants classified as equity are recorded as additional paid-in capital on our consolidated balance sheets and no further adjustments to their valuation are made. Warrants classified as derivative liabilities and other derivative financial instruments that require separate accounting as liabilities are recorded on our consolidated balance sheets at their fair value on the date of issuance and are revalued on each balance sheet date until such instruments are exercised or expire, with changes in the fair value between reporting periods recorded as other income or expense. There were no warrants classified as derivative liabilities as of December 31, 2016, and 2015.

Foreign Currency

The functional currency of our wholly owned subsidiaries in Switzerland, Arena GmbH and Arena Pharmaceuticals Development GmbH is the Swiss franc. Accordingly, all assets and liabilities of these subsidiaries are translated to US dollars based on the applicable exchange rate on the balance sheet date. Revenue and expense components are translated to US dollars at weighted-average exchange rates in effect during the period. Gains and losses resulting from foreign currency translation are reported as a separate component of accumulated other comprehensive income or loss in the equity section of our consolidated balance sheets.

Foreign currency transaction gains and losses, which are primarily the result of remeasuring US dollar-denominated receivables and payables at Arena GmbH, are recorded in the interest and other income (expense) section of our consolidated statements of operations and comprehensive loss. For the year ended December 31, 2016, we recognized foreign currency transaction gains, net of $0.9 million. For the year ended December 31, 2015, we recognized foreign currency transaction gains, net of $2.0 million. For the year ended December 31, 2014, we recognized foreign currency transaction losses, net of $2.2 million.

Share-based Compensation

Our share-based awards are measured at fair value and recognized over the requisite service or performance period. The fair value of each stock option is estimated on the date of grant using the Black-Scholes option pricing model, based on the market price of the underlying common stock, expected life, expected stock price volatility and expected risk-free interest rate. Expected volatility is computed using a combination of historical volatility for a period equal to the expected term and implied volatilities from traded options to buy our common stock, with historical volatility being weighted at 75%. The expected life of options is determined based on historical experience of similar awards, giving consideration to the contractual terms of the share-based awards, vesting schedules and post-vesting terminations. The risk-free interest rates are based on the US Treasury yield curve, with a remaining term approximately equal to the expected term used in the option pricing model. The fair value of each restricted stock unit award is estimated based on the market price of the underlying common stock on the date of the grant. The fair value of restricted stock unit awards that include market-based performance conditions is estimated on the date of grant using a Monte Carlo simulation model, based on the market price of the underlying common stock, expected performance measurement period, expected stock price volatility and expected risk-free interest rate. We estimate forfeitures at the time of grant and revise our estimate in subsequent periods if actual forfeitures differ from those estimates.

Revenue Recognition

Our revenues to date have been generated primarily through collaboration agreements and, to a lesser extent, toll manufacturing agreements. Our collaboration agreements may contain multiple elements including commercialization rights, services (joint steering committee and research and development services) and manufactured products. Consideration we receive under these arrangements may include upfront payments, research and development funding, cost reimbursements, milestone payments, payments for product sales and royalty payments. We recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred and title has passed, (iii) the price is fixed or determinable and (iv) collectability is reasonably assured. Any advance payments we receive in excess of amounts earned are classified as deferred revenues. We previously deferred recognition of product sales and the related costs at the time we sold BELVIQ to our collaborators because we did not have the ability to estimate the amount of product that could have been returned to us and, as such, recognized revenues and the related costs from net product sales when our collaborators shipped BELVIQ to their distributors. In December 2016, primarily pursuant to a change in the terms of the Eisai Agreement (see Note 9), we determined that we now have the ability to reasonably estimate the amount of returns and thus now

recognize revenue and the related cost from product sales when we ship BELVIQ to our collaborators. In December 2016, we recogniz ed revenues and the related costs on net product sales which had been previously deferred.

We evaluate deliverables in a multiple-element arrangement to determine whether each deliverable represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value to the customer. If the delivered element does not have standalone value without one of the undelivered elements in the arrangement, we combine such elements and account for them as a single unit of accounting. We allocate the consideration to each unit of accounting at the inception of the arrangement based on the relative selling price.

To determine the selling price of a separate deliverable, we use the hierarchy as prescribed in Accounting Standards Codification Topic 605-25 based on vendor-specific objective evidence, or VSOE, third-party evidence, or TPE, or best estimate of selling price, or BESP. VSOE is based on the price charged when the element is sold separately and is the price actually charged for that deliverable. TPE is determined based on third-party evidence for a similar deliverable when sold separately. BESP is the estimated selling price at which we would transact a sale if the elements of collaboration and license arrangements were sold on a stand-alone basis to the buyer.

Non-refundable upfront payments received under our collaboration agreements for commercialization rights have been deferred as such rights have not been deemed to have standalone value without the ongoing services required under the agreement. Such amounts are recognized as revenues on a straight-line basis over the period in which we expect to perform the services. In December 2016, we recognized a portion of the previously unrecognized non-refundable upfront payments received from Eisai as revenues in the amount of arrangement consideration allocated to the unit of accounting delivered to Eisai under the Eisai Agreement (see Note 9).

Amounts we receive as reimbursement for our research and development expenditures are recognized as revenue as the services are performed.

Under the milestone method, we recognize revenue that is contingent upon the achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. A milestone is an event (i) that can be achieved in whole or in part on either our performance or on the occurrence of a specific outcome resulting from our performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved and (iii) that would result in additional payments being due us. A milestone payment is considered substantive when the consideration payable to us for each milestone (a) is consistent with our performance necessary to achieve the milestone or the increase in value to the collaboration resulting from our performance, (b) relates solely to our past performance and (c) is reasonable relative to all of the other deliverables and payments under the arrangement. In making this assessment, we consider all facts and circumstances relevant to the arrangement, including factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether any portion of the milestone consideration is related to future performance or deliverables. Other contingent-based payments received are recognized when earned.

We also manufacture drug products under toll manufacturing agreements. Upon the customer’s acceptance of drug products manufactured by us under these agreements, we recognize toll manufacturing revenues.

Research and Development Expenses

Research and development expenses, which consist primarily of salaries and other personnel costs, clinical trial costs and preclinical study fees, manufacturing costs for non-commercial products, and the development of earlier-stage programs and technologies, are expensed as incurred when these expenditures have no alternative future uses.

We accrue clinical trial expenses based on work performed. In determining the amount to accrue, we rely on estimates of total costs incurred based on enrollment, the completion of trials and other events. We follow this method because we believe reasonably dependable estimates of the costs applicable to various stages of a clinical trial can be made. However, the actual costs and timing of clinical trials are highly uncertain, subject to risks and may change depending on a number of factors. Differences between the actual clinical trial costs and the estimated clinical trial costs that we have accrued in any prior period are recognized in the subsequent period in which the actual costs become known. Historically, these differences have not been material; however, material differences could occur in the future. Payments made to reimburse collaborators for our share of their research and development activities are recorded as research and development expenses, and are recognized as the work is performed.

Comprehensive Loss

Comprehensive loss is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. We report components of comprehensive loss in the period in which they are recognized. For the years ended December 31, 2016, 2015, and 2014, comprehensive loss consisted of net loss and foreign currency translation gains and losses.

Net Loss Per Share

We calculate basic and diluted net loss per share using the weighted-average number of shares of common stock outstanding during the period.

Since we are in a net loss position, in addition to excluding potentially dilutive out-of-the money securities, we have excluded from our calculation of diluted net loss per share all potentially dilutive in-the-money (i) stock options, (ii) restricted stock unit awards, or RSUs, (iii) Total Stockholder Return, or TSR, performance restricted stock unit, or PRSU, awards, (iv) unvested restricted stock in our deferred compensation plan and (v) our previously outstanding warrants, and our diluted net loss per share is the same as our basic net loss per share. The table below presents the weighted-average number of potentially dilutive securities that were excluded from our calculation of diluted net loss per share for the years presented, in thousands.

	Years ended December 31,		
	2016	2015	2014
Stock options	24,947	17,030	15,530
Warrants	—	19	370
RSUs and unvested restricted stock	210	547	476
Total	25,157	17,596	16,376

Because the market condition for the PRSUs was not satisfied at December 31, 2016, 2015, and 2014, such securities are excluded from the table above.

Income Taxes

We use the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Our deferred tax assets and liabilities are determined using the enacted tax rates expected to be in effect for the years in which those tax assets are expected to be realized.

The realization of our deferred tax assets is dependent upon our ability to generate sufficient future taxable income. We establish a valuation allowance when it is more-likely-than-not the future realization of all or some of the deferred tax assets will not be achieved. The evaluation of the need for a valuation allowance is performed on a jurisdiction-by-jurisdiction basis, and includes a review of all available evidence, both positive and negative.

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

2. Fair Value Disclosures

We measure our financial assets and liabilities at fair value, which is defined as the exit price, or the amount that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

We use the following three-level valuation hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs to value our financial assets and liabilities:

Level 1 - Observable inputs such as unadjusted quoted prices in active markets for identical instruments.

Level 2 - Quoted prices for similar instruments in active markets or inputs that are observable for the asset or liability, either directly or indirectly.

Level 3 - Significant unobservable inputs based on our assumptions.

The following tables present our valuation hierarchy for our financial assets and liabilities that are measured at fair value on a recurring basis, in thousands:

	Fair Value Measurements at December 31, 2016			
	Balance	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds [1]	$ 46,371	$ 46,371	$ —	$ —

	Fair Value Measurements at December 31, 2015			
	Balance	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds [1]	$ 113,080	$ 113,080	$ —	$ —

(1) Included in cash and cash equivalents on our consolidated balance sheets.

3. Short-term Investments and Available-for-Sale Securities

We held an investment in TaiGen Biotechnology Co., Ltd., or TaiGen, that, from December 31, 2011, to January 17, 2014, had a cost basis of zero due to prior impairment charges. On January 17, 2014, TaiGen completed an initial public offering and its common stock began to trade on the GreTai Securities Listed Market, under the name "TaiGen Biopharmaceuticals Holding Limited." Such market is deemed to be comparable to a US over-the-counter market such that the fair value of our former investment in TaiGen, which previously had been accounted for as a cost method investment with a cost basis of zero, became readily determinable. Accordingly, on January 17, 2014, we recorded our former investment in TaiGen of 29.6 million shares based on its fair value of approximately $49.1 million. We began recording our former investment in TaiGen at fair value based on the trading price of TaiGen's common stock, and the remaining former investment was revalued on each balance sheet date.

Gains and losses on the sale of available-for-sale securities are determined using the specific-identification method. During the year ended December 31, 2014, we sold all of our shares of TaiGen and recorded a realized gain of $49.6 million.

4. Balance Sheet Details

Inventory consisted of the following, in thousands:

	December 31,	
	2016	2015
Raw materials	$ 2,553	$ 2,487
Work in process	3,943	2,781
Finished goods at Arena GmbH	212	165
Finished goods at Eisai	—	3,309
Finished goods at Ildong	—	760
Total inventory	$ 6,708	$ 9,502

The carrying value of finished goods at Eisai and Ildong at December 31, 2015, represented inventory sold to Eisai and Ildong, respectively, which had not yet been sold through to their distributors at December 31, 2015. We previously deferred recognition of

revenue and the related costs at the time we sold BELVIQ to our collaborators because we did not have the ability to estim ate the amount of product that could have been returned to us and, as such, recognized revenues and the related costs from net product sales when our collaborators shipped BELVIQ to their distributors. In December 2016, we determined that we now have the a bility to reasonably estimate the amount of returns and thus now recognize revenue and the related cost from product sales when we ship BELVIQ to our collaborators. In December 2016, we recognized revenues and the related costs on net product sales which h ad been previously deferred.

Land, property and equipment, net consisted of the following, in thousands:

	December 31,	
	2016	2015
Land	$ 7,809	$ 8,131
Building and capital improvements	58,609	74,663
Leasehold improvements	17,769	18,025
Machinery and equipment	16,801	53,790
Computers and software	5,737	15,893
Furniture and office equipment	1,631	2,227
	108,356	172,729
Less accumulated depreciation and amortization	(64,528)	(100,901)
Land, property and equipment, net	$ 43,828	$ 71,828

Intangibles consisted of the following, in thousands:

	December 31,	
	2016	2015
Acquired manufacturing production licenses – gross	$ 2,357	$ 12,958
Acquired manufacturing production licenses – accumulated amortization	—	(5,183)
Intangibles, net	$ 2,357	$ 7,775

The Eisai Agreement entered on December 28, 2016, results in a significant change in our expected use of our Zofingen facility. We have agreed to manufacture and supply all of Eisai's requirements (or specified minimum quantities if such quantities are greater than Eisai's requirements), subject to certain exceptions, for BELVIQ for an initial two-year period. Eisai may extend this initial period for an additional six months upon payment of an exercise fee. Eisai will pay us agreed-upon prices to deliver BELVIQ during this period. Based on our estimate of future cash flows that are directly associated with our Zofingen facility, we determined that long-lived assets with a carrying amount of $32.9 million were no longer recoverable and were in fact impaired and wrote them down to their estimated fair value of $11.1 million. Fair value was based on an estimate of the net proceeds we would receive upon disposition of the asset group to a market participant. This estimate is a Level 3 input under Accounting Standards Codification Topic 820, *Fair Value Measurement* . It is reasonably possible that our estimate of fair value for these assets may change in the near term resulting in the need to record an additional impairment loss. See Note 9 for further details on the Eisai Agreement.

Following the impairment write-down, the carrying value of long-lived assets located in the United States and Switzerland were $35.1 million and $11.1 million, respectively, at December 31, 2016. The carrying value of long-lived assets located in the United States and Switzerland were $41.5 million and $38.1 million, respectively, at December 31, 2015.

We capitalize into inventory amortization expense related to the manufacturing of BELVIQ. Such amortization will subsequently be recognized as cost of product sales when the related inventory is sold. Using the exchange rate in effect on December 31, 2016, we expect to record amortization of $1.2 million per year through 2018 for our manufacturing facility production licenses.

Accounts payable and other accrued liabilities consisted of the following, in thousands:

	December 31,	
	2016	2015
Accounts payable	$ 5,977	$ 2,078
Accrued compensation	4,820	5,118
Accrued workforce reduction expense	62	1,793
Other accrued liabilities	1,257	1,138
Total accounts payable and other accrued liabilities	$ 12,116	$ 10,127

5. Agreements with Siegfried

In January 2008, we acquired from Siegfried certain drug product facility assets, including manufacturing facility production licenses, fixtures, equipment, other personal property and real estate assets in Zofingen, Switzerland, under an asset purchase agreement. These assets are being used to manufacture and package lorcaserin as well as certain drug products for Siegfried. From time to time, we may also use this facility to manufacture and package tablets and capsules for other of our programs or for other entities.

In connection with this transaction, we also entered into a long-term supply agreement for the active pharmaceutical ingredient of lorcaserin, a toll manufacturing agreement and a technical services agreement with Siegfried. For the years ended December 31, 2016, 2015, and 2014, we recognized expenses of $1.4 million, $1.3 million, and $2.5 million, respectively, for services incurred under the technical services agreement. The technical services agreement provides us with administrative and other services to operate the facility.

The real estate assets we acquired in January 2008 pursuant to the asset purchase agreement consisted of approximately 67,000 square feet of space in a building that consists of approximately 134,000 square feet of space along with an option to purchase the remaining Siegfried-occupied portion of the building along with the underlying land at a price of CHF 15.0 million, plus an inflation adjustment. Siegfried also had the option to sell us such remaining portion of the building with the underlying land at a price of CHF 8.0 million, plus an inflation adjustment. In July 2014, Siegfried provided us notice of its exercise of the option to sell us the remaining Siegfried-occupied portion of the building with the underlying land. In December 2014, we took title of the remaining portion of the building with the underlying land, and in July 2015 we paid the purchase price of CHF 8.2 million to Siegfried. In connection with the exercise of the option, we lease this building space back to Siegfried for an annual base rent amount of CHF 0.4 million. Siegfried has the right to partially or fully terminate this lease with six months' notice. Siegfried has an annual option to extend the lease for an additional year with the last extension term ending on December 31, 2019. At any time during the extension terms, we have the right to partially or fully terminate this lease with six months' notice, but with a termination date no earlier than December 31, 2017.

6. Derivative Liabilities

In June 2006 and August 2008, we issued seven-year warrants, which we refer to as the Series B Warrants, to purchase 829,856 and 1,106,344 shares of our common stock, respectively, at an exercise price of $15.49 and $7.71 per share, respectively. As a result of the warrants' anti-dilution provision and certain of our subsequent equity issuances, the number of shares issuable upon exercise of the warrants increased and the exercise price decreased.

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

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

7. Commitments

We occupy four properties in California under sale and leaseback agreements. The terms of these leases stipulate annual increases in monthly rental payments of 2.5%. We accounted for our sale and leaseback transactions using the financing method. Under the financing method, the book value of the properties and related accumulated depreciation remain on our balance sheet and no sale is recognized. The sales price of the properties is recorded as a financing obligation, and a portion of each lease payment is recorded as interest expense. We recorded interest expense of $6.4 million, $6.7 million, and $6.9 million for the years ended December 31, 2016, 2015, and 2014, respectively, related to these leases. We expect interest expense related to our facilities to total $37.5 million from December 31, 2016, through the remaining terms of the leases in fiscal year 2027. At December 31, 2016, the total financing obligation for these facilities was $65.3 million. The aggregate residual value of the facilities at the end of the lease terms is $10.0 million.

We lease an additional property in California under an operating lease, which expires in May 2027, and contains a purchase option and stipulates annual increases in monthly rental payments of 2.5%. We further lease commercial space in various facilities in Zofingen, Switzerland that can be terminated with 12-month written notice under an agreement that expires in 2032. We also lease a separate office space in Zofingen under an operating lease which expires in August 2020 and another office space in Zug, Switzerland under and operating lease which expires in September 2020.

In accordance with the lease terms for certain of our properties, we are required to maintain deposits for the benefit of the landlord throughout the term of the leases. A total of $0.9 million and $0.8 million were recorded in other non-current assets on our consolidated balance sheets at December 31, 2016, and 2015, respectively, related to such leases.

We recognize rent expense on a straight-line basis over the term of each lease. Rent expense of $1.2 million, $1.1 million and $1.1 million was recognized for the years ended December 31, 2016, 2015, and 2014, respectively.

At December 31, 2016, the future minimum lease payments under our existing financing and operating lease obligation are as follows, in thousands:

Year ending December 31,	Financing Obligations	Operating Leases
2017	$ 8,712	$ 1,259
2018	9,731	1,353
2019	8,053	1,376
2020	8,254	1,266
2021	8,461	976
Thereafter	49,613	5,723
Total minimum lease payments	92,824	$ 11,953
Less amounts representing interest	(37,548)	
Add amounts representing residual value	9,990	
Lease financing obligations	65,266	
Less current portion	(3,518)	
	$ 61,748	

In May 2016, we entered into an agreement to sublease one of our US properties to a third party, which commenced in August 2016 and expires in May 2027. The terms of the sublease stipulate annual increases in monthly rental payments of 3.19%. We recognize rent income on a straight-line basis over the term of the sublease.

Expected minimum rental payments to be received under the sublease are as follows:

Year ending December 31,	
2017	$ 714
2018	737
2019	760
2020	784
2021	809
Thereafter	4,846
Total	$ 8,650

8. Stockholders' Equity

Equity Compensation Plans.

On June 10, 2013, our stockholders approved our 2013 Long-Term Incentive Plan, or 2013 LTIP. Upon such approval, our 2012 Long-Term Incentive Plan, or 2012 LTIP, was terminated. However, notwithstanding such termination or the previous termination of our 2009 Long-Term Incentive Plan, 2006 Long-Term Incentive Plan, as amended, 2002 Equity Compensation Plan, Amended and Restated 2000 Equity Compensation Plan, and Amended and Restated 1998 Equity Compensation Plan (together with the 2012 LTIP, the "Prior Plans"), all outstanding awards under the Prior Plans will continue to be governed under the terms of the Prior Plans. The number of shares of common stock authorized for issuance under the 2013 LTIP may be increased by the number of shares subject to any stock awards under the Prior Plans that are forfeited, expire or otherwise terminate without the issuance of such shares and would otherwise be returned to the share reserve under the Prior Plans but for their termination and as otherwise provided in the 2013 LTIP.

The 2013 LTIP provides for the grant of a total of 30 million shares of our common stock (subject to adjustment for certain corporate events), as (i) decreased for grants made under the Prior Plans between December 31, 2012, and the approval of the 2013 LTIP and (ii) increased by the number of shares subject to any stock awards under the Prior Plans that, between December 31, 2012, and the approval of the 2013 LTIP, are forfeited, expire or settled for cash and as otherwise provided in the 2013 LTIP.

Shares under the 2013 LTIP may be granted as incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards and performance awards. Subje ct to certain limited exceptions, stock options and stock appreciation rights granted under the 2013 LTIP reduce the available number of shares by one share for every share issued while awards other than stock options and stock appreciation rights granted under the 2013 LTIP reduce the available number of shares by 1.25 shares for every share issued. In addition, shares that are released from awards granted under the Prior Plans or the 2013 LTIP because the awards expire, are forfeited or are settled for ca sh will increase the number of shares available under the 2013 LTIP by one share for each share released from a stock option or stock appreciation right and by 1.25 shares for each share released from awards other than stock options and stock appreciation rights.

Stock options granted under the 2013 LTIP generally vest 25% a year for 4 years and are exercisable for up to 7 years from the date of grant. The recipient of a restricted stock award has all rights of a stockholder at the date of grant, subject to certain restrictions on transferability and a risk of forfeiture. Restricted stock unit awards generally vest over one or 4 years from the date of grant. The minimum performance period under a performance award is 12 months. Neither the exercise price of an option nor the grant price of a stock appreciation right may be less than 100% of the fair market value of the common stock on the date such equity award is granted, except in specified situations. The 2013 LTIP prohibits option and stock appreciation right repricings (other than to reflect stock splits, spin-offs or certain other corporate events) without stockholder approval.

In 2003, we set up a deferred compensation plan for our executive officers, whereby executive officers elected to contribute their shares of restricted stock into the plan. There were 62,501 and 79,169 shares of restricted stock in the plan at December 31, 2016, and 2015, respectively.

The following table summarizes our stock option activity under the Prior Plans and the 2013 LTIP, or collectively, our Equity Compensation Plans, for the year ended December 31, 2016, in thousands (except per share data):

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2015	16,407	$ 5.01		
Granted	17,899	$ 1.61		
Exercised	(116)	$ 1.55		
Forfeited/cancelled/expired	(8,990)	$ 3.83		
Outstanding at December 31, 2016	25,200	$ 3.03	4.28	$ 40
Vested and expected to vest at December 31, 2016	23,945	$ 3.10	4.17	$ 40
Vested and exercisable at December 31, 2016	12,808	$ 4.15	2.37	$ 40

The aggregate intrinsic value in the above table is calculated as the difference between the closing price of our common stock at December 31, 2016, of $1.42 per share and the exercise price of stock options that had strike prices below the closing price. The intrinsic value of all stock options exercised during the years ended December 31, 2016, 2015, and 2014, was less than $0.1 million, $2.2 million, and $2.7 million, respectively. During the year ended December 31, 2016, cash of $0.2 million was received from stock option exercises and cash of $0.2 million was received from stock purchases under the employee stock purchase plans. There is no tax impact related to share-based compensation or stock option exercises because we are in a net operating loss position with a full valuation allowance on our deferred tax assets. Subsequent to the year end, we granted an additional 14.0 million stock options to our employees and directors under the 2013 LTIP.

The following table summarizes activity with respect to our time-based RSUs under our Equity Compensation Plans for the year ended December 31, 2016, in thousands (except per share data):

	RSUs	Weighted-Average Grant-Date Fair Value	Aggregate Intrinsic Value
Unvested at December 31, 2015	273	$ 4.67	
Granted	—		
Vested	(233)	$ 4.75	
Forfeited/cancelled	(15)	$ 4.23	
Unvested at December 31, 2016	25	$ 4.26	
Outstanding at December 31, 2016	539	$ 5.05	$ 2,723

The total fair value of RSUs vested during the years ended December 31, 2016, 2015, and 2014, was $1.1 million, $2.1 million, and $1.8 million, respectively. The weight ed-average estimated grant-date fair value of RSUs granted during the years ended December 31, 2015, and 2014, was $4.11 and $5.23, respectively. No RSUs were granted in 2016.

In March 2015, March 2014 and March 2013, we granted our executive officers PRSU awards. The PRSUs may be earned and converted into outstanding shares of our common stock based on the TSR of our common stock relative to the TSR over a three-year performance period beginning March 1 of the year granted of the NASDAQ Biotechnology Index. In the aggregate, the target number of shares of common stock that could be earned under the PRSUs granted in March 2015, March 2014 and March 2013 were originally 745,000, 695,000 and 780,000, respectively; however, the actual number of shares that could be earned ranges from 0% to 200% of such amounts. In addition, there is a cap on the number of shares that could be earned under the PRSUs equal to six times the grant-date fair value of each award, and funding is capped at 100% if the absolute 3-year TSR is negative even if performance is above the median. As these awards contain a market condition, we used a Monte Carlo simulation model to estimate the grant-date fair value, which totaled $3.4 million, $5.0 million and $5.9 million for the March 2015, 2014 and March 2013 grants, respectively. The grant-date fair value is recognized as compensation expense over the performance period as service is provided; no compensation expense is recognized for service not provided in case of separation from the Company. There is no adjustment of compensation expense recognized for service performed regardless of the number of PRSUs, if any, that ultimately vest.

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

Of the target number of shares of 745,000 for the March 2015 grants, 355,556 have been cancelled due to management changes during the years ended December 31, 2016, and 2015 (see Note 13). All the other PRSUs granted in March 2015 were outstanding and unvested at December 31, 2016.

Employee Stock Purchase Plan.

In June 2015, our stockholders approved our 2009 Employee Stock Purchase Plan, as amended, or 2009 ESPP. Under the 2009 ESPP substantially all employees can choose to have up to 15% of their annual compensation withheld to purchase up to 625 shares of common stock per purchase period, subject to certain limitations. The shares of common stock may be purchased over an offering period with a maximum duration of 24 months and at a price of not less than 85% of the lesser of the fair market value of the common stock on (i) the first trading day of the applicable offering period or (ii) the last trading day of the applicable three-month purchase period. Under applicable accounting guidance, the 2009 ESPP is considered a compensatory plan. At December 31, 2016, a total of 1,115,188 shares of common stock were available for issuance under the 2009 ESPP.

During the years ended December 31, 2016, 2015, and 2014, 141,397, 327,950, and 304,085 shares, respectively, were purchased under the 2009 ESPP.

Share-based Compensation.

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

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

	Years ended December 31,		
	2016	2015	2014
Risk-free interest rate	1.4%	1.8%	1.8%
Dividend yield	0%	0%	0%
Expected volatility	79%	80%	81%
Expected life (years)	4.81	6.08	6.17
Weighted-average estimated fair value per share of stock options granted	$ 1.02	$ 2.55	$ 4.37

The table below sets forth the assumptions and estimated fair value of the options to purchase stock granted under our employee stock purchase plan for multiple offering periods during the years presented:

	Years ended December 31,		
	2016	2015	2014
Risk-free interest rate	0.2% - 1.2%	0.0% - 1.0%	0.0% - 0.6%
Dividend yield	0%	0%	0%
Expected volatility	75% - 82%	52% - 78%	53% - 81%
Expected life (years)	.25 - 2.0	.25 - 2.0	.25 - 2.0
Range of fair value per share of options granted under employee stock purchase plan	$0.78 to $0.92	$0.78 to $2.94	$1.37 to $4.22

The table below sets forth the assumptions and estimated fair value of PRSU awards granted during the years presented:

	Years ended December 31,		
	2016	2015	2014
Risk-free interest rate	—	1.1%	0.7%
Dividend yield	—	0%	0%
Expected volatility	—	75%	78%
Performance period (years)	—	2.97	2.99
Estimated fair value per share of PRSUs granted	—	$ 4.50	$ 7.16

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

	Years ended December 31,		
	2016	2015	2014
Cost of product sales	$ 45	$ 29	$ —
Research and development	5,615	7,582	7,118
General and administrative	4,425	6,710	6,391
Restructuring charges	1,032	142	—
Total share-based compensation expense and impact on net loss	$ 11,117	$ 14,463	$ 13,509
Impact on net loss per share, basic and diluted	$ 0.05	$ 0.06	$ 0.06
Total share-based compensation capitalized into inventory	$ 170	$ 173	$ 81

We capitalize into inventory share-based compensation related to awards granted to employees involved with the manufacturing of BELVIQ. Such compensation will subsequently be recognized as cost of product sales when the related inventory is sold.

The table below sets forth our total unrecognized estimated compensation expense at December 31, 2016, by type of award and the weighted-average remaining requisite service period over which such expense is expected to be recognized:

	Unrecognized Expense (in thousands)	Remaining Weighted-Average Recognition Period (in years)
Unvested stock options	$ 10,381	3.14
RSUs	85	1.66
PRSUs	289	0.60

Common Stock Reserved for Future Issuance.

The following shares of our common stock are reserved for future issuance at December 31, 2016, in thousands:

Equity Compensation Plans	45,515
2009 ESPP	1,115
Deferred compensation plan	63
Total	46,693

9. Collaborations

Lorcaserin collaborations.

Eisai.

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

On December 28, 2016, we and Eisai amended and restated the terms of the Second Amended Agreement by entering into the Eisai Agreement, which was determined to be a material modification of the Second Amended Agreement. Under the Eisai Agreement, we identified the following significant deliverables to Eisai which each qualify as a separate unit of accounting:

- An exclusive royalty-bearing license or transfer of intellectual property, or License, to commercialize lorcaserin world-wide relating to certain patents, regulatory approvals, samples, records, know-how related to lorcaserin, trademarks and domain names related to the lorcaserin brand names. We also assigned to Eisai our rights under the commercial lorcaserin distribution agreements with Ildong for South Korea, CYB for Taiwan and Teva for Israel. This is collectively referred to as the License Deliverable.
- Bulk inventory and precursor material for manufacturing lorcaserin, or Inventory Deliverable.
- A manufacturing and supply commitment for two years commencing December 28, 2016, or Manufacturing and Supply Commitment Deliverable.

The following table summarizes the revenues we recognized under our collaboration with Eisai for the periods presented, in thousands:

	Years ended December 31,		
	2016	2015	2014
Net product sales	$ 19,196	$ 14,236	$ 15,983
Amortization of upfront payments	66,014	7,541	7,630
Milestone payments	12,000	—	500
Reimbursement of development expenses	1,295	1,538	10,037
Reimbursement of patent and trademark expenses	392	426	444
Subtotal other Eisai collaboration revenue	79,701	9,505	18,611
Total	$ 98,897	$ 23,741	$ 34,594

Royalty payments.

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

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

We did not earn or recognize any revenue from these royalty payments in the year ended December 31, 2016. We expect to record revenues from those royalty payments in the period in which the net sales upon which the royalties are calculated occur as reported to us by Eisai.

Upfront payments.

Prior to the Eisai Agreement, we received from Eisai total upfront payments of $115.0 million under prior agreements. Revenues from these upfront payments were previously deferred, as we determined that the exclusive rights did not have standalone value without our ongoing development and regulatory activities. Accordingly, these payments were recognized ratably as revenue over the periods in which we expected the services to be rendered. The Eisai Agreement effectively eliminated our obligation to continue performing the development and regulatory activities required in the Second Amended Agreement. Therefore, on December

28, 2016, $58.5 million of deferred revenues from these upfront payments was allocated to the value of the License provided to Eisai and recognized as revenue in 2016. The remaining portion, $20.9 million, was deferred as of December 31, 2016.

Milestone payments.

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

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

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

In addition to the $12.0 million in milestones mentioned above and the other $86.5 million in milestones previously achieved since we entered the original agreement in 2010, we are eligible to receive a substantive commercial milestone of $25.0 million upon the achievement of global net sales of lorcaserin for a calendar year first exceeding $250.0 million.

Product purchase price and inventory purchase.

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

On December 28, 2016, Eisai paid us $10.0 million to acquire our entire inventory of bulk lorcaserin and the precursor materials for manufacturing lorcaserin. This payment was included in the arrangement consideration allocated to the units of accounting under the Eisai Agreement. We expect this inventory will remain at our Zofingen, Switzerland facility for us to use to manufacture finished drug product in order to meet Eisai's requirements during the initial two-year period and, if applicable, the six-month extension period. The inventory that is not expected to be used to manufacture finished drug product will be physically transferred to Eisai upon the earlier of Eisai's request to transfer or the end of the manufacturing and supply commitment period.

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

We previously deferred recognition of revenue and the related cost at the time we sold lorcaserin to Eisai because we did not have the ability to estimate the amount of product that could have been returned to us and thus recognized revenues and the related costs from net product sales when Eisai shipped BELVIQ to its distributors. Pursuant to a change in the terms of the Eisai Agreement, we determined that we now have the ability to reasonably estimate the amount of returns and thus will now recognize revenue and the related cost from product sales when we ship BELVIQ to Eisai. On December 28, 2016, we recognized revenues of $6.7 million and costs of $1.9 million on net product sales which had been previously deferred.

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

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

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

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

The consolidated balance sheet at December 31, 2016, includes deferred revenues of $30.8 million (primarily comprised of the deferred portion of the previously received upfront payments and the $10.0 million payment received from Eisai on December 28, 2016), and inventory of $4.4 million, which is the carrying value of the product under the Inventory Deliverable. These balances are expected to be recognized in subsequent periods as this inventory is used in the manufacture and supply of lorcaserin to Eisai over the commitment period.

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

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

Development payments.

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

required portion of the cardiovascular outcomes trial, or CVOT, 50% and 50%, respectively, of the non-FDA portion of the studies and we were also obligated to share the cost of FDA-required studies in obese pediatric patients and for additional clinical studies in other territories.

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

For the years ended December 31, 2016, 2015, and 2014, we recognized expenses of $7.3 million (net of the aforementioned $3.7 million reduction), $16.2 million and $35.3 million, respectively, for external clinical study fees related to lorcaserin and internal non-commercial manufacturing costs primarily related to lorcaserin.

Certain other terms.

Eisai and we will each bear 50% of all future expenses and losses arising from any potential product liability claims during a specified period after the date of the Eisai Agreement. Thereafter, we and Eisai will each bear 50% of all expenses and losses arising from any alleged defective manufacturing of lorcaserin by Arena GmbH under the Eisai Agreement, and Eisai will be solely responsible for any expenses and losses associated with other product liability claims.

We may terminate the Transaction Agreement with respect to the United States, the European Union, China and Japan, (collectively, the Major Markets) if Eisai permanently ceases development and commercialization of lorcaserin products in such Major Market, or in its entirety if Eisai permanently ceases development and commercialization of lorcaserin products. We may also terminate the Transaction Agreement if Eisai challenges any patent currently controlled by us related to lorcaserin, if Eisai is debarred under the United States Federal Food, Drug, and Cosmetic Act, or if Eisai is in material breach of the standstill provisions.

Eisai may terminate the Transaction Agreement if, as a result of its change of control, it would be in breach of certain competition restrictions.

In the event the Transaction Agreement is terminated by us due to Eisai's failure to develop and commercialize lorcaserin products, Eisai's challenging of any of the licensed patents or Eisai's debarment or material breach of the standstill provisions, or by Eisai after a change of control that would result in Eisai being in breach of certain competition restrictions, Eisai will grant us an exclusive, royalty-free license to certain patent rights and know-how necessary or useful for the development and commercialization of lorcaserin products, re-assign the assets purchased by Eisai under the Eisai Agreement, and provide certain other transition assistance.

Ildong Pharmaceutical Co., Ltd.

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

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

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

On December 15, 2016, we earned a substantive milestone payment of $0.3 million upon the parties agreeing to include BELVIQ XR as an additional product under the Ildong Agreement. We recognized the milestone revenue in December 2016 and received the payment, less withholding taxes, in February 2017. We will pay 50% of this milestone to Eisai pursuant to the Eisai Agreement.

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

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

For the years ended December 31, 2016, 2015, and 2014, we recognized revenues of $11.4 million, $8.9 million and $0.4 million, respectively, under the Ildong agreement.

CY Biotech Company Limited.

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

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

For the years ended December 31, 2016, 2015, and 2014, we recognized revenues of $1.8 million, $0.2 million, and $0.2 million, respectively, under this agreement.

Abic Marketing Limited (Teva).

In July 2014, we entered into the Teva Agreement. Under this agreement, we granted Teva exclusive rights to commercialize BELVIQ in Israel for weight loss or weight management in obese and overweight patients, subject to regulatory approval of BELVIQ by the Israeli Ministry of Health, or MOH. The Teva Agreement provided for us to perform certain services and to manufacture and sell BELVIQ to Teva. As noted above, the Teva Agreement was assigned to Eisai pursuant to the Eisai Agreement on December 28, 2016.

We received from Teva an upfront payment of $0.5 million and a milestone payment of $0.3 million earned upon its application for regulatory approval of BELVIQ in Israel. Revenues from the upfront payment were deferred, as we determined that the exclusive rights did not have standalone value without our ongoing development and regulatory activities. Accordingly, this payment was recognized ratably as revenue over the period in which we expected the services to be rendered. The assignment of the Teva Agreement pursuant to the Eisai Agreement effectively eliminated our obligation to continue performing the development and regulatory activities required in the Teva Agreement. Therefore, on December 28, 2016, the $0.4 million of deferred revenues from this upfront payment was allocated to the value of the License provided to Eisai and recognized as revenue in 2016.

For the years ended December 31, 2016, 2015, and 2014, we recognized revenues of $0.4 million, $0.1 million and $0.3 million, respectively, under the Teva Agreement.

Other collaborations

Nelotanserin - Axovant Sciences Ltd.

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

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

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

Orphan GPCR - Boehringer Ingelheim International GmbH.

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

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

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

For the year ended December 31, 2016, we recognized revenues of $5.1 million under this agreement.

10. Employee Benefit Plans

401(k) Plan.

All of our US employees are eligible to participate in our defined contribution retirement plan that complies with Section 401(k) of the Internal Revenue Code, or IRC. We match 100% of each participant's voluntary contributions, subject to a maximum of 6% of the participant's eligible compensation. Our matching portion, which totaled $1.3 million, $1.9 million, and $1.6 million for the years ended December 31, 2016, 2015, and 2014, respectively, vests over a five-year period from the date of hire.

Pension Plan.

Arena GmbH contributes to a multiemployer defined benefit pension plan, established under an affiliated group of employers, for the purpose of providing mandatory occupational pension benefits for its employees. The risks of participating in a multiemployer plan are different from a single-employer plan in that (i) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, (iii) if Arena GmbH elects to stop participating in the multiemployer plan, Arena GmbH may be required to pay the plan an amount based on the underfunded status of

the plan, referred to as a withdrawal liability, and (iv) Arena GmbH has no involvement in the management of the multiemployer plan's investments. We currently have no intention of withdrawing from the multiemployer plan.

Our contributions to the multiemployer plan were $0.8 million, $0.7 million and $0.7 million for the years ended December 31, 2016, 2015, and 2014, respectively.

11. Income Taxes

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

	Years ended December 31,		
	2016	2015	2014
United States	$ (10,268)	$ (64,109)	$ (16,607)
Foreign	(12,248)	(43,870)	(43,901)
Total loss attributable to stockholders of Arena before income taxes	$ (22,516)	$ (107,979)	$ (60,508)

We have not recorded a benefit for income taxes for the years ended December 31, 2016, 2015, and 2014, because we have a full valuation allowance.

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

	Years ended December 31,		
	2016	2015	2014
Benefit for income taxes at statutory federal rate	$ (7,655)	$ (36,713)	$ (20,573)
Change in federal and foreign valuation allowance	9,080	21,310	9,436
Permanent differences and other	(5,931)	2,370	721
Share-based compensation expense	4,000	1,820	1,597
Foreign losses at lower effective rates	3,943	15,041	13,318
Research and development and Orphan Drug credits	(3,437)	(3,666)	(2,992)
State income tax, net of federal benefit and valuation allowance	—	—	—
Gain from valuation of derivative liabilities	—	(162)	(1,507)
Benefit for income taxes	$ —	$ —	$ —

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

	December 31,	
	2016	2015
Deferred tax assets:		
Federal and California NOL carryforwards	$ 255,317	$ 236,334
Federal and California research and development credit carryforwards	53,059	48,768
Share-based compensation expense	10,395	10,737
Deferred revenues	9,357	33,548
Depreciation	5,441	4,475
Foreign NOL carryforwards	5,108	7,060
Other, net	5,164	3,578
Total deferred tax assets	343,841	344,500
Deferred tax liabilities	(228)	(660)
Net deferred tax assets	343,613	343,840
Valuation allowance	(343,613)	(343,840)
Net deferred tax liabilities	$ —	$ —

A valuation allowance is recorded against all of our deferred tax assets, as realization of such assets is not more-likely-than-not. The realization of our deferred tax assets is dependent upon future taxable income. Our ability to generate taxable income is analyzed regularly on a jurisdiction-by-jurisdiction basis. At such time as it is more-likely-than-not that we will generate taxable income in a

jurisdiction, we will reduce or remove the valuation allowance. The valuation allowance decreased by $0.2 mi llion from December 31, 2015, to December 31, 2016.

At December 31, 2016, we had federal NOL carryforwards of $670.7 million that will begin to expire in 2023 unless previously utilized. At the same date, we had California NOL carryforwards of $528.3 million, which begin expiring in 2017 and foreign NOL carryforwards of $62.2 million, which begin expiring in 2017. At December 31, 2016, approximately $8.9 million of the federal and California NOL carryforwards related to stock option exercise windfalls, which will result in an increase to additional paid-in capital and a decrease in income taxes payable at the time such carryforwards are utilized. At December 31, 2016, we also had federal and California research and development tax credit carryforwards, net of reserves, of $31.4 million and $23.7 million, respectively. At December 31, 2016, we had a Federal Orphan Drug Credit carryforward of $6.0 million. Federal credit carryforwards will begin to expire after 2026 unless previously utilized. The California research and development credit carries forward indefinitely.

Sections 382 and 383 of the IRC limit the utilization of tax attribute carryforwards that arise prior to certain cumulative changes in a corporation's ownership. We have completed an IRC Section 382/383 analysis through 2015 and identified ownership changes that limit our utilization of tax attribute carryforwards. We reduced deferred tax assets associated with such tax attribute carryforwards to remove deferred tax assets that will expire prior to utilization. Pursuant to IRC Section 382 and 383, use of the Company's net operating loss and research and development income tax credit carryforwards may be limited in the event of a future cumulative change in ownership of more than 50% within a three-year period.

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

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

	Years ended December 31,		
	2016	2015	2014
Gross unrecognized tax benefits at the beginning of the year	$ 5,619	$ 5,214	$ 4,629
Additions from tax positions taken in the current year	287	405	585
Additions from tax positions taken in prior years	—	—	—
Reductions from tax positions taken in prior years	—	—	—
Tax settlements	—	—	—
Gross unrecognized tax benefits at end of the year	$ 5,906	$ 5,619	$ 5,214

Of our total unrecognized tax benefits at December 31, 2016, $4.5 million will impact our effective tax rate in the event the valuation allowance is removed. We do not anticipate that there will be a substantial change in unrecognized tax benefits within the next 12 months.

Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. Because we have incurred net losses since our inception, we did not have any accrued interest or penalties included in our consolidated balance sheets at December 31, 2016, or 2015, and did not recognize any interest and/or penalties in our consolidated statements of operations and comprehensive loss for the years ended December 31, 2016, 2015, and 2014.

We have elected the "with and without method – direct effects only", prescribed in accordance with authoritative guidance, with respect to recognition of stock option windfall tax benefits within APIC and will utilize general NOLs to offset taxable income before utilization of NOLs attributable to windfall tax benefits.

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

At December 31, 2016, no foreign subsidiaries have accumulated earnings and, as such, there are no unrepatriated earnings.

Our Swiss subsidiary, Arena GmbH, has been granted a conditional incentive tax holiday by the Canton of Aargau for its operations in Switzerland. Without a tax holiday or other tax incentives, the standard effective tax rate of a company located in Aargau is approximately 19%. As a result of the tax holiday and other tax incentives, we expect the effective tax rate for Arena GmbH to be approximately half of such rate. The tax holiday came into effect on January 1, 2013, and will continue for a period of up to 10 years,

not to extend beyond December 31, 2022. As a result of foreign losses and a full valuation allowance, no net tax benefit was derived for the years ended December 31, 2016, 2 015, and 2014, as a result of the tax holiday.

12. Legal Proceedings

Beginning on September 20, 2010, a number of complaints were filed in the US District Court for the Southern District of California, or District Court, against us and certain of our current and former employees and directors on behalf of certain purchasers of our common stock. The complaints were brought as purported stockholder class actions, and, in general, include allegations that we and certain of our current and former employees and directors violated federal securities laws by making materially false and misleading statements regarding our BELVIQ program, thereby artificially inflating the price of our common stock. The plaintiffs sought unspecified monetary damages and other relief. On August 8, 2011, the District Court consolidated the actions and appointed a lead plaintiff and lead counsel. On November 1, 2011, the lead plaintiff filed a consolidated amended complaint. On March 28, 2013, the District Court dismissed the consolidated amended complaint without prejudice. On May 13, 2013, the lead plaintiff filed a second consolidated amended complaint. On November 5, 2013, the District Court dismissed the second consolidated amended complaint without prejudice as to all parties except for Robert E. Hoffman, who was dismissed from the action with prejudice. On November 27, 2013, the lead plaintiff filed a motion for leave to amend the second consolidated amended complaint. On March 20, 2014, the District Court denied plaintiff's motion and dismissed the second consolidated amended complaint with prejudice. On April 18, 2014, the lead plaintiff filed a notice of appeal, and on August 27, 2014, the lead plaintiff filed his appellate brief in the US Court of Appeals for the Ninth Circuit, or Ninth Circuit. On October 24, 2014, we filed our answering brief in response to the lead plaintiff's appeal. On December 5, 2014, the lead plaintiff filed his reply brief. A panel of the Ninth Circuit heard oral argument on the appeal on May 4, 2016. On October 26, 2016, the Ninth Circuit panel reversed the District Court's dismissal of the second consolidated amended complaint and remanded the case back to the District Court for further proceedings. On January 25, 2017, the District Court permitted us to submit a renewed motion to dismiss the second consolidated amended complaint. On February 2, 2017, we filed the renewed motion to dismiss. On February 23, 2017, the lead plaintiff filed his opposition, and on March 2, 2017, we filed our reply. Due to the stage of these proceedings, we are not able to predict or reasonably estimate the ultimate outcome or possible losses relating to these claims.

On September 30, 2016, we and Eisai Inc. filed a patent infringement lawsuit against Lupin Limited and Lupin Pharmaceuticals, Inc. (collectively, Lupin) in the U.S. District Court for the District of Delaware. The lawsuit relates to a "Paragraph IV certification" notification that we and Eisai Inc. received regarding an abbreviated new drug application, or ANDA, submitted to the FDA by Lupin requesting approval to engage in the commercial manufacture, use, importation, offer for sale or sale of a generic version of BELVIQ ® (lorcaserin hydrochloride tablets, 10 mg). In its notification, Lupin alleged that no valid, enforceable claim of any of the patents that are listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, or Orange Book, for BELVIQ ® will be infringed by Lupin's manufacture, importation, use, sale or offer for sale of the product described in its ANDA. The lawsuit claims infringement of U.S. Patent Nos. 6,953,787; 7,514,422; 7,977,329; 8,207,158; 8,273,734; 8,546,379; 8,575,149; 8,999,970 and 9,169,213. In accordance with the Hatch- Waxman Act, as a result of filing a patent infringement lawsuit within 45 days of receipt of Lupin's notification, the FDA cannot approve the ANDA any earlier than 7.5 years from NDA approval unless a District Court finds that all of the asserted claims of the patents-in-suit are invalid, unenforceable or not infringed. On January 11, 2017, Lupin filed an answer, defenses and counterclaims to the September 30, 2016 complaint. We and Eisai Inc. filed an answer to Lupin's counterclaims on February 1, 2017. We and Eisai Inc. are seeking a determination from the court that, among other things, Lupin has infringed our patents, Lupin's ANDA should not be approved until the expiration date of our patents, and Lupin should be enjoined from commercializing a product that infringes our patents. Trial is currently scheduled for April 15, 2019. The parties are currently in the fact discovery phase of the case. We cannot predict the ultimate outcome of any proceeding.

On March 6, 2017, we and Eisai Inc. filed a patent infringement lawsuit against Teva Pharmaceuticals USA, Inc. and Teva Pharmaceutical Industries Ltd. (collectively, Teva) in the U.S. District Court for the District of Delaware. The lawsuit also relates to a "Paragraph IV certification" notification that we and Eisai Inc. received regarding an ANDA submitted to the FDA by Teva requesting approval to engage in the commercial manufacture, use, importation, offer for sale or sale of a generic version of BELVIQ XR ® (lorcaserin hydrochloride extended- release tablets, 20 mg). In its notification, Teva alleged that no valid, enforceable claim of any of the patents that are listed in the Orange Book for BELVIQ XR ® will be infringed by Teva's manufacture, importation, use, sale or offer for sale of the product described in its ANDA. The lawsuit claims infringement of U.S. Patent Nos. 6,953,787; 7,514,422; 7,977,329; 8,207,158; 8,273,734; 8,546,379; 8,575,149; 8,999,970 and 9,169,213. In accordance with the Hatch-Waxman Act, as a result of filing a patent infringement lawsuit within 45 days of receipt of Teva's notification, the FDA cannot approve the ANDA any earlier than 7.5 years from NDA approval unless a District Court finds that all of the asserted claims of the patents-in-suit are invalid, unenforceable or not infringed. Teva has not yet filed an answer to the March 6, 2017 complaint. We and Eisai Inc. are seeking a determination from the court that, among other things, Teva has infringed our patents, Teva's ANDA should not be approved until the expiration date of our patents, and Teva should be enjoined from commercializing a product that infringes our patents. We cannot predict the ultimate outcome of any proceeding .

13. Management Changes

Appointment of President and Chief Executive Officer.

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

In connection with Mr. Munshi's appointment as an officer, our Board of Directors' Compensation Committee approved an inducement stock option grant to Mr. Munshi to purchase 3,800,000 shares of our common stock under our 2013 Long-Term Incentive Plan, as amended, to reserve an additional 3,800,000 shares of common stock for inducement awards. The nonstatutory stock options have a seven-year term and will vest over four years, with 25% of the shares subject to vesting one year after grant and the remainder of the shares vesting quarterly over the following three years in equal installments, subject to his continued service through the applicable vesting dates and possible acceleration in specified circumstances.

Termination of Chief Medical Officer.

In June 2016, our Board of Directors terminated without cause our former Senior Vice President and Chief Medical Officer, William R. Shanahan, Jr., M.D., J.D. Under our Amended and Restated Severance Benefit Plan, as amended, or Severance Benefit Plan, Dr. Shanahan is entitled to receive the following termination benefits: (1) a cash severance payment of approximately $0.5 million (subject to applicable withholdings); (2) continuation of health insurance coverage for a period of 12 months; (3) acceleration of the stock options and RSUs (other than PRSUs) held by Dr. Shanahan that would otherwise have vested through the 12-month period following the date of his termination, provided that, for purposes of calculating such vesting acceleration, any unvested portion of such equity awards that were scheduled to vest in annual installments are treated as if the original grant provided for vesting in equal monthly installments rather than annually; and (4) continued stock option exercisability until the later of (i) the end of the original post-termination exercise period provided in the applicable stock option agreement or (ii) 12 months (but not beyond the original contractual life of the option). In addition, with respect to outstanding PRSUs, when our Board of Directors' Compensation Committee determines our relative performance for an applicable performance period, a pro-rata portion of the relevant PRSUs held by Dr. Shanahan is eligible to vest (based on the percentage of the performance period that Dr. Shanahan provided service prior to his termination). The pro-rata vesting may be accelerated if we undergo a change in control before the scheduled end of the performance period. We recorded a charge of $1.0 million in the second quarter of 2016 related to these benefits, including non-cash, share-based compensation expense of $0.4 million, which is included in research and development expenses in our consolidated statement of operations and comprehensive loss for the year ended December 31, 2016. As of December 31, 2016, substantially all of these accrued benefits have been paid.

In July 2016, we and Dr. Shanahan entered into a one-year services agreement whereby Dr. Shanahan performs services for us relating to our research and development programs. As compensation, Dr. Shanahan receives a fixed monthly fee along with reimbursement of certain pre-approved expenses and continued stock option exercisability until 24 months from the July 2016 effective date of this agreement (but not beyond the original contractual life of the option). We recorded a charge of $0.1 million in the third quarter of 2016 related to this compensation, including non-cash, share-based compensation expense, which is included in research and development expenses in our consolidated statement of operations and comprehensive loss for the year ended December 31, 2016.

Appointment of Chief Financial Officer.

In June 2016, our Board of Directors appointed Kevin R. Lind as our Executive Vice President and Chief Financial Officer. In connection with such appointment, our Board's Compensation Committee approved an inducement stock option grant to Mr. Lind to purchase 800,000 shares of our common stock under our 2013 Long-Term Incentive Plan, as amended, to reserve an additional 800,000 shares of common stock for inducement awards. The nonstatutory stock options have a seven-year term and will vest over 4 years, with 25% of the shares subject to vesting one year after grant and the remainder of the shares vesting monthly over the following three years in equal installments, subject to his continued service through the applicable vesting dates and possible acceleration in specified circumstances.

Appointment of Chief Business Officer.

In August 2016, our Board of Directors appointed Vincent Aurentz as our Executive Vice President and Chief Business Officer. In connection with such appointment, our Board's Compensation Committee approved an inducement stock option grant to Mr. Aurentz to purchase 800,000 shares of our common stock under our 2013 Long-Term Incentive Plan, as amended, to reserve an additional 800,000 shares of common stock for inducement awards, which resulted in the total number of shares of common stock reserved for inducement awards during 2016 to be 5,400,000. The nonstatutory stock options have a seven-year term and will vest over 4 years, with 25% of the shares subject to vesting one year after grant and the remainder of the shares vesting monthly over the

following three years in equal installments, subj ect to his continued service through the applicable vesting dates and possible acceleration in specified circumstances.

Resignation of Chief Scientific Officer.

In September 2016, Dominic P. Behan, Ph.D., D.Sc., our former Executive Vice President and Chief Scientific Officer resigned from the Company, including from our Board of Directors. Dr. Behan's resignation follows our strategic shift in priorities to emphasize our proprietary clinical stage pipeline, which was announced in June 2016. Dr. Behan's resignation was for good reason under our Severance Benefit Plan resulting from Dr. Behan's materially diminished duties and responsibilities following this strategic shift.

Following his resignation from the Company, Dr. Behan acts as the Chair of our Scientific Advisory Board and provides consulting services to us regarding our research and development program under a five-year consulting agreement, or Consulting Agreement, which may be terminated earlier by either party on 30 days advanced written notice. Dr. Behan receives a market rate hourly consulting fee, along with reimbursement of certain pre-approved expenses. In addition, Dr. Behan's consulting services constitute continuous service with us, and as a result, the outstanding equity awards we previously granted to Dr. Behan continue to vest and/or be exercisable, as those services are provided in accordance with the applicable plan(s) and written grant instrument(s) for such awards.

Under the Severance Benefit Plan, Dr. Behan is entitled to receive the following termination benefits: (1) a cash severance payment of approximately $0.9 million (subject to applicable withholdings); (2) continuation of health insurance coverage for a period of 18 months; (3) acceleration of the stock options and RSUs (other than PRSUs) held by Dr. Behan that would otherwise have vested through the 18-month period following his Arena employee-status termination date, provided that, for purposes of calculating such vesting acceleration, any unvested portion of such equity awards that were scheduled to vest in annual installments are treated as if the original grant provided for vesting in equal monthly installments rather than annually; (4) for options that were vested as of his Arena employee-status termination date, including those for which vesting was accelerated upon his termination, continued stock option exercisability until the later of (i) the end of the original post-termination exercise period provided in the applicable stock option agreement measured from the date of cessation of services under the Consulting Agreement or (ii) 18 months following his Arena employee status termination date (but not beyond the original contractual life of the option) and (5) for options that were not vested as of his Arena employee-status termination date, continued stock option exercisability, to the extent vested as of the date of cessation of services under the Consulting Agreement, until the end of the original post-termination exercise period provided in the applicable stock option agreement measured from the date of cessation of services under the Consulting Agreement (but not beyond the original contractual life of the option).

We recorded a charge of $2.6 million in the third quarter of 2016 related to these benefits, including non-cash, share-based compensation expense of $1.6 million, which is included in research and development expenses in our consolidated statement of operations and comprehensive loss for the year ended December 31, 2016. As of December 31, 2016, there are remaining accruals for these benefits of $0.9 million included in accounts payable and other accrued expenses, the majority of which we paid in the first quarter of 2017.

Termination of Senior Vice President of Operations and Head of Global Regulatory Affairs.

In October 2016, our Board of Directors terminated without cause our former Senior Vice President and Head of Regulatory Affairs, Craig M. Audet. Mr. Audet is entitled to receive the following termination benefits: (1) a cash severance payment of approximately $0.5 million (subject to applicable withholdings); (2) compensation in lieu of continuation of health insurance coverage for a period of 12 months; (3) acceleration of the stock options and RSUs (other than PRSUs) held by Mr. Audet that would otherwise have vested through the 12-month period following the date of his termination, provided that, for purposes of calculating such vesting acceleration, any unvested portion of such equity awards that were scheduled to vest in annual installments are treated as if the original grant provided for vesting in equal monthly installments rather than annually; and (4) continued stock option exercisability until the later of (i) the end of the original post-termination exercise period provided in the applicable stock option agreement or (ii) 24 months (but not beyond the original contractual life of the option). We recorded a charge of $1.0 million in the fourth quarter of 2016 related to these benefits, including non-cash, share-based compensation expense of $0.4 million, which is included in research and development expenses in our consolidated statement of operations and comprehensive loss for the year ended December 31, 2016. As of December 31, 2016, there are remaining accruals for these benefits of $0.5 million included in accounts payable and other accrued expenses, which we expect to pay in the second quarter of 2017.

14. Restructuring Activities

In the fourth quarter of 2015, we committed to a reduction in our US workforce of approximately 35%, or approximately 80 employees, which we substantially completed by the end of 2015. In the fourth quarter of 2015, we also committed to a reduction in our Swiss workforce of approximately 17%, or approximately 14 employees, which we substantially completed by the end of the second quarter of 2016. As a result of these workforce reductions, we recorded a restructuring charge in the fourth quarter of 2015 for termination benefits, including severance and other benefits, of $4.0 million, and at December 31, 2016, all of this charge has been paid.

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

In the third quarter of 2016, we committed to a reduction of our manufacturing workforce in Zofingen, Switzerland of approximately 23%, or approximately 15 employees, which we substantially completed by the end of the January 2017. As a result of this workforce reduction, we recorded a restructuring charge in the third quarter of 2016 of $0.2 million for cash termination benefits. At December 31, 2016, substantially all of this charge has been paid.

15. Quarterly Financial Data (Unaudited)

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

2016	Quarter ended December 31	Quarter ended September 30	Quarter ended June 30	Quarter ended March 31
Revenues	$ 85,374	$ 19,242	$ 9,512	$ 9,847
Operating costs and expenses	47,245	29,099	35,735	29,042
Net income (loss)	38,314	(12,479)	(27,183)	(21,548)
Net income (loss) attributable to stockholders of Arena	38,572	(12,357)	(27,183)	(21,548)
Net income (loss) attributable to stockholders of Arena per share, basic and diluted	0.16	(0.05)	(0.11)	(0.09)

2015	Quarter ended December 31	Quarter ended September 30	Quarter ended June 30	Quarter ended March 31
Revenues	$ 7,751	$ 9,138	$ 9,181	$ 12,256
Operating costs and expenses	37,045	34,319	36,160	34,000
Net loss	(30,459)	(26,418)	(26,807)	(24,295)
Net loss per share, basic and diluted	(0.13)	(0.11)	(0.11)	(0.10)

16. Beacon Discovery, Inc.

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

We entered into a license and collaboration agreement with Beacon, pursuant to which we transferred certain equipment to Beacon and granted Beacon a non-exclusive, non-assignable and non-sublicensable license to certain database information relating to compounds, receptors and pharmacology, and transferred certain equipment to Beacon. Beacon will seek to engage global partners to facilitate discovery and development. Beacon has agreed to assign to us any intellectual property relating to our existing research and development programs developed in the course of performing research for us, and grant us a non-exclusive license to any intellectual property developed outside the course of performing work for us that is reasonably necessary or useful for developing or commercializing the products under our research and development programs. We are also entitled to rights of negotiation and rights of first refusal to potentially obtain licenses to compounds discovered and developed by Beacon. In addition, we are entitled to receive (i) a percentage of any revenue received by Beacon on or after the second anniversary of the effective date of the agreement from any third party pursuant to a third-party license, including upfront payments, milestone payments and royalties; (ii) single-digit royalties on the aggregate net sales of any related products sold by Beacon and its affiliates; and (iii) in the event that Beacon is sold, a percentage of the consideration for such sale transaction.

We entered a master services agreement with Beacon, pursuant to which Beacon performs certain research services for us.

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

We also entered into a sublease agreement, or Sublease, with Beacon, pursuant to which we sublease approximately 15,000 square feet of laboratory, office and meeting room space to Beacon for a period of five years. Beacon can defer payments due to us under the Sublease by increasing the outstanding principal amount under a secured promissory note we issued to Beacon. The outstanding principal amount and all accrued or unpaid interest thereon (calculated at a simple interest rate of 7% per annum) shall be due and payable on the earlier of (i) August 31, 2022 or (ii) Beacon receiving cumulative cash proceeds of $10 million from the sale of equity, issuance of debt or third-party license revenue.

As Beacon would not be able to finance its activities without the financial support we are providing pursuant to these agreements, Beacon is considered a variable interest entity. Arena does not own any equity interest in Beacon; however, as these agreements provide us the controlling financial interest in Beacon, we consolidate Beacon's balances and activity within our consolidated financial statements. The noncontrolling interest attributable to Beacon presented on our consolidated financial statements is comprised of Beacon's equity ownership interests as we do not own any voting interest in Beacon.

The following table presents the assets and liabilities of Beacon which are included in our consolidated balance sheet at December 31, 2016, in thousands. The assets include only those assets that can be used to settle obligations of Beacon. The liabilities include third-party liabilities of Beacon. As of December 31, 2016, Beacon had no creditors with recourse to the general credit of Arena. The assets and liabilities exclude intercompany balances that eliminate in consolidation:

Assets of Beacon that can only be used to settle obligations of Beacon		
Cash and cash equivalents	$	311
Prepaid expense and other current assets		28
Land, property and equipment, net		705
Total assets of Beacon that can only be used to settle obligation of Beacon	$	1,044
Liabilities of Beacon for which creditors do not have recourse to the general credit of Arena		
Accounts payable and other accrued liabilities	$	86
Total liabilities of Beacon for which creditors do not have recourse to the general credit of Arena	$	86

17. Subsequent Events

On January 4, 2017, we entered into an Equity Distribution Agreement with Citigroup Global Markets Inc. (Citigroup), pursuant to which we may sell and issue shares of our common stock having an aggregate offering price of up to $50 million from time to time through Citigroup, as our sales agent (the ATM Offering). Sales of the shares under the Equity Distribution Agreement may be made in transactions that are deemed to be "at-the-market" equity offerings as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made by means of ordinary brokers' transactions, including on the NASDAQ Stock Market. Subject to the terms and conditions of the Equity Distribution Agreement, Citigroup will use its reasonable efforts to sell the shares from time to time based upon our instructions (including any price, time or size limits or other parameters or conditions we may impose). We will pay Citigroup a commission of up to 3.0% of the gross sales price of any shares sold under the Equity Distribution Agreement. As of March 10, 2017, we sold 2,017,301 shares of our common stock at an average market price of $1.56 per share under the Equity Distribution Agreement, for aggregate gross proceeds of $ 3.2 million before deducting commissions and other issuance costs of $ 0.1 million . As of March 10, 2017, aggregate gross proceeds of up to $ 46.8 million remained available to us under the Equity Distribution Agreement.

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

None.

Item 9A. Contro ls and P rocedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

As of December 31, 2016, we conducted an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this Annual Report on Form 10-K.

Management's Report on Internal Control Over Financial Reporting

Our management is also responsible for establishing and maintaining for us adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the *Internal Control—Integrated Framework* (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under this framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2016.

The registered public accounting firm that audited our financial statements as of and for the year ended December 31, 2016, included in this Annual Report on Form 10-K has issued an attestation report on our internal control over financial reporting, and such report is included below.

Changes in Internal Control Over Financial Reporting

An evaluation was also performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of any changes in our internal control over financial reporting that occurred during our last fiscal quarter and that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. That evaluation did not identify any change in our internal control over financial reporting during the fourth quarter of the period covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Arena Pharmaceuticals, Inc.:

We have audited Arena Pharmaceuticals, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Arena Pharmaceuticals, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, Arena Pharmaceuticals, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Arena Pharmaceuticals, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive loss, equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated March 15, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

San Diego, California
March 15, 2017

Item 9B. Othe r Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

We have adopted a Code of Business Conduct and Ethics that applies to our directors and employees (including our principal executive officer, principal financial officer, principal accounting officer and controller), and have posted the text of the policy on our website (*www.arenapharm.com*) in connection with "Investor" materials. In addition, we intend to promptly disclose on our website in the future (i) the date and nature of any amendment (other than technical, administrative or other non-substantive amendments) to the policy that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, and (ii) the nature of any waiver, including an implicit waiver, from a provision of the policy that is granted to one of these specified individuals that relates to one or more of the elements of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, the name of such person who is granted the waiver and the date of the waiver.

The other information required by this item will be included under the captions "Election of Directors," "Compensation and Other Information Concerning Executive Officers, Directors and Certain Stockholders" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement for the annual meeting of stockholders to be held in June 2017 to be filed with the SEC on or before May 1, 2017, or the Proxy Statement, and is incorporated herein by reference.

Item 11. Executive Compensation

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

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

The following table summarizes our compensation plans under which our equity securities are authorized for issuance at December 31, 2016:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)		(b)	(c)
Equity compensation plans approved by security holders	22,687,566	*	$ 2.98	18,542,741***
Equity compensation plans not approved by security holders	5,400,000	**	1.63	—
Total	28,087,566		$ 2.72	18,542,741***

* Includes stock options to purchase 19,799,774 shares of our common stock with a per share weighted-average exercise price of $3.42. Also includes (i) 673,207 restricted stock unit awards with no exercise price and (ii) 1,107,293 performance restricted stock unit awards with no exercise price. In the aggregate, the target number of shares of common stock that may be earned under the performance restricted stock unit awards is 2,214,585; however, the actual number of shares that may be earned ranges from 0% to 200% of such amount, and this table reflects 200%.

** Includes inducement stock options to purchase 5,400,000 shares of our common stock reserved for inducement awards.

*** Includes 1,115,188 shares of common stock available for future issuance under our 2009 Employee Stock Purchase Plan, as amended. Stock options and stock appreciation rights granted under our 2013 Long-Term Incentive Plan, or 2013 LTIP, reduce the available number of shares under our 2013 LTIP by 1 share for every share issued while awards other than stock options and stock appreciation rights granted under our 2013 LTIP reduce the available number of shares by 1.25 shares for every share issued. In addition, shares that are released from awards granted under any of our prior long-term incentive plans or the 2013 LTIP because the awards expire, are forfeited or are settled for cash will increase the number of shares available under our 2013 LTIP by 1 share for each share released from a stock option or stock appreciation right and by 1.25 shares for each share released from a restricted stock award or restricted stock unit award. Each share we withhold to satisfy any tax withholding obligation with respect to an award other than an option or stock appreciation right under any of our prior long-term incentive plans or the 2013 LTIP will increase the share reserve by 1.25 shares.

In 2003, we set up a deferred compensation plan for our executive officers, whereby they may elect to defer their shares of restricted stock. At December 31, 2016, a total of 62,501 shares of restricted stock were in the plan. All of the shares contributed to this plan were previously granted to such officers under an equity compensation plan approved by our stockholders.

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

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

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

Item 14. Principal Accountant Fees and Services

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

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) **1. FINANCIAL STATEMENTS**

Reference is made to the Index to Financial Statements under Item 8, Part II hereof.

2. FINANCIAL STATEMENT SCHEDULES

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

3. EXHIBITS

Exhibit No.	Exhibit Description
2.1*	Agreement of Purchase and Sale, dated as of March 21, 2007, by and between Arena and BMR-6114-6154 Nancy Ridge Drive LLP (as assignee of BioMed Realty, L.P.) (incorporated by reference to Exhibit 2.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on May 8, 2007, Commission File No. 000-31161)
3.1	Fifth Amended and Restated Certificate of Incorporation of Arena (incorporated by reference to Exhibit 3.1 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2002, filed with the Securities and Exchange Commission on August 14, 2002, Commission File No. 000-31161)
3.2	Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Arena (incorporated by reference to Exhibit 4.2 to Arena's registration statement on Form S-8 filed with the Securities and Exchange Commission on June 28, 2006, Commission File No. 333-135398)
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3.4	Certificate of Amendment No. 3 of the Fifth Amended and Restated Certificate of Incorporation of Arena, as amended (incorporated by reference to Exhibit 3.4 to Arena's registration statement on Form S-8 filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 333-182238)
3.5	Amended and Restated Bylaws of Arena (incorporated by reference to Exhibit 3.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on October 9, 2014, Commission File No. 000-31161)
4.4	Form of common stock certificate (incorporated by reference to Exhibit 4.2 to Arena's registration statement on Form S-1, as amended, filed with the Securities and Exchange Commission on July 19, 2000, Commission File No. 333-35944)

Exhibit No.	Exhibit Description
10.1**	2002 Equity Compensation Plan (incorporated by reference to Exhibit A to Arena's proxy statement regarding Arena's June 11, 2002, Annual Stockholders Meeting, filed with the Securities and Exchange Commission on April 23, 2002, Commission File No. 000-31161)
10.2	Purchase and Sale Agreement and Joint Escrow Instructions, dated December 22, 2003, between Arena and ARE—Nancy Ridge No. 3, LLC (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on January 6, 2004, Commission File No. 000-31161)
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10.5**	2006 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on April 13, 2007, Commission File No. 000-31161)
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10.7**	Form of Stock Option Grant Agreement—Director under the Arena 2006 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.2 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on August 1, 2006, Commission File No. 000-31161)
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10.9**	Form of Indemnification Agreement between Arena and its directors (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 18, 2007, Commission File No. 000-31161)
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10.14	Lease agreement between BMR-6114-6154 Nancy Ridge Drive LLC and Arena for 6122, 6124 and 6126 Nancy Ridge Drive, San Diego, California (incorporated by reference to Exhibit 10.7 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2007, filed with the Securities and Exchange Commission on August 9, 2007, Commission File No. 000-31161)
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Exhibit No.	Exhibit Description
10.17	Amendment No. 1 to the Asset Purchase Agreement, dated effective as of January 1, 2011, by and between Arena Pharmaceuticals GmbH and Siegfried Ltd (incorporated by reference to Exhibit 10.2 to Arena's quarterly report on Form 10-Q for the quarter ended March 31, 2011, filed with the Securities and Exchange Commission on May 10, 2011, Commission File No. 000-31161)
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10.19**	Arena's 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to Arena's registration statement on Form S-8 filed with the Securities and Exchange Commission on June 30, 2009, Commission File No. 333-160329)
10.20**	Form of Incentive Stock Option Grant Agreement for Employees under the Arena 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.7 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2009, filed with the Securities and Exchange Commission on August 7, 2009, Commission File No. 000-31161)
10.21**	Form of Stock Option Grant Agreement for Employees or Consultants under the Arena 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.8 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2009, filed with the Securities and Exchange Commission on August 7, 2009, Commission File No. 000-31161)
10.22**	Form of Stock Option Grant Agreement for Non-Employee Directors under the Arena 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.9 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2009, filed with the Securities and Exchange Commission on August 7, 2009, Commission File No. 000-31161)
10.23**	Arena's 2009 Employee Stock Purchase Plan, as amended (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June16, 2015, Commission File No. 000-31161)
10.24**	Arena's 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to Arena's registration statement on Form S-8 filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 333-182238)
10.25**	Form of Incentive Stock Option Grant Agreement for Employees for grants prior to December 13, 2012, under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 000-31161)
10.26**	Form of Stock Option Grant Agreement for Employees or Consultants for grants prior to December 13, 2012, under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 000-31161)
10.27**	Form of Stock Option Grant Agreement for Non-Employee Directors under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 000-31161)
10.28**	Form of Restricted Stock Grant Agreement under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.6 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 000-31161)
10.29**	Form of Incentive Stock Option Grant Agreement for Employees for grants beginning on December 13, 2012, under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.45 to Arena's annual report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on March 1, 2013, Commission File No. 000-31161)
10.30**	Form of Stock Option Grant Agreement for Employees or Consultants for grants beginning on December 13, 2012, under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.46 to Arena's annual report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on March 1, 2013, Commission File No. 000-31161)
10.31**	Form of Restricted Stock Unit Grant Agreement under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.47 to Arena's annual report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on March 1, 2013, Commission File No. 000-31161)
10.32**	Form of Performance Restricted Stock Unit Grant Agreement under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Arena's quarterly report on Form 10-Q for the quarter ended March 31, 2013, filed with the Securities and Exchange Commission on May 9, 2013, Commission File No. 000-31161)

Exhibit No.	Exhibit Description
10.33**	Arena's 2013 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to Arena's quarterly report on Form 10-Q for the quarter ended September 30, 2016, filed with the Securities and Exchange Commission on November 9, 2016, Commission File No. 000-31161)
10.34**	Form of Stock Option Grant Agreement for Employees or Consultants under the Arena 2013 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.3 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2016, filed with the Securities and Exchange Commission on August 9, 2016, Commission File No. 000-31161)
10.35**	Form of Incentive Stock Option Grant Agreement for Employees under the Arena 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2013, Commission File No. 000-31161)
10.36**	Form of Restricted Stock Unit Grant Agreement (other than for non-employee directors) under the Arena 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2013, Commission File No. 000-31161)
10.37**	Form of Restricted Stock Unit Grant Agreement for Non-Employee Directors under the Arena 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2013, Commission File No. 000-31161)
10.38**	Form of Performance Restricted Stock Unit Grant Agreement under the Arena 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.42 to Arena's annual report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission on February 29, 2016, Commission File No. 000-31161)
10.39**	Interim CEO Employment Agreement, dated October 5, 2015, by and between Arena and Harry F. Hixson, Jr., Ph.D. (incorporated by reference to Exhibit 10.48 to Arena's annual report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission on February 29, 2016, Commission File No. 000-31161)
10.40**	Executive Employment Agreement, dated as of May 6, 2016, by and between Arena and Amit D. Munshi (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2016, Commission File No. 000-31161)
10.41**	Severance Agreement, dated as of May 6, 2016, by and between Arena and Amit D. Munshi (incorporated by reference to Exhibit 10.2 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2016, Commission File No. 000-31161)
10.42**	Form of Amendment to Amended and Restated Termination Protection Agreement, dated May 9, 2016, by and between Arena and each of Dominic P. Behan, Ph.D. and Steven W. Spector (incorporated by reference to Exhibit 10.3 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2016, Commission File No. 000-31161)
10.43**	Amended and Restated Severance Benefit Plan, effective May 9, 2016, and providing benefits for Craig M. Audet, Ph.D., Maurice J. Mezzino, William R. Shanahan, Jr., M.D, Dominic P. Behan, Ph.D. and Steven W. Spector (incorporated by reference to Exhibit 10.4 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2016, Commission File No. 000-31161)
10.44**	Employment Agreement, dated as of June 14, 2016, by and between Arena and Kevin R. Lind (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 15, 2016, Commission File No. 000-31161)
10.45**	Amendment No. 1, effective June 13, 2016, to Amended and Restated Severance Benefit Plan, effective May 9, 2016, and providing benefits for Craig M. Audet, Ph.D., Maurice J. Mezzino, William R. Shanahan, Jr., M.D, Dominic P. Behan, Ph.D. and Steven W. Spector (incorporated by reference to Exhibit 10.2 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 15, 2016, Commission File No. 000-31161)
10.46**	Summary of compensation for Arena's non-employee directors (incorporated by reference to Exhibit 10.10 to Arena's quarterly report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2016, Commission File No. 000-31161)
10.47**	Annual Incentive Plan for Arena's executive officers (incorporated by reference to Exhibit 10.11 to Arena's quarterly report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2016, Commission File No. 000-31161)

Exhibit No.	Exhibit Description
10.48**	Amendment No. 2, effective August 15, 2016, to Amended and Restated Severance Benefit Plan, effective May 9, 2016, and amended on June 13, 2016, and, as amended, providing benefits for Craig M. Audet, Ph.D., Maurice J. Mezzino, William R. Shanahan, Jr., M.D, Dominic P. Behan, Ph.D., Steven W. Spector, Vincent E. Aurentz and Kevin R. Lind (incorporated by reference to Exhibit 10.2 to Arena's quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2016, Commission File No. 000-31161)
10.49**	Employment Agreement, dated as of August 9, 2016, by and between Arena and Vincent E. Aurentz (incorporated by reference to Exhibit 10.3 to Arena's quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2016, Commission File No. 000-31161)
10.50**	Consulting Agreement, dated as of July 15, 2016, by and between Arena and William R. Shanahan, Jr., M.D. (incorporated by reference to Exhibit 10.4 to Arena's quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2016, Commission File No. 000-31161)
10.51**	Consulting Agreement, dated as of September 1, 2016, by and between Arena and Dominic P. Behan, Ph.D. (incorporated by reference to Exhibit 10.5 to Arena's quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2016, Commission File No. 000-31161)
10.52+	Transaction Agreement, dated as of December 28, 2016, by and among 356 Royalty Inc., Eisai Inc. and Eisai Co., Ltd.
10.53+	Supply Agreement, dated as of December 28, 2016, by and among Arena Pharmaceuticals GmbH, Eisai Inc. and Eisai Co., Ltd.
10.54	Equity Distribution Agreement, dated as of January 4, 2017, by and between Arena and Citigroup Global Markets Inc. (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on January 4, 2017, Commission File No. 000-31161)
10.55**	Letter Agreement, dated as of December 12, 2016, by and between Arena and Craig M. Audet, Ph.D.
21.1	Subsidiaries of the registrant
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of principal executive officer pursuant to Rule 13a-14(A) promulgated under the Securities Exchange Act of 1934
31.2	Certification of principal financial and accounting officer pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(B) promulgated under the Securities Exchange Act of 1934
32.1	Certification of principal executive officer and principal financial and accounting officer pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(B) promulgated under the Securities Exchange Act of 1934
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

+ Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

* Exhibits and schedules to this agreement have been omitted pursuant to the rules of the Securities and Exchange Commission. We will submit copies of such exhibits and schedules to the Securities and Exchange Commission upon request.

** Management contract or compensatory plan or arrangement.

(b) EXHIBITS

See Item 15(a)(3) above.

(c) FINANCIAL STATEMENT SCHE DULES

See Item 15(a)(2) above.

SIGNAT URES

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

ARENA PHARMACEUTICALS, INC.

Date: March 15, 2017

By: /S/ AMIT MUNSHI
Amit Munshi
President and Chief Executive Officer
(principal executive office)

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

Signatures	Title	Date
By: /S/ AMIT MUNSHI **Amit Munshi**	President and Chief Executive Officer and Director (principal executive officer)	March 15, 2017
By: /S/ KEVIN R. LIND **Kevin R. Lind**	Executive Vice President and Chief Financial Officer (principal financial and accounting officer)	March 15, 2017
By: /S/ DONALD D. BELCHER **Donald D. Belcher**	Director	March 15, 2017
By: /S/ SCOTT H. BICE **Scott H. Bice**	Director	March 15, 2017
By: /S/ JAYSON DALLAS **Jayson Dallas, M.D.**	Director	March 15, 2017
By: /S/ OLIVER FETZER **Oliver Fetzer, Ph.D.**	Director	March 15, 2017
By: /S/ HARRY F. HIXSON JR. **Harry Hixson Jr., Ph.D.**	Director	March 15, 2017
By: /S/ GARRY A. NEIL **Garry A. Neil, M.D.**	Director	March 15, 2017
By: /S/ TINA S. NOVA **Tina S. Nova, Ph.D.**	Director	March 15, 2017
By: /S/ PHILLIP M. SCHNEIDER **Phillip M. Schneider**	Director	March 15, 2017
By: /S/ CHRISTINE A. WHITE **Christine A. White, M.D.**	Director	March 15, 2017
By: /S/ RANDALL E. WOODS **Randall E. Woods**	Director	March 15, 2017

EXHIBIT INDEX

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

Exhibit No.	Exhibit Description
10.26**	Form of Stock Option Grant Agreement for Employees or Consultants for grants prior to December 13, 2012, under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 000-31161)
10.27**	Form of Stock Option Grant Agreement for Non-Employee Directors under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 000-31161)
10.28**	Form of Restricted Stock Grant Agreement under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.6 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 20, 2012, Commission File No. 000-31161)
10.29**	Form of Incentive Stock Option Grant Agreement for Employees for grants beginning on December 13, 2012, under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.45 to Arena's annual report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on March 1, 2013, Commission File No. 000-31161)
10.30**	Form of Stock Option Grant Agreement for Employees or Consultants for grants beginning on December 13, 2012, under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.46 to Arena's annual report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on March 1, 2013, Commission File No. 000-31161)
10.31**	Form of Restricted Stock Unit Grant Agreement under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.47 to Arena's annual report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on March 1, 2013, Commission File No. 000-31161)
10.32**	Form of Performance Restricted Stock Unit Grant Agreement under the Arena 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Arena's quarterly report on Form 10-Q for the quarter ended March 31, 2013, filed with the Securities and Exchange Commission on May 9, 2013, Commission File No. 000-31161)
10.33**	Arena's 2013 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to Arena's quarterly report on Form 10-Q for the quarter ended September 30, 2016, filed with the Securities and Exchange Commission on November 9, 2016, Commission File No. 000-31161)
10.34**	Form of Stock Option Grant Agreement for Employees or Consultants under the Arena 2013 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.3 to Arena's quarterly report on Form 10-Q for the quarter ended June 30, 2016, filed with the Securities and Exchange Commission on August 9, 2016, Commission File No. 000-31161)
10.35**	Form of Incentive Stock Option Grant Agreement for Employees under the Arena 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2013, Commission File No. 000-31161)
10.36**	Form of Restricted Stock Unit Grant Agreement (other than for non-employee directors) under the Arena 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2013, Commission File No. 000-31161)
10.37**	Form of Restricted Stock Unit Grant Agreement for Non-Employee Directors under the Arena 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2013, Commission File No. 000-31161)
10.38**	Form of Performance Restricted Stock Unit Grant Agreement under the Arena 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.42 to Arena's annual report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission on February 29, 2016, Commission File No. 000-31161)
10.39**	Interim CEO Employment Agreement, dated October 5, 2015, by and between Arena and Harry F. Hixson, Jr., Ph.D. (incorporated by reference to Exhibit 10.48 to Arena's annual report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission on February 29, 2016, Commission File No. 000-31161)
10.40**	Executive Employment Agreement, dated as of May 6, 2016, by and between Arena and Amit D. Munshi (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2016, Commission File No. 000-31161)

Exhibit No.	Exhibit Description
10.41**	Severance Agreement, dated as of May 6, 2016, by and between Arena and Amit D. Munshi (incorporated by reference to Exhibit 10.2 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2016, Commission File No. 000-31161)
10.42**	Form of Amendment to Amended and Restated Termination Protection Agreement, dated May 9, 2016, by and between Arena and each of Dominic P. Behan, Ph.D. and Steven W. Spector (incorporated by reference to Exhibit 10.3 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2016, Commission File No. 000-31161)
10.43**	Amended and Restated Severance Benefit Plan, effective May 9, 2016, and providing benefits for Craig M. Audet, Ph.D., Maurice J. Mezzino, William R. Shanahan, Jr., M.D, Dominic P. Behan, Ph.D. and Steven W. Spector (incorporated by reference to Exhibit 10.4 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2016, Commission File No. 000-31161)
10.44**	Employment Agreement, dated as of June 14, 2016, by and between Arena and Kevin R. Lind (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 15, 2016, Commission File No. 000-31161)
10.45**	Amendment No. 1, effective June 13, 2016, to Amended and Restated Severance Benefit Plan, effective May 9, 2016, and providing benefits for Craig M. Audet, Ph.D., Maurice J. Mezzino, William R. Shanahan, Jr., M.D, Dominic P. Behan, Ph.D. and Steven W. Spector (incorporated by reference to Exhibit 10.2 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on June 15, 2016, Commission File No. 000-31161)
10.46**	Summary of compensation for Arena's non-employee directors (incorporated by reference to Exhibit 10.10 to Arena's quarterly report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2016, Commission File No. 000-31161)
10.47**	Annual Incentive Plan for Arena's executive officers (incorporated by reference to Exhibit 10.11 to Arena's quarterly report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2016, Commission File No. 000-31161)
10.48**	Amendment No. 2, effective August 15, 2016, to Amended and Restated Severance Benefit Plan, effective May 9, 2016, and amended on June 13, 2016, and, as amended, providing benefits for Craig M. Audet, Ph.D., Maurice J. Mezzino, William R. Shanahan, Jr., M.D, Dominic P. Behan, Ph.D., Steven W. Spector, Vincent E. Aurentz and Kevin R. Lind (incorporated by reference to Exhibit 10.2 to Arena's quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2016, Commission File No. 000-31161)
10.49**	Employment Agreement, dated as of August 9, 2016, by and between Arena and Vincent E. Aurentz (incorporated by reference to Exhibit 10.3 to Arena's quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2016, Commission File No. 000-31161)
10.50**	Consulting Agreement, dated as of July 15, 2016, by and between Arena and William R. Shanahan, Jr., M.D. (incorporated by reference to Exhibit 10.4 to Arena's quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2016, Commission File No. 000-31161)
10.51**	Consulting Agreement, dated as of September 1, 2016, by and between Arena and Dominic P. Behan, Ph.D. (incorporated by reference to Exhibit 10.5 to Arena's quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2016, Commission File No. 000-31161)
10.52+	Transaction Agreement, dated as of December 28, 2016, by and among 356 Royalty Inc., Eisai Inc. and Eisai Co., Ltd.
10.53+	Supply Agreement, dated as of December 28, 2016, by and among Arena Pharmaceuticals GmbH, Eisai Inc. and Eisai Co., Ltd.
10.54	Equity Distribution Agreement, dated as of January 4, 2017, by and between Arena and Citigroup Global Markets Inc. (incorporated by reference to Exhibit 10.1 to Arena's current report on Form 8-K filed with the Securities and Exchange Commission on January 4, 2017, Commission File No. 000-31161)
10.55**	Letter Agreement, dated as of December 12, 2016, by and between Arena and Craig M. Audet, Ph.D.
21.1	Subsidiaries of the registrant
23.1	Consent of Independent Registered Public Accounting Firm

Exhibit No.	Exhibit Description
31.1	Certification of principal executive officer pursuant to Rule 13a-14(A) promulgated under the Securities Exchange Act of 1934
31.2	Certification of principal financial and accounting officer pursuant to Rule 13a-14(A) promulgated under the Securities Exchange Act of 1934
32.1	Certification of principal executive officer and principal financial and accounting officer pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(B) promulgated under the Securities Exchange Act of 1934
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

+ Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

* Exhibits and schedules to this agreement have been omitted pursuant to the rules of the Securities and Exchange Commission. We will submit copies of such exhibits and schedules to the Securities and Exchange Commission upon request.

** Management contract or compensatory plan or arrangement.

Exhibit 10.52

*****Text Omitted and Filed Separately**
with the Securities and Exchange Commission.
Confidential Treatment Requested
Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2.

Confidential
Execution Version

TRANSACTION AGREEMENT

This **TRANSACTION AGREEMENT** (this " **Agreement** ") is entered into as of December 28, 2016 (the " **Effective Date** ") by and among **356 ROYALTY INC.** , a company organized under the laws of Delaware having a principal place of business at 6154 Nancy Ridge Drive, San Diego, CA 92121 (" **Arena** "), **EISAI INC.** , a company organized under the laws of Delaware having a principal place of business at 100 Tice Blvd., Woodcliff Lake, New Jersey 07677 (" **ESI** "), and **EISAI CO., LTD.** , a company organized under the laws of Japan having a principal place of business at 4-6-10 Koishikawa Bunkyo-ku, Tokyo, Japan, 112-88 (" **ECL** "). " **Eisai** " shall mean (a) ESI, with respect to all rights and obligations of Eisai under this Agreement with respect to the ESI Territory (as defined below) and (b) ECL, with respect to all rights and obligations of Eisai under this Agreement with respect to the ECL Territory (as defined below). Each of Arena and Eisai may be referred to in this Agreement individually as a " **Party** " and collectively as the " **Parties** ".

WHEREAS

A. Arena, Arena US and Arena GmbH own or control certain patents, know-how and other intellectual property relating to products containing lorcaserin hydrochloride hemihydrate for weight loss or weight maintenance, among other potential indications;

B. Eisai is a pharmaceutical company with the ability to develop, manufacture, promote, market, sell and commercialize pharmaceutical products worldwide;

C. Arena GmbH and Eisai previously entered into a Marketing and Supply Agreement, dated as of July 1, 2010 (the " **Original Agreement** "); they subsequently amended and restated the Original Agreement by entering into the Amended and Restated Marketing and Supply Agreement, dated as of May 9, 2012 (the " **Restated Agreement** "), which superseded and replaced the Original Agreement and was amended by several written amendments; and they then entered into a Seconded Amended and Restated Marketing and Supply Agreement, dated as of November 7, 2013 (the " **Existing Agreement** "), which superseded and replaced the Restated Agreement and was amended by several written amendments, and under which Arena GmbH granted Eisai exclusive distribution rights for Products (as defined below) in the United States and other specified countries and Arena GmbH agreed to manufacture or have manufactured and sell to Eisai, and Eisai agreed to purchase from Arena GmbH, certain Products for such countries;

D. The Parties desire to enter into this Agreement to revise the Existing Agreement in its entirety (subject to certain terms that will survive as expressly set forth in this Agreement) and replace the rights and obligations in the Existing Agreement with the rights and obligations set forth in this Agreement and the Supply Agreement among Eisai and Arena GmbH effective as of the Effective Date (the " **Supply Agreement** "); and

E. Subject to the terms and conditions of this Agreement (and, in the case of Arena GmbH, the Supply Agreement), Arena, Arena US and Arena GmbH wish to license to Eisai the Arena Licensed IP and the Arena Licensed Records, to sell to Eisai the Purchased Assets, and to transfer the Assumed Liabilities to Eisai, and Eisai wishes to obtain such license and to purchase the Purchased Assets and to assume the Assumed Liabilities.

NOW, THEREFORE , in consideration of the foregoing premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Arena and Eisai, intending to be legally bound, hereby agree as follows:

ARTICLE 1
DEFINITIONS

As used in this Agreement, the following capitalized terms have the meanings set out in this Article 1.

1.1 " **Affiliate** " of a Party means any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such Party, as the case may be, but for only so long as such control exists. As used in this definition, the term " **control** " (with correlative meanings for the terms " **controlled by** " and " **under common control with** ") means (a) direct or indirect beneficial ownership of more than 50% of the voting share capital or other equity interest in such Person able to elect the directors or management of such Person or (b) the power to direct the management and policies of such Person by contract or otherwise.

1.2 " **Agreement** " has the meaning set forth in the opening paragraph hereto.

1.3 " **Applicable Laws** " means the applicable provisions of any and all national, supranational, regional, state and local laws, treaties, statutes, rules, regulations, administrative codes, guidance, ordinances, judgments, decrees, directives, injunctions, Orders, Permits (including Regulatory Approvals) of or from any court, arbitrator, Regulatory Authority or other governmental agency or authority having jurisdiction over or related to the subject activity or item as they may be in effect from time to time.

1.4 " **Apportioned Obligations** " has the meaning set forth in Section 7.1(b).

1.5 " **Arena** " has the meaning set forth in the opening paragraph hereto.

1.6 " **Arena GmbH** " means Arena Pharmaceuticals GmbH.

1.7 " **Arena Indemnitees** " has the meaning set forth in Section 12.2.

1.8 " **Arena Licensed IP** " means the Arena Licensed Know-How and Arena Licensed Patents.

1.9 " **Arena Licensed Know-How** " means all Know-How, excluding the Purchased Know-How, the Purchased Manufacturing Know-How and the Arena Licensed Manufacturing Know-How, that (a) is Controlled by Arena or any of its Affiliates (other than Arena GmbH) as of the Effective Date or at any time during the Term, (b) is necessary for, or is as of the Effective Date or was at any time during the 24-month period prior to the Effective Date used for, the development, manufacture or Commercialization of any Product in any country in the Territory in accordance with this Agreement, as such Product exists as of the Effective Date or existed prior thereto, and (c) is Confidential Information of Arena. Notwithstanding the foregoing, in the event of a Change of Control of Arena, the Arena Licensed Know-How shall not include any Know-How that is owned or Controlled by the acquiring Person described in the definition of "Change of Control," directly or indirectly (other than indirectly through Arena or any of its Affiliates (other than Arena GmbH) existing as of the closing of such Change of Control), and that (i) exists prior to the closing of such Change of Control or (ii) is developed after such Change of Control without the use of the Arena Licensed Know-How.

1.10 " **Arena Licensed Manufacturing Know-How** " has the meaning ascribed to the term "Arena Licensed Know-How" in the Supply Agreement.

1.11 " **Arena Licensed Patent** " means any Arena Patent pending or issued in any country in the Arena Licensed Patent Territory. Notwithstanding the foregoing, in the event of a Change of Control of Arena, the Arena Licensed Patents shall not include any Patent that is owned or Controlled by the acquiring Person described in the definition of "Change of Control," directly or indirectly (other than indirectly through Arena or any of its Affiliates existing as of the closing of such Change of Control), and that (x) exists prior to the closing of such Change of Control, (y) exists after the closing of such Change of Control and claims only inventions made prior to the closing of such Change of Control or (z) exists after the closing of such Change of Control and claims only inventions made after such Change of Control without the use of the Arena Licensed Know-How.

1.12 " **Arena Licensed Patent Territory** " means the Territory excluding Brazil, China, Columbia, Israel, Japan, Mexico, South Africa, South Korea and Taiwan.

1.13 " **Arena Licensed Records** " means all Records, other than the Purchased Records, Purchased Supply Records and Arena Licensed Supply Records, owned by Arena or any of its Affiliates (other than Arena GmbH).

1.14 " **Arena Licensed Supply Records** " has the meaning ascribed to the term "Arena Licensed Records" in the Supply Agreement.

1.15 " **Arena Manufacturing Defect Losses** " means Product Liability Losses attributable to a Product Liability Claim to the extent alleging defective manufacturing of a Product where such Product was manufactured by Arena GmbH or any successor or assign of Arena GmbH under the Supply Agreement, but excluding Product manufactured by any successor or assign of Arena GmbH under the Supply Agreement after the date that is six months after the closing of the transaction resulting in such Person becoming a successor or assign (a " **Facility Acquisition** "), if Eisai consented in writing to such Person.

1.16 " **Arena Patent** " means any Patent pending or issued in any country in the Territory that is Controlled by Arena or any of its Affiliates as of the Effective Date or at any time during the Term, and that claims (a) the Compound, a Related Compound or a Product as a composition of matter, (b) a method of use of the Compound, a Related Compound or a Product, or (c) manufacture of the Compound, a Related Compound or a Product, in the case of clauses (a) or (c), as such Compound, Related Compound or Product exists as of the Effective Date or existed prior thereto, but, in the case of clauses (a), (b) and (c) excluding all claims of any such Patent that do not involve or relate to a Compound, a Related Compound or a Product or the development, manufacture or Commercialization thereof.

1.17 " **Arena Regulatory Approvals** " means any and all (a) Regulatory Approvals in respect of the Products that have been issued to or received by Arena as of the Effective Date and (b) all applications, notifications or submissions for Regulatory Approvals in respect of the Products pending as of the Effective Date.

1.18 " **Arena Third Party Agreements** " has the meaning set forth in Section 4.1(b).

1.19 " **Arena US** " means Arena Pharmaceuticals, Inc., an Affiliate of Arena.

1.20 " **Assumed Liabilities** " has the meaning set forth in Section 2.3(a).

1.21 " **Auditor** " has the meaning set forth in Section 8.7(a).

1.22 " **Board of Directors** " has the meaning set forth in the definition of "Change of Control".

1.23 " **Business Day** " means any day other than a Saturday or Sunday or a day on which banking institutions located in New York, New York or in Zofingen, Switzerland are permitted or required by Applicable Law to remain closed.

1.24 " **Calendar Quarter** " means a period of three consecutive months during a Calendar Year beginning on and including January 1 st , April 1 st , July 1 st or October 1 st ; provided, that the last Calendar Quarter shall end on the last day of the Term.

1.25 " **Calendar Year** " means a period of 12 consecutive months beginning on and including January 1 st ; *provided* , that the first Calendar Year of the Term shall commence on the Effective Date and end on December 31 of the year in which the Effective Date occurs; provided, that the last Calendar Year shall end on the last day of the Term.

1.26 " **Change of Control** " means, with respect to each Party, the occurrence of any of the following:

(a) any "person" or "group" (as such terms are defined below) is or becomes the "beneficial owner" (as defined below), directly or indirectly, in a transaction or series of related transactions, of shares of capital stock or other interests (including partnership or LLC membership interests) of such Party (or any of its Controlling Affiliates) then-outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of

the directors, managers or similar supervisory positions (“ **Voting Stock** ”) (or its Controlling Affiliate, as applicable) of such Party representing 50% or more of the total voting power of all outstanding classes of Voting Stock of such Party (or its Controlling Affiliate, as applicable) ; or

(b) such Party (or any of its Controlling Affiliates) enters into a merger, consolidation or other form of business combination, share exchange, reorganization, recapitalization or other similar extraordinary transaction with another Person (whether or not such Party (or its Controlling Affiliate, as applicable) is the surviving entity) and as a result of such merger, consolidation or other form of business combination, share exchange, reorganization, recapitalization or similar extraordinary transaction (i) the members of the board of directors or similar governing body of such Party (or its Controlling Affiliate, as applicable) (as the case may be, “ **Board of Directors** ”) immediately prior to such transaction constitute less than a majority of the members of the Board of Directors of such Party (or its Controlling Affiliate, as applicable) or, if not such Party (or its Controlling Affiliate, as applicable), such surviving Person immediately following such transaction or (ii) the Persons that beneficially owned, directly or indirectly, the shares of Voting Stock of such Party (or its Controlling Affiliate, as applicable) immediately prior to such transaction cease to beneficially own, directly or indirectly, shares of Voting Stock representing at least a majority of the total voting power of all outstanding classes of Voting Stock of the surviving Person immediately following such transaction; or

(c) such Party (or any of its Controlling Affiliates) sells or transfers to any Third Party, in one or more related transactions, properties or assets representing all or substantially all of the consolidated total assets of such Party and its Affiliates.

For the purpose of this definition: (x) “ **person** ” and “ **group** ” have the meanings given such terms under Section 13(d)(3) and 14(d)(2) of the Exchange Act and the term “ **group** ” includes any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act; (y) “ **beneficial owner** ” shall be determined in accordance with Rule 13d-3 under the Exchange Act; and (z) the terms “ **beneficially owned** ” and “ **beneficially own** ” shall have meanings correlative to that of “ **beneficial ownership** ”.

1.27 “Closing ” has the meaning set forth in Section 2.4.

1.28 “ **Commercialization** ” means marketing, promoting, detailing, offering for sale, selling, importing and distributing in the Territory the applicable Product, and other similar activities related to the commercial sale of the Product in the Territory, but excluding for clarity all activities relating to research, development, or manufacturing of any Product. When used as a verb, “ **Commercializing** ” means to engage in Commercialization and “ **Commercialize** ” and “ **Commercialized** ” have corresponding meanings.

1.29 “ **Commercially Reasonable Efforts** ” means, with respect to a particular Party’s specific obligations under this Agreement with respect to a Product and a country in the Territory at the relevant point in time, that level of efforts and application of resources that is consistent with the usual practice followed by that Party in conducting similar activities, in the exercise of its reasonable scientific, business or regulatory judgment, but in no event less than the level of efforts and resources consistent with the commercially reasonable practices of the

research-based pharmaceutical industry in the applicable country in the Territory, relating to other prescription pharmaceutical products owned or licensed by it or to which it has exclusive rights that have a market potential and are at a stage of development or product life similar to the applicable Product, taking into account the anticipated or, if applicable, actual Patent coverage and the nature and extent of such Product's market exclusivity (including Patent coverage and regulatory exclusivity), the likelihood of Regulatory Approval of such Product, the safety and efficacy of such Product, the cost to develop such Product, such Product's profile, the competitiveness of the marketplace with respect to such Product, the proprietary position of such Product, the regulatory structure involved with respect to such Product, the profitability of such Product (including pricing and reimbursement status and the amounts of marketing and promotional expenditures), and other relevant factors, including comparative technical, legal, scientific, or medical factors . Commercially Reasonable Efforts shall be determined on a country-by-country basis. References in this Agreement to " **commercially reasonable** " and similar formulations shall be deemed to incorporate the standard set forth in this definition of " **Commercially Reasonable Efforts** ."

1.30 " **Competing Product** " means (a) with respect to the United States, a pharmaceutical product, other than a Product, that is approved for sale in the United States by the applicable Regulatory Authorities for a weight loss, weight management or obesity Indication and (b) with respect to any country in the Territory, any branded version of (i) the combination product of naltrexone HCl and bupropion HCl (marketed in the U.S. on the Effective Date as Contrave) or (ii) the combination product of phentermine and topiramate extended release (marketed in the U.S. on the Effective Date as Qsymia).

1.31 " **Competing Program** " has the meaning set forth in Section 4.7(b).

1.32 " **Compound** " means the compound known as (R)-8-chloro-1-methyl-2,3,4,5-tetrahydro-1H-3-benzazepine, the structure of which is set forth in **Exhibit A** , in the hydrochloride hemihydrate form, or any other specific pharmaceutically acceptable salt, hydrate, solvate or crystalline polymorph of such compound.

1.33 " **Confidential Information** " has the meaning set forth in Section 9.1.

1.34 " **Consent** " means, with respect to a Third Party Distributor Agreement, any consent or approval of any Third Party which, in accordance with the terms of such Third Party Distributor Agreement, is required to be obtained for the assignment thereof to Eisai.

1.35 " **Constitutive Documents** " means, with respect to a Person that is a legal entity, any constitutive document of such entity, including (a) with respect to a Person that is a corporation, such Person's certificate or articles of incorporation and bylaws, (b) with respect to a Person that is a limited liability company, such Person's certificate of formation and operating or limited liability company agreement, (c) with respect to a Person that is a partnership, such Person's partnership agreement, (d) with respect to a Person that is a trust, such Person's trust instrument or agreement, and (e) with respect to a Person that is a form of legal entity other than the types described in clauses (a) through (d), any document analogous to those described in clauses (a) through this clause (e).

1.36 " **Contract** " means any agreement, bond, debenture, note, mortgage, indenture, guarantee, lease , contract, commitment , instrument, ob ligation, undertaking, license or legally binding arrangement or understanding, whether written or oral.

1.37 " **Control** " (including any variations such as " **Controlled** " and " **Controlling** "), in the context of Materials, Patents, Know-How or regulatory filings (including specific Confidential Information), means that the applicable Party or its Affiliate owns or has a license (but excluding license rights granted to such Party by the other Party) to such Materials, Patents, Know-How or regulatory filings and has the ability to grant to the other Party the applicable license (or sublicense, as applicable) or right to use such Materials, Patents, Know-How or regulatory filings under this Agreement without violating the terms of an agreement with a Third Party.

1.38 " **Controlling Affiliate** " means, with respect to a Party, an Affiliate of such Party that controls (within the meaning given under the definition of " **Affiliate** ") such Party.

1.39 "Co-Promotion Partner" means any Person other than an Eisai Affiliate engaged by Eisai or by any other Co-Promotion Partner to provide promotional or marketing activities (including detailing to prescribers), in collaboration with and as prescribed by Eisai or such other Co-Promotion Partner, to assist in the promotion of sales of Product in a particular country (or countries) in the Territory (either on a co-promotion or co-marketing basis), but excluding Distributors and Sublicensees in the applicable country. " **Promotional or marketing** " as used herein does not include the right to sell or distribute, or to invoice or book Product sales. For clarity, any such Person engaged to provide promotional activities shall constitute a Co-Promotion Partner only during the term of such engagement.

1.40 " **CVOT** " means the cardiovascular outcome study of the Initial Product being conducted in part to satisfy the FDA post-marketing requirement for assessment of long-term cardiovascular safety (study protocol number: APD356-G000-401; study title; A Randomized, Double-Blind, Placebo-Controlled, Parallel-Group Study to Evaluate the Effect of Long-Term Treatment with BELVIQ (lorcaserin HCl) on the Incidence of Major Adverse Cardiovascular Events and Conversion to Type 2 Diabetes Mellitus in Obese and Overweight Subjects with Cardiovascular Disease or Multiple Cardiovascular Risk Factors).

1.41 " **Delay to Onset of Diabetes Study** " means the component of the CVOT relating to the co-primary objective of assessing whether or not treatment with the Initial Product reduces the incidence of conversion to type 2 diabetes mellitus (T2DM) compared to placebo, but excluding any component relating to the CVOT required by the FDA to be conducted in connection with the approval of the Initial Product. For clarity, if a component relates to assessing whether or not treatment with the Initial Product reduces the incidence of conversion to T2DM and some other component of the CVOT, it shall not be considered part of the Delay to Onset of Diabetes Study for purposes of this Agreement.

1.42 " **Development Data** " means, with respect to clinical trials and other development work conducted on a Product, all data, results, information and other Know-How generated from or related to such clinical trials and development work, including preclinical, non-clinical and clinical data, reports and information, protocols, statistica l analysis plans, methods, and batch r ecords for all Products used in such work.

1.43 " **Disclosing Party** " has the meaning set forth in Section 9.1.

1.44 " **Distributor** " means any of the Third Party Distributors and any Third Party that Eisai or any Distributor appoints to market, promote, sell and distribute Product in a country (or countries) in the Territory, pursuant to the terms of Section 4.3, including any Third Party appointed as a sub-distributor under the Existing Agreement. For clarity, (a) any such Third Party appointed to market, promote, sell and distribute Product shall constitute a Distributor only during the term of such appointment and (b) Eisai is deemed to have appointed the Third Party Distributors as Distributors effective as of the Effective Date.

1.45 " **Domain Name** " means a combination of alpha-numeric characters in combination with a top-level domain name.

1.46 " **ECL Territory** " means all countries in the Territory other than the ESI Territory.

1.47 " **Effective Date** " has the meaning set forth in the opening paragraph hereto.

1.48 " **Eisai** " has the meaning set forth in the opening paragraph hereto.

1.49 " **Eisai Grantback Know-How** " means, with respect to the Territory or a Terminated Territory, as applicable, that certain Know-How that (a) is Controlled by Eisai or any of its Affiliates as of the effective date of the applicable termination of this Agreement, (b) is necessary or useful for the development or Commercialization of the Compound, a Related Compound or a Product in the Territory or such Terminated Territory, as applicable, as the Compound, such Related Compound or such Product exists as of the effective date of such termination or existed prior thereto, and (c) is Confidential Information of Eisai.

1.50 "Eisai Grantback Patent Rights " means, with respect to the Territory or a Terminated Territory, as applicable, any Patent pending or issued in any country in the Territory or such Terminated Territory, as applicable, that is Controlled by Eisai or any of its Affiliates as of the effective date of the applicable termination of this Agreement (and all Patents arising in the course of prosecution or maintenance of such Patents), and that claims (a) the Compound, a Related Compound or a Product as a composition of matter, or (b) a method of use or manufacture of the Compound, a Related Compound or a Product, as the Compound, such Related Compound or such Product exists as of the effective date of such termination or existed prior thereto, but excluding all claims of any such Patent that do not involve or relate to a Compound, a Related Compound or a Product or the development, manufacture or Commercialization thereof.

1.51 " **Eisai Indemnitees** " has the meaning set forth in Section 12.3 .

1.52 " **Eisai Related Party** " means any Affiliate of Eisai or any Distributor or Sublicensee.

1.53 " **Eisai Related Party Indemnitees** " means an Eisai Related Party, its Affiliates, and its and their respective directors, officers, stockholders and employees. For purposes of this definition of "Eisai Related Party Indemnitees", the reference to "Party" in the definition of "Affiliate" shall be deemed a reference to the applicable "Eisai Related Party".

1.54 " **ESI Territory** " means each of the countries in North America, South America, Central America or the Caribbean.

1.55 " **European Union** " means the organization of member states of the European Union, as it may be constituted from time to time; provided, that for the purposes of this Agreement the United Kingdom and any other country that is a member of the European Union on the Effective Date, shall be deemed to be a member of the European Union even if such country ceases to be a member of the European Union during the Term.

1.56 " **Exchange Act** " means the Securities Exchange Act of 1934, as it may be amended from time to time.

1.57 " **Excluded Liabilities** " has the meaning set forth in Section 2.3(b).

1.58 " **Excluded List** " means any of the Department of Health and Human Service's List of Excluded Individuals/Entities or the General Services Administration's Lists of Parties Excluded from Federal Procurement and Non-Procurement Programs.

1.59 " **Existing Agreement** " has the meaning set forth in the recitals to this Agreement.

1.60 " **Existing Agreement Audit Period** " has the meaning set forth in Section 8.6(a).

1.61 " **Existing Agreement Product** " has the meaning set forth in Section 15.1.

1.62 " **Existing Agreement Territory** " means the Territory (as defined in the Existing Agreement).

1.63 " **Existing Arena Patents** " has the meaning set forth in Section 11.2(c)(i).

1.64 " **Existing Eisai Know-How** " means any Eisai Know-How (as defined in the Existing Agreement) owned by Eisai as of the Effective Date.

1.65 Existing Eisai Patent " means any Patent that claims or covers any invention within the Existing Eisai Know-How.

1.66 " **Facility Acquisition** " has the meaning set forth in Section 1.15.

1.67 " **FDA** " means the United States Food and Drug Administration or its successor.

1.68 " **FDA Pediatric Studies** " means the pediatric clinical trial for the Initial Product required by the FDA, in the FDA approval letter for the Initial Product NDA dated June 27, 2012, to be conducted after FDA approval of the Initial Product NDA as a condition to granting such approval, and related development activities.

1.69 " **FFDCA** " means the United States Federal Food, Drug, and Cosmetic Act, 21 U.S.C. 301, et seq., as it may be amended from time to time, and the rules, regulations, guidances, guidelines, and requirements promulgated or issued thereunder.

1.70 " **First Commercial Sale** " means, with respect to a particular Product in a country in the Territory, on a Product-by-Product and country-by-country basis, the first bona fide, arm's length sale of the Product by Eisai or any Eisai Related Party to a Third Party (that is not an Eisai Related Party) in the particular country in the Territory. Sales of a Product for registration samples, compassionate use sales, named patient use, inter-company transfers to Affiliates of Eisai and the like shall not constitute a First Commercial Sale.

1.71 " **Force Majeure** " has the meaning set forth in Section 15.2.

1.72 " **GAAP** " means generally accepted accounting principles in the Territory, or internationally, as appropriate, consistently applied, and means international financial reporting standards (" **IFRS** ") at such time as IFRS becomes the generally accepted accounting standard and Applicable Laws require that a Party use IFRS.

1.73 " **Generic Version** " means, with respect to a particular Product, a product sold (i) by a Third Party (who is not authorized by Eisai or any of its Affiliates and who neither Arena nor any of its Affiliates has authorized at Eisai's request) or (ii) by Arena, any of its Affiliates or any Third Party authorized by Arena or any of its Affiliates that, in each case ((i) or (ii)), (a) contains as an active pharmaceutical agent the same Compound or Related Compound that such Product contains as an active pharmaceutical agent, and (b) (1) if sold in the United States, has been approved for sales introduction into commerce in the United States by reference to the Regulatory Approval for such Product in the United States pursuant to Section 505(b)(2) or 505(j) of the FFDCA (or the successor thereof) or (2) if sold in a country other than the United States, has been approved for sale in such country pursuant to an equivalent regulatory law or regulation, but excluding for clarity any Products sold by Eisai or any Eisai Related Party during the Term.

1.74 " **Good Clinical Practices** " or " **GCP** " means the then-current standards, practices and procedures promulgated or endorsed by the FDA for designing, conducting, recording, analyzing and reporting clinical trials that involve the participation of human subjects, including as set forth in 21 C.F.R. parts 50, 54, 56 and 312 and in the ICH guidelines entitled "Guidance for Industry E6 Good Clinical Practice: Consolidated Guidance," and comparable regulatory standards, practices and procedures in other countries in the Territory outside of the United States, as they may be updated from time to time.

1.75 " **Good Laboratory Practices** " or " **GLP** " means the then-current good laboratory practice standards promulgated or endorsed by the FDA for nonclinical laboratory studies that support or are intended to support applications to conduct research on human subjects or to obtain regulatory approval, including as set forth in 21 C.F.R. Part 58, and comparable regulatory standards in other countries in the Territory outside of the United States, as they may be updated from time to time.

1.76 " **Governmental Entity** " means any nation, state, province, county, city or political subdivision, any supranational organization of sovereign states, and any official, agency, arbitrator, authority, court, department, commission, board, bureau, instrumentality or other governmental, quasi-governmental or Regulatory Authority thereof, whether domestic or foreign.

1.77 " **ICH** " means the International Conference on Harmonization (of Technical Requirements for Registration of Pharmaceuticals for Human Use).

1.78 " **ICC** " has the meaning set forth in Section 13.3(a).

1.79 " **IND** " means an Investigational New Drug Application (including any amendments thereto) filed with the FDA pursuant to 21 C.F.R. §312 before commencement of clinical trials of a pharmaceutical product and its equivalent in other countries or regulatory jurisdictions outside the United States.

1.80 " **Indemnitee** " has the meaning set forth in Section 12.7(a).

1.81 " **Indemnitor** " has the meaning set forth in Section 12.7(a).

1.82 " **Indemnity Threshold** " has the meaning set forth in Section 12.6(a).

1.83 " **Indication** " means the diagnosis, treatment, prevention or amelioration of any disease or condition for which an NDA or similar regulatory filing may be filed and approved.

1.84 " **Initial Formulation** " means the pharmaceutical product in solid, oral tablet form containing 10mg of the Compound as its sole active pharmaceutical agent as described in the Initial Product NDA as of the Effective Date.

1.85 " **Initial Product** " means the Initial Formulation as indicated for the Indication(s) that, as of the Effective Date, is (are) the subject of the Initial Product NDA.

1.86 " **Initial Product NDA** " means NDA22529.

1.87 " **Inventory** " means the materials purchased by Eisai from Arena GmbH that are set forth on Exhibit A Part 1 of the Supply Agreement.

1.88 " **Know-How** " means all tangible and intangible scientific, technical, trade, financial or business information and materials, including compounds, compositions of matter, formulations, techniques, processes, methods, trade secrets, formulae,

procedures, tests, data, results, analyses, documentation, reports, information (including pharmacological, toxicological, non-clinical (including chemistry, manufacturing and control)) , and clinical test design, methods, protocols, data, results, analyses, and conclusions, quality assurance and quality control information, regulatory documentation, information and submissions pertaining to, or made in association with, filings with any Regulatory Authority, product life cycle management strategies, knowledge, know -how, skill, and experience, and all other discoveries, developments, inventions (whether or not confidential, proprietary, patented or patentable), and tangible embodiments of any of the foregoing. For clarity, Know-How does not include Trademarks.

1.89 " **Knowledge** " means, with respect to a particular statement to which such term is attributed, that none of the applicable Party's or any of its Affiliates' respective employees with the title of vice president or higher or in-house general counsel (and, solely with respect to Arena, the general manager or the co-general manager of the Plant) are aware of any facts or information that make such statement untrue after performing a reasonably diligent investigation with respect to such statement.

1.90 " **Legal Proceeding** " means any action, suit, proceeding, claim, arbitration or investigation before any Governmental Entity or before any arbitrator or mediator or similar party, or any investigation or review by any Governmental Entity.

1.91 " **Lien** " means any lien, pledge, mortgage, encumbrance, or other security interest of any kind, whether arising by contract or by operation of Applicable Law.

1.92 " **Losses** " has the meaning set forth in Section 12.2.

1.93 " **MACE Plus Study** " means the component of the CVOT relating to the co-primary objective of assessing whether or not treatment with the Initial Product reduces the incidence of major adverse cardiovascular events including in totality or in part the following events: stroke or myocardial infarction; cardiovascular death or hospitalization for unstable angina or heart failure; or any coronary revascularization compared to placebo (" **MACE Plus** "), but excluding any component relating to the CVOT required by the FDA to be conducted in connection with the approval of the Initial Product. For clarity, if a component relates to assessing whether or not treatment with the Initial Product reduces the incidence of MACE Plus and some other component of the CVOT, it shall not be considered part of the MACE Plus Study for purposes of this Agreement.

1.94 " **Major Market** " means each of the United States, the European Union, China and Japan.

1.95 " **Materials** " has the meaning set forth in Section 5.7.

1.96 " **Maximum Price Discount** " means […***…]% for each of Argentina, Brazil, Chile, Columbia, Mexico, Peru, Venezuela and Uruguay and three percent for each other country in the Territory.

1.97 " **NDA** " means a New Drug Application (including an Abbreviated New Drug Application) as described in 21 C.F.R. § 314.50, et seq., and all amendments and supplements thereto, that is filed with the FDA, and its equivalent in other countries or regulatory jurisdictions outside the United States, in each case including all documents, data, and other information concerning the applicable product filed therewith.

1.98 " **Net Sales** " means, with respect to a Product during any period, the gross invoiced sales price in US Dollars (as converted into US Dollars for sales made in other currency) for all quantities of such Product sold by Eisai or any Eisai Related Party to a Third Party (other than an Eisai Related Party) during such period, less the following deductions to the extent actually incurred, allowed, or paid with respect to such sale by the selling party, using GAAP applied on a consistent basis:

(a) sales taxes or other taxes included in the gross invoiced sales price;

(b) credits or allowances given or made for rejection, recall or return of previously sold Product, in amounts not exceeding usual and customary reductions, or billing errors with respect to such Product;

(c) Retroactive Price Discounts;

(d) costs of outbound freight, insurance, and other transportation charges directly related to the distribution of such Product to the purchaser, to the extent separately set forth in the applicable invoice;

(e) quantity, cash and other trade discounts, or inventory management fees, including those generated as a result of distributor service agreements, in amounts not exceeding usual and customary discounts and fees; and

(f) rebates, credits, and chargeback payments (or the equivalent thereof) granted to managed health care organizations, wholesalers, or to federal, state, local and other governments, including their agencies, purchasers, or reimbursers, or to trade customers, in amounts not exceeding usual and customary amounts and calculated in accordance with GAAP.

In no event shall any particular amount of deduction, identified above, be deducted more than once in calculating Net Sales (i.e., no "double counting" of reductions). Each of the above deductions shall be substantially consistent with Eisai's or the applicable Eisai Related Party's internal accounting policies as consistently applied by Eisai or such Eisai Related Party in the applicable country in the Territory across its products at the time of sale. In no event shall the deductions with respect to Retroactive Price Discounts in any country in the Territory in any Calendar Quarter exceed the applicable Maximum Price Discount for such country of the amount arrived at after deducting the items described in clauses (a), (b), (d), (e) and (f) above from the gross invoiced sales price in US Dollars (as converted into US Dollars for sales made in other currency) for all quantities of such Product sold by Eisai or the Eisai Related Parties to a Third Party (other than any Eisai Related Party) in such country in the Territory during such Calendar Quarter; provided, that any deductions for Retroactive Price Discounts not taken in any Calendar Quarter pursuant to this sentence shall be carried forward and applied in future Calendar Quarters. Eisai shall not, and shall cause the Eisai Related Parties not to, use any Product as a

loss leader or otherwise unfairly or inappropriately discount the gross invoiced sales price of a Product in a manner that is intended to benefit, or provide an incentive to enhance sales of, any other pharmaceutical product sold by Eisai or any Eisai Related Party. Sales of a Product between Eisai and any of the Eisai Related Parties for resale shall be excluded from the computation of Net Sales, but the subsequent resale of such Product to a Third Party (other than an Eisai Related Party) shall be included within the computation of Net Sales. Notwithstanding anything to the contrary herein, the transfer, disposal or use of Product, without consideration, for marketing, regulatory, development or charitable purposes, such as samples, clinical trials, preclinical trials, compassionate use, named patient use, or indigent patient programs, shall not be deemed a sale hereunder .

1.99 " **New Program Know-How** " means any and all Know-How discovered, identified, conceived, reduced to practice or otherwise made, as necessary to establish authorship, inventorship or ownership under applicable United States law as such law exists as of the Effective Date irrespective of where such discovering, identifying, conception, reduction to practice or other making occurs, in the course of or as a result of or related to the activities under this Agreement or the Supply Agreement after the Effective Date, (a) solely by one or more employees of or consultants to Arena or any of its Affiliates, (b) solely by one or more employees of or consultants to Eisai or any of the Eisai Related Parties or Co-Promotion Partners, or (c) jointly by one or more employees of or consultants to Arena or any of its Affiliates, on the one hand, and one or more employees of or consultants to Eisai or any of the Eisai Related Parties or Co-Promotion Partners, on the other hand.

1.100 " **New Program Patent** " means any Patent that claims or covers any invention within the New Program Know-How.

1.101 " **Non-Compete Period** " has the meaning set forth in Section 4.7(a).

1.102 " **Once-Daily Product** " means a once-daily oral tablet formulation that contains the Compound as its sole active pharmaceutical agent.

1.103 " **Order** " means any writ, judgment, decree, injunction, settlement, or similar order of or approved by any Governmental Entity (in each case whether preliminary or final).

1.104 " **Ordinary Course of Business** " means the ordinary course of business in substantially the same manner as presently conducted and consistent with past practice and in compliance with Applicable Law as determined from the perspective of an on-going owner-operator of the Purchased Assets.

1.105 " **Original Agreement** " has the meaning set forth in the recitals to this Agreement.

1.106 " **Original Effective Date** " means July 1, 2010.

1.107 " **Panel** " has the meaning set forth in Section 13.3(b).

1.108 " **Paragraph IV Notice** " has the mean ing set forth in Section 10.3(e).

1.109 " **Party** " and " **Parties** " has the meaning set forth in the opening paragraph of this Agreement.

1.110 " **Patent(s)** " means (a) all patents, certificates of invention, applications for certificates of invention, priority patent filings and patent applications, including provisional patent applications, (b) any renewal, division, continuation (in whole or in part), or request for continued examination of any of such patents, certificates of invention and patent applications, and any all patents or certificates of invention issuing thereon, and any and all extensions, divisions, renewals, substitutions, confirmations, registrations, revalidations, revisions, and additions of or to any of the foregoing, and (c) any patents or patent applications that are the subject of administrative proceedings before a jurisdiction's patent office, including reissues, reexaminations, oppositions, third party observations, post-grant reviews and inter partes review proceedings.

1.111 " **Patent Term Extension** " means any term extensions, supplementary protection certificates, regulatory exclusivity and equivalents thereof offering patent protection beyond the initial term with respect to any issued Patents.

1.112 " **Payee Party** " has the meaning set forth in Section 8.5.

1.113 " **Paying Party** " has the meaning set forth in Section 8.5.

1.114 " **Payment** " has the meaning set forth in Section 8.5.

1.115 " **Permit** " means any permit, license, approval, certificate, consent, waiver, concession, exemption, order, injunction, judgment, decree, ruling, writ, assessment or arbitration award, registration, notice or other authorization from any Governmental Entity.

1.116 " **Permitted Lien** " means the following: (a) statutory Liens for Taxes not yet due or payable, (b) Liens for assessments and other governmental charges or Liens of landlords, carriers, warehousemen, mechanics and repairmen incurred in the Ordinary Course of Business, in each case for sums not yet due and payable, or due but not delinquent, or being contested in good faith by appropriate proceedings, (c) any Liens under the terms of the Third Party Distributor Agreements, and (d) Liens incurred in the Ordinary Course of Business in connection with workers' compensation, unemployment insurance and other types of social security.

1.117 " **Person** " means any individual, corporation, partnership, limited liability company, trust, Governmental Entity, or other legal entity of any nature whatsoever.

1.118 " **Plant** " means the manufacturing plant of Arena GmbH located at Untere Brühlstrasse 4, 4800, Zofingen, Switzerland, at which the Products are manufactured as of the date of this Agreement.

1.119 " **Post-Closing Tax Period** " has the meaning set forth in Section 7.1(b).

1.120 " **Pre-Closing Tax Period** " means (a) any Tax period ending on or before the Effective Date and (b) with respect to a Tax p eriod that commences before but ends after the Effective Date , the portion of such period up to an d including the Effective Date .

1.121 " **Product** " means each of (a) the Initial Product, (b) the Once-Daily Product and (c) any pharmaceutical product (in any specific dosage form or mode of administration) that contains the Compound or a Related Compound as an active pharmaceutical agent (but excluding the Initial Product and the Once-Daily Product) (which product may also include one or more other active pharmaceutical agents, excluding an active pharmaceutical agent that is proprietary to Arena or any of its Affiliates and that is not a Compound or Related Compound).

1.122 "Product Domain Name" means a Domain Name that contains in whole or in part (a) any Product Trademark, (b) the generic name for an active pharmaceutical ingredient in any Product (for example, "lorcaserin"), or (c) any other word, name, or mark confusingly similar to the foregoing, including a Domain Name containing an intentional misspelling.

1.123 " **Product Liability Claim** " means any Third Party Claim brought against any Arena Indemnitee, Eisai Indemnitee or Eisai Related Party Indemnitee arising from, based on or occurring as a result of personal injury, death or property damage (to the extent resulting from personal injury or death) caused by or resulting from (or allegedly caused by or resulting from) the use of a Product sold, distributed, dispensed or otherwise administered in the Existing Agreement Territory after the Original Effective Date and prior to the Effective Date or in the Territory on or after the Effective Date and prior to the end of the Term.

1.124 " **Product Liability Defense Costs** " means costs and expenses paid to counsel and other Third Parties, including Third Party experts and investigators, in connection with the defense of Product Liability Claims. For clarity, Product Liability Defense Costs shall not include Product Liability Losses.

1.125 " **Product Liability Losses** " means, with respect to a Product Liability Claim, (a) amounts paid to the Third Party(ies) bringing such Product Liability Claim to satisfy a judgment in such Product Liability Claim, but excluding punitive damages, or (b) amounts paid to the Third Party(ies) bringing such Product Liability Claim in settlement of such Product Liability Claim. For clarity, Product Liability Losses shall not include Product Liability Defense Costs.

1.126 " **Product Trademark** " has the meaning set forth in the Existing Agreement.

1.127 " **Purchase Price** " means the amounts payable by Eisai to Arena pursuant to Article 8.

1.128 " **Purchased Assets** " has the meaning set forth in Section 2.2(a).

1.129 " **Purchased Intellectual Property** " means (a) all Know-How owned by Arena or any of its Affiliates (other than Arena GmbH) as of the Effective Date that is related solely to the Compound or Product, as such Compound or Product exists as of the Effective Date or existed prior thereto, including the composition, manufacture or use thereof (the " **Purchased Know-How** "), (b) all Know-How owned by Arena GmbH as of the Effective Date that is solely related to the Compound or Product as such Compound or Product exists as of the Effective Date or existed prior thereto, including the composition, manufacture or use thereof (the " **Purchased Manufacturing Know-How** "), (c) the Arena Patents (excluding the Arena Licensed Patents) owned by Arena or any of its Affiliates as of the Effective Date (the " **Purchased Patents** "), including the Patents set forth on Schedule 1.129(c) and (c) any and all Purchased Trademarks.

1.130 " **Purchased Know-How** " has the meaning set forth in Section 1.129.

1.131 " **Purchased Manufacturing Know-How** " has the meaning set forth in Section 1.129.

1.132 " **Purchased Patents** " has the meaning set forth in Section 1.129.

1.133 " **Purchased Records** " means those Records owned by Arena or any of its Affiliates (other than Arena GmbH) as of the Effective Date that are related solely to the Compound, Product, Inventory, Third Party Distributor Agreements, Arena Regulatory Approvals, Purchased Intellectual Property, Samples, Purchased Validation Materials or Product Domain Names, but excluding any Records to the extent including or referencing data and information relating to the performance of obligations or exercise of rights under any Third Party Distributor Agreement before the Effective Date or any claim or demand that a Third Party Distributor or Arena or its Affiliate may have against the other that relates to matters under any Third Party Distributor Agreement arising before the Effective Date.

1.134 " **Purchased Supply Records** " has the meaning ascribed to the term "Purchased Records" in the Supply Agreement.

1.135 " **Purchased Trademarks** " has the meaning ascribed to the term "Purchased Trademarks" in the Supply Agreement.

1.136 " **Purchased Validation Materials** " has the meaning ascribed to the term "Purchased Validation Materials" in the Supply Agreement.

1.137 " **PV Agreement** " means the Lorcaserin Pharmacovigilance Agreement for the Exchange of Drug Safety Information, dated as of May 13, 2014, entered into by Eisai and Arena GmbH, as amended from time to time.

1.138 " **Quarterly Report** " has the meaning set forth in Section 8.3(c).

1.139 " **Receiving Party** " has the meaning set forth in Section 9.1.

1.140 " **Recipient** " has the meaning set forth in Section 9.1.

1.141 " **Records** " means all books, records, files, documents, correspondence, and manuals, or portions thereof, in each case only to the extent data and information included or referenced therein relates to the Compound or any Product, the Inventory, Third Party Distributor Agreements, Arena Regulatory Approvals, Purchased Intellectual Property, Samples, Purchased Validation Materials or Product Domain Names (including regulatory, financial, research and development and expense records, correspondence and, to the extent not originals, complete and accurate copies of all files relating to the filing, prosecution, issuance, maintenance, enforcement or defense of any Patents, Patent applications, Trademarks, copyrights or other intellectual property rights within the Purchased Intellectual Property, including written Third Party correspondence, records and documents related to research and pre-clinical and clinical testing and studies for the Compound or the Products, including laboratory notebooks, procedures, tests, dosages, criteria for patient selection, safety and efficacy and study protocols, investigators brochures and all pharmacovigilance and other safety records) that are maintained by Arena or its Affiliates (other than Arena GmbH) on the Effective Date and necessary for , or are as of the Effective Date or were at any time during the 24-month period prior to the Effective Date used for, the development , manufacture or Commercialization of any Product in any country in the Territory , in all forms, including electronic, in which they are stored or maintained. For clarity, to the extent books, records, files, documents, correspondence and manuals, or portions thereof, include data and information unrelated to the Compound or any Product, the Inventory or any Third Party Distributor Agreements, any Arena Regulatory Approvals, Purchased Intellectual Property, Samples, Purchased Validation Materials or Product Domain Names, such unrelated data and information will not be considered Records. In addition, Records does not include any books, records, files, documents, correspondence or manuals, or portions thereof, that are subject to an attorney-client privilege or that are attorney work product.

1.142 "Regulatory Approval" means, with respect to a Product to be sold for use in a particular country in the Territory: (a) as to the United States, approval by the FDA of the NDA covering such Product in the United States and, if applicable, all necessary approvals or authorizations by the U.S. Drug Enforcement Administration (or its successor) necessary to sell such Product in the United States; and (b) as to a country in the Territory other than the United States, all approvals, registrations, authorizations and licenses by the Regulatory Authorities in such country necessary to sell such Product in such country.

1.143 " **Regulatory Authority** " means , as to a particular country, any national, regional, state or local regulatory agency, department, bureau, commission, council or other Governmental Entity whose review, approval or authorization is necessary for the manufacture, packaging, use, storage, import, export, distribution, promotion, marketing, offer for sale or sale of a Product in such country . In the event that governmental approval is required for pricing or reimbursement for a Product in a country in the Territory to be reimbursed by national health insurance (or its local equivalent), " **Regulatory Authority** " shall also include any national, regional, state or local regulatory agency, department, bureau, commission, council or other Governmental Entity whose approval or authorization of pricing or reimbursement is required.

1.144 " **Regulatory Filings** " means all applications, approvals, licenses, notifications, registrations, submissions and authorizations made to or received from a Regulatory Authority in the Territory necessary for the development, manufacture or commercialization of a pharmaceutical product, including any INDs, NDAs and Regulatory Approvals.

1.145 " **Regulatory Strategy** " means, with respect to a Product in a country in the Territory, the strategy for conducting the interactions with Regulatory Authorities needed to develop such Product for such country and to obtain and maintain Regulatory Approval of such Product in such country, including making Regulatory Filings (including INDs, NDAs, and amendments thereto) and developing and implementing risk evaluation and mitigation strategies.

1.146 " **Related Compound** " means (a) any known prodrug, known metabolite (having similar physiological activity as the Compound), or racemate or other optically active form of the Compound (other than the Compound itself), (b) any free acid form or free base form of the Compound (other than the Compound itself), (c) any compound that is claimed by claim 1 of U.S. Patent No. 6,953,787 and acts primarily as a 5HT2C agonist and has physiological activity similar to the Compound, or (d) any compound that is claimed by International Patent Publication No. WO 2005/003096 (as such claims are published as of the Original Effective Date).

1.147 " **Related Documents** " means, other than this Agreement, all agreements, certificates and documents signed and delivered by either Party in connection with the Closing under this Agreement, excluding the Supply Agreement.

1.148 " **Representatives** " means, with respect to a Person, such Person's legal, financial, internal and independent accounting and other advisors and representatives.

1.149 " **Restated Agreement** " has the meaning set forth in the recitals to this Agreement.

1.150 " **Retroactive Price Discount** " means, with respect to a Product, a discount off of the invoiced price for such Product provided for in a contract entered into by Eisai or any of the Eisai Related Parties during any period stipulating a discounted contract price for such Product that is effective for Product purchased prior to the execution of such contract.

1.151 " **Samples** " means whole blood samples, sera, plasma, cells, bone marrow samples, other tissue samples, and other substances collected or generated in a non-clinical or clinical study with respect to the Compound, a Related Compound or a Product and any DNA, RNA, cells, proteins, and other biomaterials extracted or directly derived therefrom.

1.152 " **SEC** " has the meaning set forth in Section 9.5(a).

1.153 " **Senior Executives** " means the President of Arena and the President of Eisai.

1.154 " **Shadow Counsel** " means, with respect to a particular Product Liability Claim, the counsel (if any) appointed by Arena in such Product Liability Claim to participate in and monitor (but not control) such Product Liability Claim.

1.155 " **Side Letter Agreement** " means that certain letter agreement between Arena US and Eisai dated the Effective Date.

1.156 " **Specified Date** " means July 1, 2016 .

1.157 " **Sublicense** " means a sublicense granted by Eisai under the license granted to it in this Agreement or in the Side Letter Agreement or Supply Agreement, or a license granted by Eisai under the Purchased Assets, to a Sublicensee or an Affiliate of Eisai, or granted by any Sublicensee or Affiliate of Eisai under the sublicense granted to such Person under the Arena Licensed IP, Arena Licensed Records, Arena Licensed Manufacturing Know-How or Arena Licensed Supply Records or the license granted to such Person under the Purchased Assets.

1.158 " **Sublicensee** " means any Person other than Eisai and its Affiliates to whom Eisai or its Affiliate, or any Sublicensee, has granted a sublicense under the license granted to it in this Agreement, the Side Letter Agreement or the Supply Agreement or under any Sublicense, as applicable, or a license or sublicense under the Purchased Assets, with respect to any Product in any country (or countries) in the Territory, pursuant to the terms of Section 4.3 or the corresponding provision of the Supply Agreement. For clarity, any such Person shall constitute a Sublicensee only during the term of the sublicense granted to such Person.

1.159 " **Supply Agreement** " has the meaning set forth in the recitals hereto.

1.160 " **Supply Records** " has the meaning ascribed to the term "Records" in the Supply Agreement.

1.161 " **Survival Period** " has the meaning set forth in Section 12.1.

1.162 " **Tax** " or " **Taxes** " means any and all taxes, assessments, levies, tariffs, duties or other charges or impositions in the nature of a tax (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Entity, including income, estimated income, gross receipts, profits, business, license, occupation, franchise, capital stock, real or personal property, sales, use, transfer, value added, employment or unemployment, social security, disability, alternative or add-on minimum, customs, excise, stamp, environmental, commercial rent or withholding taxes, and shall include any liability for Taxes of any other Person under Applicable Law, as a transferee or successor, by contract or otherwise.

1.163 " **Tax Return** " means any return, declaration, report, claim for refund, information return or statement relating to Taxes, including any schedule or attachment thereto, filed or maintained, or required to be filed or maintained, in connection with the calculation, determination, assessment or collection of any Tax, including any amended returns required as a result of examination adjustments made by the Internal Revenue Service or other Tax authority.

1.164 " **Term** " has the mean ing set forth in Section 13.1 .

1.165 " **Terminated Product Trademark** " means, with respect to the Territory or a Terminated Territory, as applicable, the Trademark(s) used by Eisai or any Eisai Related Party for the development, manufacture or Commercialization of the Products in the Territory or such Terminated Territory, as applicable, and any registrations thereof or any pending applications relating thereto in the Territory or such Terminated Territory, as applicable (excluding, in any event, any Trademarks that include any corporate name or logo of Eisai or any Eisai Related Parties).

1.166 " **Terminated Territory** " has the meaning set forth in Section 13.2(a).

1.167 " **Termination Dispute** " has the meaning set forth in Section 13.3(a).

1.168 " **Territory** " means all countries and territories of the world, excluding any Terminated Territory.

1.169 " **Third Party** " means any Person other than Arena, Eisai, and their respective Affiliates.

1.170 " **Third Party Claim** " has the meaning set forth in Section 12.2(e).

1.171 " **Third Party Distributor** " means each of Abic Marketing Limited, CY Biotech Company Limited and Ildong Pharmaceutical Co., Ltd.

1.172 " **Third Party Distributor Agreement** " means, as amended, supplemented or modified as of the Effective Date, each of (a) the Marketing and Supply Agreement by and between Arena GmbH and Abic Marketing Limited, dated July 21, 2014, (b) the Marketing and Supply Agreement by and between Arena GmbH and CY Biotech Company Limited, dated July 24, 2013, and (c) the Marketing and Supply Agreement by and between Arena GmbH and Ildong Pharmaceutical Co., Ltd., dated November 6, 2012.

1.173 " **Trademark** " means any word, name, symbol, color, designation or device or any combination thereof, including any trademark, trade dress, brand mark, service mark, trade name, brand name, logo or business symbol, whether or not registered.

1.174 " **Transfer Taxes** " has the meaning set forth in Section 7.1(a).

1.175 " **United States** " means the United States of America and its territories and possessions, including Puerto Rico and the District of Columbia.

1.176 " **Validation Materials** " has the meaning ascribed to the term "Validation Materials" in the Supply Agreement.

1.177 " **Voting Stock** " has the meaning set forth in the definition of "Change of Control".

ARTICLE 2
PURCHASE AND SALE

2.1 Purchase and Sale of Assets; Consideration . Pursuant to the terms and subject to the conditions of this Agreement, the Side Letter Agreement and the Supply Agreement, at the Closing, Arena, Arena US and Arena GmbH shall sell, convey, deliver, transfer and assign to Eisai or Eisai's designee, free and clear of all Liens (other than Permitted Liens), and Eisai shall purchase, take delivery of and acquire from Arena, Arena US and Arena GmbH, all of Arena's, Arena US's and Arena GmbH's right, title and interest in, to and under all of the Purchased Assets. In consideration of the sale, conveyance, delivery, transfer, and assignment of the Purchased Assets to Eisai, the license of the Arena Licensed IP, the Arena Licensed Records, the Arena Licensed Manufacturing Know-How and the Arena Licensed Supply Records and Arena's, Arena US's and Arena GmbH's other covenants and obligations hereunder and under the Side Letter Agreement and Supply Agreement, pursuant to the terms and subject to the conditions hereof and thereof, Eisai shall make the payments specified in Article 8.

2.2 Purchased Assets.

(a) The term " **Purchased Assets** " means:

(i) All of Arena's and Arena US's right, title and interest in, to and under the following:

(A) the Purchased Patents;

(ii) All of Arena's right, title and interest in, to and under the following:

(A) all Arena Regulatory Approvals;

(B) all Samples;

(C) all Purchased Records; and

(D) all Purchased Know-How; and

(iii) All of Arena GmbH's right, title and interest in, to and under the following:

(A) all Purchased Manufacturing Know-How;

(B) all Purchased Trademarks;

(C) all Purchased Supply Records;

(D) all rights in and to the Third Party Distributor Agreements, including all rights to assert claims and take other actions in respect of breaches or other violations thereof on or after the

Effective Date (but for clarity excluding any rights to enforce (1) rights to indemnification from a Third Party Distributor relating to matters occurring in the period before the Effective Date, including in respect of claims that arise after the Effective Date with respect to such matters, or (2) breaches of the indemnification obligations of a Third Party Distributor relating to matters occurring in the period before the Effective Date, including in respect of claims that arise after the Effective Date with respect to such breaches);

(E) all Purchased Validation Materials; and

(F) the exclusive ownership of and all rights to (including the right to use) and in the Product Domain Names.

(b) Eisai shall perform a good faith assessment of the Purchased Trademarks within 90 days after the Effective Date to determine which of such Trademarks Eisai is reasonably likely to use in connection with the Commercialization of Products. Promptly following such 90-day period, Eisai shall assign to Arena or its designee all of Eisai's and its Affiliates' right, title and interest in and to all of the Purchased Trademarks that Eisai determines during such 90-day period it is not reasonably likely to use in connection with the Commercialization of Products, and upon such assignment, such Trademarks shall cease to be Purchased Trademarks. Eisai shall be solely responsible for all of its own costs, and shall reimburse all reasonable, documented out-of-pocket costs incurred by Arena or its Affiliates, to effect the assignment of any such Trademarks to or from Arena or its Affiliates, within 30 days after receipt of each invoice from Arena for such costs.

(c) Eisai shall not acquire from Arena or any of its Affiliates pursuant to this Agreement, the Side Letter, and any Related Document or the Supply Agreement any assets of Arena or its Affiliates that are not specifically included in the Purchased Assets.

2.3 Assumed Liabilities; Eisai Not Successor to Arena; Excluded Liabilities.

(a) Pursuant to the terms and subject to the conditions of this Agreement, the Supply Agreement and the Consents, at the Closing, Arena GmbH shall sell, convey, transfer and assign to Eisai, and Eisai shall assume from Arena GmbH, only the Assumed Liabilities. " **Assumed Liabilities** " means all liabilities, obligations and commitments under the Third Party Distributor Agreements accruing with respect to the period commencing on the Effective Date (excluding, however, any liability or obligation under any Third Party Distributor Agreement arising from or relating to the performance or non-performance by Arena or any of its Affiliates of any such Third Party Distributor Agreement prior to the Effective Date).

(b) Eisai shall not be the successor to Arena or its Affiliates, and Eisai expressly does not assume any liabilities, obligations or commitments of Arena or its Affiliates (other than Assumed Liabilities), whether accrued or fixed, absolute or contingent, known or unknown, determined or determinable, or otherwise (and whether due or to become due) (the

" **Excluded Liabilities** "). The preceding sentence shall not be construed to, and is not intended to, limit or otherwise affect Eisai's indemnification obligations under Article 12.

2.4 Closing. Pursuant to the terms and subject to the conditions of this Agreement, the closing of the purchase of the Purchased Assets (the " **Closing** ") shall take place at 10:00 AM at the offices of Covington & Burling LLP, 620 Eighth Avenue, New York, NY (or such other time or place as the Parties may agree), on the Effective Date.

2.5 Affiliates . To the extent that any Affiliate of Arena owns or otherwise controls any assets that would constitute Purchased Assets if owned or controlled by Arena, Arena shall cause each such Affiliate to sell, convey, deliver, transfer and assign such assets to Eisai at the Closing pursuant to the terms and subject to the conditions of this Agreement, the Side Letter and the Supply Agreement. With regard to the sale, conveyance, delivery, transfer and assignment of the Purchased Assets, Arena shall cause its Affiliates to comply with (a) each of Arena's and such Affiliates' obligations hereunder, as if such Affiliates were Parties to this Agreement, and (b) such Affiliates' obligations under the Side Letter and the Supply Agreement. Arena shall be responsible for the failure of its Affiliates' to comply with its obligations hereunder or under the Side Letter or the Supply Agreement with regard to the sale, conveyance, delivery, transfer and assignment of the Purchased Assets. Additionally, all representations and warranties of Arena hereunder with respect to Purchased Assets shall address such Purchased Assets owned by such Affiliate as if Arena owned such assets.

ARTICLE 3
CLOSING DELIVERABLES

3.1 Closing Deliverables of Arena . At the Closing, Arena shall deliver or caused to be delivered to Eisai:

(a) all Co nsents, each duly executed by Arena GmbH and the applicable Third Party Distributor;

(b) Bills of Sale, substantially in the form set forth in **Exhibit B** , duly executed by each of Arena, Arena US and Arena GmbH;

(c) the Side Letter Agreement, duly executed by Arena US;

(d) the Supply Agreement, duly executed by Arena GmbH; and

(e) assignments for the registered Purchased Intellectual Property substantially in the form set forth in **Exhibit D** , which shall be recordable in all jurisdictions in which such registrations have been made or such applications have been filed, including assignments with respect to the Product Domain Names.

3.2 Closing Deliverables of Eisai . At the Closing, Eisai shall deliver or caused to be delivered to Arena:

(a) All Consents, each duly executed by Eisai;

(b) the Supply Agreement, duly executed by Eisai; and

(c) the Side Letter Agreement, duly executed by Eisai.

3.3 Purchased Assets Not Delivered at Closing . Arena will permit, or cause any of its Affiliates or Third Parties in possession of or with control over any Purchased Assets to permit, Eisai and the Eisai Related Parties to reasonably access, use and take possession of, any Purchased Assets, subject to Eisai's compliance with any reasonable procedures applicable to the facility in which the Purchased Assets are stored; provided, that Eisai will have access to and use and possession of the Purchased Assets to be transferred under the Supply Agreement in accordance with the terms of the Supply Agreement; provided, further, that if Arena provides written notice to Eisai that upon the advice of external legal counsel, Arena or its Affiliate is required pursuant to an ongoing litigation to maintain access for Arena or its Affiliate to a portion of the Purchased Assets, Eisai will reasonably cooperate with Arena to accommodate such requirement.

3.4 Payment for Transfer of Purchased Intellectual Property . Eisai shall reimburse all reasonable, documented out-of-pocket costs incurred by Arena or its Affiliates to effect the assignment of the Purchased Intellectual Property to Eisai, within 30 days after receipt of each invoice from Arena for such costs.

ARTICLE 4
LICENSES

4.1 Exclusive License for Products.

(a) Subject to the occurrence of the Closing and the other terms and conditions of this Agreement, Arena hereby grants to Eisai during the Term an exclusive (even as to Arena except as provided in Section 4.5), royalty-bearing license, with the right to grant Sublicenses and to appoint Co-Promotion Partners and Distributors through multiple tiers as provided in Section 4.3, under Arena's rights in the Arena Licensed IP and Arena Licensed Records to develop, make, have made, use, import, offer for sale, sell and otherwise Commercialize Products in the Territory. Eisai shall have the exclusive right in the Territory during the Term to invoice and book all sales of Products. For clarity, Eisai may exercise any or all of its rights under this Section 4.1 through any Eisai Related Party. The rights granted in this Section 4.1 and other provisions of this Agreement to the extent applicable to the territory of any Third Party Distributor Agreement are subject to the rights and obligations set forth in the Third Party Distributor Agreements, as may be amended from time to time. Arena shall reasonably cooperate with Eisai to identify Arena Licensed Records which Eisai may need access to at any time during the Term. As soon as reasonably possible following request by Eisai, Arena shall provide to Eisai a copy of any Arena Licensed Records so requested by Eisai; provided, that Arena may redact any information therein not related to the Compound or any Product, the

Inventory or the Purchased Assets; and provided, further, that, Eisai shall reimburse Arena for Arena's reasonable and documented out-of-pocket costs to provide such copies.

(b) Subject to confidentiality or other obligations owed by Arena or any of its Affiliates to a Third Party, Arena shall provide Eisai with copies of any and all agreements between Arena or any of its Affiliates and any Third Party pursuant to which Arena or any of its Affiliates Controls any Arena Licensed IP that is the subject of the license granted by Arena to Eisai pursuant to Section 4.1(a) or any Arena Licensed Manufacturing Know-How that is the subject of the licenses granted by Arena GmbH to Eisai pursuant to the Supply Agreement (" **Arena Third Party Agreements** "). Subject to the foregoing, (x) Eisai shall be responsible for (1) making any payments (including royalties, milestones and other amounts) payable by Arena or any of its Affiliates to any Third Parties under any such Arena Third Party Agreements owing as a result of the grant to Eisai of such license, or the exercise of such license by Eisai or any of its Affiliates or sublicensees, by making such payments directly to Arena or its applicable Affiliate, which payments shall be made in sufficient time to enable Arena or its applicable Affiliate to comply with its obligations to such Third Party and (2) complying with any other obligations included in the Arena Third Party Agreements that are applicable to the grant to Eisai of such license, or the exercise of such license by Eisai or any of its Affiliates or sublicensees, and (y) Arena shall be responsible for paying or providing to any such Third Party any payments or reports made or provided by Eisai under this Section 4.1(b). Notwithstanding the foregoing, upon written notice to Arena, Eisai, may, at any time and in its sole discretion, reject its rights under Section 4.1(a) to all Arena Licensed IP or its rights under the license granted by Arena GmbH in the Supply Agreement to all Arena Licensed Manufacturing Know-How, as applicable, that are the subject of an Arena Third Party Agreement, upon which rejection any such Know-How and Patents shall not be included as Arena Licensed IP for the purposes of Section 4.1(a) or as Arena Licensed Manufacturing Know-How for the purposes of the license granted by Arena GmbH in the Supply Agreement, as applicable, and Eisai shall have no further obligations to Arena with respect to such Arena Third Party Agreement (except for any amounts accrued prior to such notice).

(c) Arena shall promptly disclose to Eisai all Arena Licensed Patents Controlled by Arena that become included in the scope of the license granted to Eisai in Section 4.1(a) after the Effective Date.

4.2 [intentionally omitted] .

4.3 Sublicense Rights; Co-Promotion Partners and Distributors.

(a) Co-Promotion Partners, Sublicensees and Distributors. (i) Eisai shall have the right to appoint one or more Third Parties as Co-Promotion Partners to co-promote or co-market Products with Eisai in the Territory, to grant one or more Sublicenses in the Territory, or to appoint one or more Third Parties as Distributors to market, promote, sell and distribute the Products on Eisai's behalf in the Territory; and (ii) each such Co-Promotion Partner shall have the right to appoint additional Co-Promotion Partners, each such Distributor shall have the right to appoint additional Distributors, and each such Sublicensee or Affiliate shall have the right to grant further Sublicenses, in each case (i) and (ii), as and to the extent set forth below in this Section 4.3(a). Any such Third Party described in this Section 4.3(a) shall be a "subcontractor" of Eisai for which Eisai shall be responsible as provided in Section 15.5(b).

(i) In the U.S. Neither Eisai nor any Eisai Related Party or Co-Promotion Partner shall grant a Sublicense in the United States or appoint a Distributor or Co-Promotion Partner in the United States during the first […***…] months after the Effective Date without Arena's prior written consent, which consent Arena may grant or withhold in its sole discretion. After such […***…] -month period, Eisai shall have the right to appoint a Third Party as a Co-Promotion Partner in the United States, to grant a Sublicense in the United States, and to appoint one or more Third Parties as Distributors in the United States (which may include development work on a Product in the United States), without Arena's prior written consent but on at least ten Business Days prior written notice to Arena. In addition, after such […***…] -month period, any Co-Promotion Partner shall have the right to appoint a Third Party as a Co-Promotion Partner in the United States, any Distributor shall have the right to appoint a Third Party as a Distributor in the United States, and any Sublicensee may grant further Sublicenses in the United States, in each case on at least ten Business Days prior written notice to Arena. During the first […***…] months after the Effective Date Eisai shall notify Arena if it or its Affiliate or any Distributor or Co-Promotion Partner desires to appoint any such Distributor or Co-Promotion Partner, or if it or any Affiliate or Sublicensee desires to grant any such Sublicense, and upon such notice the Parties shall discuss in good faith the qualifications of such proposed Co-Promotion Partner, Sublicensee or Distributor and whether and under what conditions Arena would grant the right to use such Third Party to co-promote or co-market Products in the United States, to grant a Sublicense to such Third Party or to appoint such Third Party as a Distributor.

(ii) Outside the U.S. Eisai shall have the right to appoint a Third Party as a Co-Promotion Partner outside the United States, to grant a Sublicense in any country in the Territory outside the United States, and to appoint one or more Third Parties as Distributors in any country in the Territory outside the United States (which may include development work on a Product in such country), without Arena's prior written consent but on at least three Business Days prior written notice to Arena. In addition, any Co-Promotion Partner shall have the right to appoint a Third Party as a Co-Promotion Partner outside the United States, any Distributor shall have the right to appoint a Third Party as a Distributor outside the United States, and any Sublicensee may grant further Sublicenses outside the United States, in each case on at least three Business Days prior written notice to Arena.

(b) Assignment of Know-How . After the Closing, Eisai shall use Commercially Reasonable Efforts to cause each Co-Promotion Partner, Sublicensee or Distributor, and each Third Party manufacturing Compounds, Related Compounds or Products on behalf of Eisai or any Eisai Related Party, to assign (or license, if assignment cannot be achieved) to Eisai any and all Know-How discovered, identified, conceived, reduced to practice or otherwise made by such Co-Promotion Partner, Sublicensee, Distributor or other Third Party in the course of or as a result of or related to any development, manufacture or Commercialization activities with respect to Products and Patents claiming or covering such Know-How.

(c) Third Party Agreements. Any Sublicense grant by Eisai or any Affiliate or Sublicensee, and each agreement appointing a Distributor or Co-Promotion Partner (i) shall be consistent with the terms and conditions of this Agreement, and (ii) in the case of a Sublicense to an Affiliate, shall automatically terminate if such Person ceases to be an Affiliate of Eisai.

4.4 License to Arena . Eisai hereby grants to Arena and its Affiliates an exclusive, perpetual, irrevocable, royalty-free, fully-paid, worldwide license, with the ri ght to grant multiple tiers of s ublicenses, under the Purchased Validation Materials, Purchased Supply Records and Purchased Records, the Purchased Know-How, the Purchased Manufacturing Know-How and the Purchased Patents (including all Patents arising in the course of prosecution or maintenance of such Patents), for all uses other than to develop, make, have made , use, import , offer for sale, sell or otherwise Commercialize Product s in the Territory.

4.5 Arena's Retained Rights. Arena and its Affiliates retain the exclusive right to (a) practice and license the Arena Licensed IP and use the Arena Licensed Records outside the scope of the licenses granted to Eisai under Section 4.1, (b) practice and license the Arena Licensed Manufacturing Know-How and use the Arena Licensed Supply Records outside the scope of the licenses granted to Eisai under the Supply Agreement and (c) use the Arena Licensed Records and Arena Licensed Supply Records in connection with any claim or demand that a Third Party Distributor or Arena or its Affiliate may have against the other that relates to matters under any Third Party Distributor Agreement occurring before the Effective Date.

4.6 No Implied Licenses. Except as expressly set forth herein (including the license of the Arena Licensed IP and the Arena Licensed Records and the acquisition of the Purchased Intellectual Property), neither Party shall acquire any license or other right or interest, by implication or otherwise, under any intellectual property of the other Party. Each Party shall not, and shall not permit any of its Affiliates or sublicensees to, practice any Patents or Know-How licensed to it by the other Party outside the scope of the licenses granted to it under this Agreement.

4.7 Non-Compete Covenants.

(a) Mutual Covenant. Each Party shall not, and shall cause its Affiliates and (as to Eisai) Eisai Related Parties and Co-Promotion Partners not to, file an NDA, a BLA or any equivalent thereof for, market, promote, detail, offer for sale, sell or distribute, or conduct other similar activities related to the commercial sale of, a Competing Product in an applicable country in the Territory during the period commencing on the Original Effective Date and ending 12 years after the First Commercial Sale of the first Product in such country (the " **Non-Compete Period** " for such country).

(b) Arena Exception. Notwithstanding Section 4.7(a), Arena shall not be in breach of Section 4.7(a) by virtue of any Person filing an NDA, a BLA or any equivalent thereof for, marketing, promoting, detailing, offering for sale, selling or distributing, or conducting other similar activities related to the commercial sale of, any Competing Product in an applicable country in the Territory (a " **Competing Program** " in such country), which Person becomes an Affiliate of Arena through a Change of Control of Arena during the Non-Compete Period for such country; provided, that Arena notifies Eisai in writing promptly after the closing of such Change of Control of Arena.

(c) Eisai Exception. Notwithstanding Section 4.7(a), if Eisai would violate the provisions of Section 4.7(a) by virtue of (i) any Person having a Competing Program in an applicable country in the Territory becoming an Affiliate of Eisai during the applicable Non-

Compete Period through a Change of Control of Eisai, then Eisai shall, at its election: (A) terminate this Agreement either in its entirety or only with respect to such applicable country(ies) upon 90 days' notice to Arena (which notice, if given, must be given within 60 days after such Change of Control) or (B) cease entirely, or cause its applicable Affiliate to cease entirely, such Competing Program (whether by a divestiture of such Competing Program in a transaction where Eisai and its Affiliates retain no interest in the divested Competing Program, or otherwise) within six months after such Change of Control; provided, that in any case Eisai or such Affiliate, as the case may be, shall be permitted to file an NDA, a BLA or any equivalent thereof for, market, promote, detail, offer for sale, sell or distribute, and conduct other similar activities related to the commercial sale of, the applicable Competing Product in such applicable country during such six-month period; and provided, further, that Eisai's obligations under Article 6 with respect to such applicable country(ies) shall remain in effect during such six-month period, or (ii) (A) any Person having a Competing Program in an applicable country in the Territory becoming an Affiliate of Eisai during the applicable Non-Compete Period through an acquisition of such Person by Eisai or any of its Affiliates or a merger or consolidation with such Person (including merger by a subsidiary of such Person) by Eisai or any of its Affiliates, which transaction does not result in a Change of Control of Eisai or (B) the acquisition by Eisai or any of its Affiliates of all or substantially all of the assets of a Person having a Competing Program in an applicable country in the Territory, then in each case ((A) and (B)) Eisai shall cease entirely, or cause its applicable Affiliate to cease entirely, such Competing Program (whether by a divestiture of such Competing Program in a transaction where Eisai and its Affiliates retain no interest in the divested Competing Program, or otherwise) within six months after such transaction; provided, that in any case Eisai or such Affiliate, as the case may be, shall be permitted to file an NDA, a BLA or any equivalent thereof for, market, promote, detail, offer for sale, sell or distribute, and conduct other similar activities related to the commercial sale of, the applicable Competing Product in such applicable country during such six-month period; and provided, further, that Eisai's obligations under Article 6 shall remain in effect during such six-month period, and in each case ((i) and (ii)) Eisai shall not be in breach of Section 4.7(a) if it complies with the terms of this Section 4.7(c). All of the exceptions applicable to Eisai and its Affiliates in this Section 4.7(c) shall also be applicable to each Eisai Related Party and Co-Promotion Partner.

ARTICLE 5
PRODUCT DEVELOPMENT AND REGULATORY ACTIVITIES

5.1 Overview. Prior to the Effective Date, the Parties have conducted development and regulatory activities with respect to Products in the Territory in accordance with the Existing Agreement. During the Term, subject to the terms and conditions of this Agreement, Eisai shall have the exclusive right and responsibility to plan and implement all research and development of Products throughout the Territory, at its own cost and expense, including (a) conducting, or causing any Eisai Related Party (in the applicable country) to conduct, all regulatory activities, and (b) conducting, or causing any Eisai Related Party (in the applicable country) to conduct, all clinical and other development activities, in each case ((a) and (b)) with respect to each Regulatory Authority in the Territory for each Product in accordance with this Agreement. Eisai shall be solely responsible for all costs and expenses incurred in connection with the development of Products in the Territory under the Existing Agreement or this Agreement from and after the Specified Date.

5.2 Conduct of Development and Regulatory Activities.

(a) Diligence . Eisai shall, or shall cause the applicable Eisai Related Party (in the applicable country) to (i) conduct all studies related to the Initial Product or the Once-Daily Product required by the FDA as a condition to obtain and maintain Regulatory Approval thereof in the United States (including the FDA Pediatric Studies and the CVOT, but excluding the MACE Plus Study and the Delay to Onset of Diabetes Study), (ii) conduct the MACE Plus Study until the earlier of February 1, 2018 and the completion of such study through determination of whether the primary endpoint is achieved, substantially consistent with the current trial objectives as of the Effective Date, (iii) conduct the Delay to Onset of Diabetes Study until the earlier of February 1, 2018 and the completion of such study through determination of whether the primary endpoint is achieved, substantially consistent with the current trial objectives as of the Effective Date and (iv) use Commercially Reasonable Efforts to develop and seek Regulatory Approval for a Product in each of China, Japan and the European Union. Notwithstanding the foregoing, if any Regulatory Authority or independent data safety committee in the Territory requires Eisai to suspend or terminate, or not to commence, the conduct of any study in any of the foregoing clauses (i)-(iii) for safety reasons, then Eisai shall be relieved of its obligation to conduct such study in the applicable regulatory jurisdiction, to the extent and for the duration of such required suspension or termination, but only for so long as Eisai uses Commercially Reasonable Efforts to address any relevant issues raised by the applicable Regulatory Authority or independent data safety committee if it would be commercially reasonable to continue such study after addressing any such issues.

(b) Information Regarding Development Activities. Eisai shall maintain, or cause to be maintained, records of the clinical trials and other development work, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall fully and properly reflect all work done and results achieved by or on behalf of Eisai in the performance of such clinical trials and other development work under this Agreement or the Existing Agreement. Eisai shall retain such records during the Term and for at least five years after the Term, or for such longer period as may be required by Applicable Laws.

(c) Additional Development Considerations.

(i) Eisai (or the Eisai Related Party in the applicable country) shall hold the IND and be responsible for executing the Regulatory Strategy for the Products in all countries in the Territory.

(ii) Eisai (or the Eisai Related Party in the applicable country) will be responsible for all NDA and other filings for Regulatory Approval (including deciding whether an NDA shall be filed, subject to Section 5.2(a)) for all Products in all countries in the Territory. Eisai (or the Eisai Related Party in the applicable country) shall hold all NDAs and all Regulatory Approvals for all Products in all countries in the Territory.

(iii) Eisai (or the Eisai Related Party in the applicable country) shall be responsible for obtaining pricing and reimbursement approvals, as applicable, for all Products in all countries in the Territory at its expense.

5.3 Product Regulatory Activities.

(a) Information Regarding Regulatory Communications. Eisai (or the Eisai Related Party in the applicable country that is responsible for executing the Regulatory Strategy for a Product in a country in the Territory) (and during a particular stage of development, if applicable) shall conduct all regulatory activities for such Product in such country in accordance with such Regulatory Strategy. Eisai shall update Arena following each Calendar Quarter in which there are any changes with respect to Regulatory Strategy and the status of labeling of each Product in any of the Major Markets, and if there are no such changes in any Calendar Year, Eisai shall notify Arena of such fact following such Calendar Year. Arena shall reasonably cooperate with Eisai on a timely basis with respect to all such activities, including responding promptly to all of Eisai's reasonable requests for information and comments necessary for such regulatory activities.

(b) Regulatory Approvals and Applications. Eisai (or the Eisai Related Party in the applicable country) shall hold in the name of Eisai (or such Eisai Related Party) all applications for Regulatory Approval and all Regulatory Approvals in the Territory, and shall provide Arena copies of all such applications and approvals and all other material correspondence with respect to any Product with Regulatory Authorities in the Territory.

5.4 Regulatory Compliance. Eisai shall, or shall cause the applicable Eisai Related Party (in the applicable country) to, conduct all regulatory activities in the Territory in compliance with all Applicable Laws.

5.5 Regulatory Cooperation. Arena shall reasonably cooperate, at Eisai's expense, with any reasonable requests for assistance from Eisai with respect to (i) Eisai's (or any Eisai Related Party's) conducting regulatory activities with respect to Products in the Territory, and (ii) maintaining any Regulatory Approval of a Product that is held by Eisai (or any Eisai Related Party), including by:

(a) making its employees, consultants and other staff reasonably available upon reasonable notice during normal business hours to attend meetings with Regulatory Authorities concerning the applicable Products; and

(b) disclosing and making available to Eisai, in a reasonable form as Eisai may reasonably request, all manufacturing and quality control data, chemistry, manufacturing and controls data and other information possessed by Arena or its Affiliates or subcontractors and related to the applicable Product and the manufacturing process therefor as is reasonably necessary or desirable to prepare, file, obtain and maintain any such Regulatory Approval.

Eisai shall reimburse Arena for all reasonable, documented out-of-pocket expenses incurred by Arena in providing such cooperation under this Section 5.5 within 30 days of the date of invoice provided by Arena. In addition, during the term of the Supply Agreement prior to a Facility Acquisition, for any activities conducted by Arena under this Section 5.5 in excess of […***…] , Eisai will reimburse Arena for its fully-burdened internal costs to conduct such activities, at a rate reasonably determined by Arena in accordance with its customary accounting procedures consistently applied. After the earlier of a Facility Acquisition or expiration of the term of the Supply Agreement, for any activities conducted by Arena under this Section 5.5, Eisai will reimburse Arena at a rate of […***…] per hour of cooperation; provided, that c omm encing January 1, 2018 , such hourly rate shall be adjust ed annually, effective January 1 of the applicable Calendar Year, to reflect any year-to-year percentage increase or decrease (as the case may be) in the U.S. Bureau of Labor Statistics Employee Cost Index (" **ECI** ") (based on the change in the ECI from the most recent index available as of the Effective Date to the most recent index available as of the date of the calculation of such adjusted hourly rate) . Eisai shall reimburse such costs within 30 days after the date of invoice therefor provided by Arena.

5.6 Development Reports. Eisai shall provide Arena with a report, in reasonable detail and in substantially the form attached hereto as **Exhibit E** , detailing its and the Eisai Related Parties' development of each Product and the results of such development at least once per six-month period.

5.7 Materials Transfer. Either Party (or its Affiliate) may have provided to the other Party (or its Affiliate) pursuant to the Existing Agreement, the Restated Agreement or the Original Agreement or may provide pursuant to this Agreement to the other Party certain biological materials or chemical compounds (other than Compound or Product) Controlled by the supplying Party (collectively, " **Materials** ") for use by the other Party in furtherance of clinical trials or other development work contemplated by any such agreement. Except as otherwise provided for under this Agreement, all such Materials delivered to the other Party will remain the sole property of the supplying Party. Except as otherwise provided for under this Agreement, the receiving Party shall: (a) only use such Materials in furtherance of the clinical trials and other development work that were contemplated by the Existing Agreement, the Restated Agreement or the Original Agreement or are contemplated by this Agreement, (b) not use or deliver any Materials to or for the benefit of any Third Party, except for permitted subcontractors, without the prior written consent of the supplying Party, and (c) use the Materials in compliance with all Applicable Laws. The Parties shall use such Materials with prudence and appropriate caution in any experimental work because not all of their characteristics may be known. Except as otherwise expressly set forth in this Agreement, SUCH MATERIALS ARE PROVIDED "AS IS" AND WITHOUT ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE OR ANY WARRANTY THAT THE USE OF THE MATERIALS WILL NOT INFRINGE OR VIOLATE ANY PATENT OR OTHER PROPRIETARY RIGHTS OF ANY THIRD PARTY.

5.8 Pharmacovigilance. Eisai or the Eisai Related Party in the applicable country shall be responsible, at its own expense, for all required safety reporting with respect to each Product in each country in the Territory. Eisai shall be responsible at its expense for maintaining the global safety database for each Product. Eisai shall be responsible for ensuring compliance by the Eisai Related Parties with respect to pharmacovi gilance responsibilities under Applicable Law with respect to each Product in the applicable countries in the Territory.

5.9 Eisai Related Party Affiliates. Arena acknowledges and agrees that Eisai Related Parties shall have the right to exercise or perform obligations under this Article 5 through the use of their Affiliates, provided that each such Affiliate shall be a "subcontractor" of Eisai for which Eisai shall be responsible as provided in Section 15.5(b). For purposes of this Section 5.9, the reference to "Party" in the definition of "Affiliate" shall be deemed a reference to the applicable "Eisai Related Party".

ARTICLE 6
COMMERCIALIZATION

6.1 Commercialization Rights and Responsibility. Commencing upon the Effective Date, Eisai shall be solely responsible, and has the exclusive rights, for Commercializing all of the Products in the Territory, subject to the terms and conditions of this Agreement. In connection with such Commercialization, Eisai shall be solely responsible for manufacturing or having manufactured Products for all uses, subject to the Supply Agreement during the term of the Supply Agreement. Eisai may license, sublicense or subcontract its obligations with respect to Commercializing and manufacturing the Products in the Territory as set forth in Section 4.3.

6.2 Eisai Commercialization Diligence. Eisai shall use, and cause the Eisai Related Parties (in the applicable countries) to use, Commercially Reasonable Efforts to Commercialize in each of the Major Markets, at least one Product for which Regulatory Approval is obtained in such Major Market.

6.3 Commercialization Report. Eisai shall provide Arena with a report, in reasonable detail and in substantially the form attached hereto as **Exhibit E** , detailing its and the Eisai Related Parties' Commercialization efforts at least once per Calendar Year.

6.4 Commercialization Standards of Conduct. Eisai shall, and shall use Commercially Reasonable Efforts to cause the Eisai Related Parties and Co-Promotion Partners to, in all respects comply with all Applicable Laws in Commercializing the Products in the Territory.

6.5 Recalls. In the event that any Regulatory Authority issues or requests a recall or takes similar action in connection with a Product in the Territory, or in the event either Party determines that an event, incident or circumstance has occurred that may result in the need for a recall or market withdrawal, the Party notified of or desiring such recall or similar action shall, within 24 hours, advise the other Party thereof by telephone (and confirmed by email or facsimile), email or facsimile. Eisai shall be responsible for conducting any such recall or withdrawal, shall use Commercially Reasonable Efforts to minimize the expenses of any such

recall or withdrawal and shall keep Arena reasonably informed of all actions taken in conducting such recall or withdrawal. During the term of the Supply Agreement prior to a Facility Acquisition, Eisai shall, to the extent practicable, discuss with Arena whether to recall or withdraw such Product in the Territory prior to making such decision; provided, that during the term of the Supply Agreement and thereafter, Eisai shall have the right to decide whether to recall or withdraw such Product in the Territory. Eisai shall bear any and all recall or withdrawal expenses , subject only to Arena GmbH's obligations pursuant to the Supply Agreement to be responsible for recall expenses and subject to any indemnification obligation of Arena under Article 12 or Arena's obligations with respect to Product Liability Claims under Section 12.8.

6.6 Returned Product. Eisai shall have the sole responsibility and right to accept any returned Product in the Territory. Arena shall not solicit the return of any Product in the Territory, but if for any reason Arena should receive any returned Product, Arena shall promptly notify Eisai. Any Product returned to Arena shall be shipped by Arena to Eisai's designated facility, and all reasonable documented shipping costs incurred by Arena shall be reimbursed by Eisai. Arena shall advise the customer that made such return that the Product has been returned to Eisai. Arena shall fully complete and deliver to Eisai the returned goods form provided by Eisai with respect to any returned Product.

ARTICLE 7
OTHER COVENANTS

7.1 Certain Tax Matters.

(a) Transfer Taxes . All recordation, transfer, documentary, excise, sales, value added, use, stamp, conveyance or other similar Taxes, duties or governmental charges, and all recording or filing fees or similar costs, imposed or levied by reason of, in connection with or attributable to this Agreement, the Supply Agreement and the Related Documents or the transactions contemplated hereby and thereby (collectively, " **Transfer Taxes** ") shall be borne by Eisai; provided, however , that Eisai and Arena shall reasonably cooperate with one another to lawfully minimize such Taxes. In the case of Transfer Taxes for which Arena is liable to the applicable taxing authority, at the Closing, Eisai shall pay to Arena the amount of such Transfer Taxes as reasonably estimated by Arena, with subsequent additional payments by Eisai to Arena or refunds by Arena to Eisai, as the case may be, of amounts previously paid by Eisai in the event it is subsequently determined that the amount of the subject Transfer Taxes was more or less than the estimated amounts.

(b) Allocation of Taxes . All personal property and similar *ad valorem* obligations levied with respect to the Purchased Assets for a taxable period that includes (but does not end on) the Effective Date (collectively, the " **Apportioned Obligations** ") shall be apportioned between Arena (on behalf of itself and Arena US and Arena GmbH) and Eisai based on the number of days of such taxable period during the Pre-Closing Tax Period and the number of days after the Effective Date (such portion of such taxable period, the " **Post-Closing Tax Period** *"*). Arena (on behalf of itself and Arena US and Arena GmbH) shall be liable for the proportionate amount of such Apportioned Obligations that is attributable to the Pre-Closing Tax Period, and Eisai shall be liable for the proportionate amount of such Apportioned Obligations that is attributable to the Post-Closing Tax Period.

(c) Payment of Taxes . Apportioned Obligations and Transfer Taxes shall be timely paid, and all applicable filings, reports and returns shall be filed, as provided by Applicable Law. The paying Party shall be entitled to reimbursement from the non-paying Party in accordance with Section 7.1(a) or Section 7.1(b), as the case may be. Upon payment of any such Apportioned Obligation or Transfer Tax, the paying Party shall present a statement to the non-paying Party setting forth the amount of reimbursement to which the paying Party is entitled under Section 7.1(a) or Section 7.1(b), as the case may be, together with such supporting evidence as is reasonably necessary to calculate the amount to be reimbursed. The non-paying Party shall make such reimbursement promptly but in no event later than ten days after the presentation of such statement.

(d) Cooperation and Exchange of Information . Each of Arena (on behalf of itself and Arena US and Arena GmbH) and Eisai shall (i) provide the other with such assistance as may reasonably be requested by the other Party in connection with the preparation of any Tax Return, audit or other examination by any taxing authority or Legal Proceedings relating to liability for Taxes in connection with the Purchased Assets, (ii) retain and provide the other with any records or other information that may be relevant to such Tax Return, audit or examination or Legal Proceedings, and (iii) provide the other with any final determination of any such audit or examination, Legal Proceedings or determination that affects any amount required to be shown on any Tax Return of the other for any period.

(e) Survival of Covenants . The covenants contained in this Section 7.1 shall survive until 60 days after the expiration of the applicable statute of limitations (including extensions thereof).

7.2 Checks; Remittances and Refunds . After the Closing, if Arena, Arena US or Arena GmbH receives any payment, refund or other amount that is attributable to, results from or is related to a Purchased Asset or is otherwise properly due and owing to Eisai in accordance with the terms of this Agreement, Arena (on behalf of itself or Arena US or Arena GmbH) shall promptly remit, or cause to be remitted, such amount to Eisai. Arena, Arena US or Arena GmbH shall promptly endorse and deliver to Eisai any notes, checks, negotiable instruments, letters of credit or other documents received on account of, attributable to or otherwise relating to the Purchased Assets that are properly due and owing to Eisai in accordance with the terms of this Agreement, and Eisai shall have the right and authority to endorse, without recourse, the name of Arena, Arena US or Arena GmbH on any such instrument or document. After the Closing, if Eisai or any of its Affiliates receives any refund or other amount that is properly due and owing to Arena, Arena US or Arena GmbH in accordance with the terms of this Agreement, Eisai shall promptly remit, or cause to be remitted, such amount to Arena, Arena US or Arena GmbH.

7.3 Cooperation in Litigation . Other than with respect to Product Liability Claims (which are governed by Section 12.8) and claims with respect to intellectual property (which are governed by Article 10), from and after the Effective Date, Eisai and Arena shall reasonably cooperate with each other in the defense or prosecution of any Legal Proceedings instituted prior to the Closing or that may be instituted thereafter against or by such Parties relating to or arising out of the conduct of the manufacture, Development and Commercialization of the Products prior to or after the Closing (other than litigation between Eisai and Arena or their respective Affiliates arising out of the transactions contemplated hereby or by the Supply

Agreement or the Related Documents). Subject to Article 12, the Party requesting such cooperation shall pay the reasonable and verifiable out-of-pocket costs and expenses of providing such cooperation (including legal fees and disbursements) incurred by the Party providing such cooperation and by its officers, directors, employees and agents, and any applicable Taxes in connection therewith, but shall not be responsible for reimbursing such Party or its officers, directors, managers, employees or agents for their time spent in such cooperation; provided, however, that the amount of such time is reasonable and consistent with such individual's other obligations.

7.4 Plant Employee Retention Bonus Plan . After the Closing, the Parties shall cooperate and work together in good faith on the implementation of a retention bonus plan, as described in more detail in the Supply Agreement.

7.5 Non-Applicant Obligations . After the Closing and until the date upon which the last batch of Products on which the United States package insert indicates Arena as the manufacturer expires, Arena shall, in its capacity as a non-applicant with respect to the Products, (a) forward any adverse event or other safety information to Eisai within five days of receipt, in accordance with 21 CFR §314.80(c)(1) and (b) otherwise comply with Applicable Law.

7.6 Assignment of Purchased Patents . The Parties and Arena US shall cooperate and work together in good faith on the recordation of the assignment of the Purchased Patents to Eisai as promptly as practicable following the Effective Date.

ARTICLE 8
FINANCIAL PROVISIONS

8.1 Shared Payment. Arena and Eisai shall each be entitled to […***…] payment to be made by Ildong Pharmaceutical Co., Ltd., net of any applicable withholding taxes, to Arena or its Affiliate. Such payment represents a milestone payment being paid in connection with the addition of BELVIQ XR (lorcaserin HCl extended-release) 20 mg tablets as an Additional Product within the scope of the Marketing and Supply Agreement, dated as of November 6, 2012, by and between Arena GmbH and Ildong Pharmaceutical Co., Ltd., pursuant to Amendment No. Two, dated December 15, 2016, to such agreement. Ildong Pharmaceutical Co., Ltd. is making no other milestone or other payments to Arena or any of its Affiliates in connection with the matters referred to in the immediately previous sentence. Arena or such Affiliate shall pay […***…] of such amount received from Ildong Pharmaceutical Co., Ltd. to Eisai or its designee, within 30 days following Arena's or such Affiliate's receipt of such payment from Ildong Pharmaceutical Co., Ltd.; provided that each Party shall advise Ildong Pharmaceutical Co., Ltd. to make such payment to Arena or its Affiliate (rather than Eisai), and if such payment is made to Eisai or its Affiliate, then Eisai shall pay […***…] of the amount it receives to Arena or its designee within 30 days following Eisai's or such Affiliate's receipt of such payment from Ildong Pharmaceutical Co., Ltd.

8.2 Milestone Payments. In consideration for entering into this Agreement, Eisai shall pay to Arena each milestone payment set out below within 30 days following the first achievement of the corresponding milestone event. Subject to Section 12.5, t he paymen ts set forth in this Section 8.2 shall not be refundable or creditable against any other payments owed or payable by Eisai to Arena or any of its Affiliates under this Agreement or other written agreement between Arena or any of its Affiliates and Eisai . No payment under this Section 8.2 will be made more than once.

Milestone Event	**Milestone Payment**
(a) Upon the occurrence of the date that is 15 days after the end of the month in which aggregate Net Sales in the Territory for a Calendar Year first exceed US$250,000,000	US$25,000,000
(b) Upon the earlier of Regulatory Approval or First Commercial Sale of Product in Brazil	US$1,000,000

8.3 Royalty Payments for Products.

(a) Royalties. Subject to the other terms of this Section 8.3, Eisai shall make royalty payments to Arena on the Net Sales of all Products sold in the Territory in each Calendar Quarter during the Term as calculated by multiplying the applicable royalty rate set forth below by the corresponding amount of incremental, aggregated Net Sales of all Products sold in the Territory in the applicable Calendar Year; provided, however, that Net Sales shall exclude sales of Existing Agreement Products for which the Product Purchase Price (as defined in the Supply Agreement) is paid pursuant to the Existing Agreement. Subject to Section 12.5, the payments set forth in this Section 8.3 shall not be refundable or creditable against any other payments owed or payable by Eisai to Arena or any of its Affiliates under this Agreement, the Existing Agreement or other written agreement between Arena or any of its Affiliates and Eisai.

Annual Net Sale of all Products in the Territory	**Royalty Rate**
For that portion of annual Net Sales less than or equal to $175,000,000	9.5%
For that portion of annual Net Sales greater than $175,000,000 but less than or equal to $500,000,000	13.5%
For that portion of annual Net Sales greater than $500,000,000	18.5%

(b) Royalty Reduction. If, during a Calendar Quarter, there have been sales of a Generic Version of a Product in a country and the aggregate units of all Generic Versions of such Product sold in such country in such Calendar Quarter exceed […***…]% of the aggregate units of such Product and all Generic Versions of such Product sold in such country in such Calendar Quarter, then the royalties payable on Net Sales of such Product in such country for such Calendar Quarter will be reduced to […***…]% of the royalties otherwise payable under Section 8.3(a) . Such royalty reduction will be calculated by (i) determining the portion of total Net Sales of all Products in the Territory in a Calendar Quarter that is attributable to the Product and country to which the reduction applies, (ii) determining the total royalties payable on Net Sales of all Products in the Territory without applying a reduction, (iii) determining the portion of such total royalties that is attributable to the Product and country to which the reduction applies (based on the Net Sales calculation under clause (i)) and (iv) reducing such portion of total royalties attributable to the applicable Product and country to […***…]% of such portion.

(c) Royalty Reports and Payment. Within 30 days after each Calendar Quarter, Eisai shall provide Arena with a report that contains the following information for the applicable Calendar Quarter, on a Product-by-Product and country-by-country basis (the " **Quarterly Report** "): (i) the amount of gross sales of the Products, (ii) an itemized calculation of Net Sales in the Territory showing separately each type of deduction provided for in the definition of Net Sales, (iii) a calculation of the royalty payment due, including the application of any reduction made in accordance with Section 8.3(b), and (iv) the exchange rate for such country. Concurrent with the delivery of the applicable Quarterly Report, Eisai shall pay Arena all royalties owed with respect to Net Sales for such Calendar Quarter; provided, that with respect to Net Sales by any Third Party Distributor for such Calendar Quarter, if such Third Party Distributor fails to pay Eisai all amounts payable to Eisai under the applicable Third Party Distributor Agreement with respect to such Net Sales by the due date, and Eisai uses Commercially Reasonable Efforts to enforce such Third Party Distributor Agreement to obtain such payment, then Eisai shall not have any obligation to pay Arena any amount pursuant to this Section 8.3 with respect to such Net Sales unless and until such Third Party Distributor has paid Eisai all amounts payable to Eisai under the applicable Third Party Distributor Agreement with respect to such Net Sales. Eisai will ensure that its agreements with Eisai Related Parties permit the information required under this section to be disclosed to Arena in accordance with the terms of this section, and further permit audit rights for Arena consistent with this Agreement.

(d) Basis for Royalties . The Parties acknowledge and agree that the royalties payable under this Section 8.3 are based on blended royalty rates that reflect combined consideration for the Purchased Assets, the New Program Know-How and New Program Patents and the rights granted under the Arena Licensed IP, Arena Licensed Records, Arena Licensed Manufacturing Know-How and Arena Licensed Supply Records. In establishing this payment structure, the Parties recognize, and Eisai acknowledges, the substantial value of the Purchased Assets, the New Program Know-How and New Program Patents and Arena Licensed IP, Arena Licensed Records, Arena Licensed Manufacturing Know-How and Arena Licensed Supply Records and the Parties agree that as a result the royalties set forth above are appropriate for the duration of the Term.

8.4 Currency. All payments to the Payee Party under this Agreement shall be made by bank wire transfer in immediately available funds to an account in the name of the Payee Party designated in writing by the Payee Party. Payments hereunder shall be considered to be made as of the day on which they are received by the Payee Party's designated bank. Unless otherwise expressly stated in this Agreement, all amounts specified to be payable under this Agreement are in United States Dollars and shall be paid in United States Dollars .

8.5 Taxes . The milestone payments, royalty payments and other amounts payable by one Party (the " **Paying Party** ") to the other Party (the " **Payee Party** ") pursuant to this Agreement (each, a " **Payment** ") shall not be reduced on account of any taxes except to the extent of amounts required to be withheld by the Paying Party by Applicable Laws, if any. The Payee Party alone shall be responsible for paying any and all taxes (other than withholding taxes required by Applicable Laws to be withheld from Payments and remitted by the Paying Party) levied on account of, or measured in whole or in part by reference to, any Payments it receives. Without limiting the above, the Paying Party shall not withhold from the Payments any taxes except to the extent that it is required to do so by Applicable Laws. Notwithstanding the foregoing, if the Payee Party is entitled under any applicable tax treaty to a reduction of rate of, or the elimination of, the applicable withholding tax, it may deliver to the Paying Party or the appropriate governmental authority (with the assistance of the Paying Party to the extent that this is reasonably required and is expressly requested in writing) the prescribed forms necessary to reduce the applicable rate of withholding or to relieve the Paying Party of its obligation to withhold tax, and the Paying Party shall apply the reduced rate of withholding, or dispense with withholding, as the case may be; *provided* , that the Paying Party has received evidence, in a form reasonably satisfactory to the Paying Party, of the Payee Party's delivery of all applicable forms (and, if necessary, its receipt of appropriate governmental authorization) at least 15 days prior to the time that the applicable Payment is due. If, in accordance with the foregoing, the Paying Party withholds any amount, it shall pay to the Payee Party the balance when due, make timely payment to the proper taxing authority of the withheld amount and send to the Payee Party proof of such payment within 10 days following such payment. In the event any taxes are withheld on any Payment, the Paying Party shall promptly pay the Payee Party an amount equal to […***…]% of the withheld amount (less any additional required withholding). If and to the extent that a Payee Party reasonably believes (in good faith) that (a) it has actually realized a reduction in its current liability as a result of tax withholdings on any Payment and, as a result, it has actually paid a lesser amount to a tax authority or (b) it has actually received a refund of any taxes withheld on any Payment, the Payee Party shall promptly pay to the Paying Party an amount equal to the lesser of (i) […***…]% of such lesser amount paid as a result of the reduction in current tax liability or refund and (ii) the amount paid by the Paying Party to the Payee Party with respect to such taxes withheld on the applicable Payment pursuant to the preceding sentence. Notwithstanding the foregoing, (A) if as a result of any action by Arena or any of its Affiliates, including any assignment, sublicense, change of place of incorporation or failure to comply with Applicable Laws or filing or record retention requirements, a higher percentage is required to be withheld on Payments to Arena or its successor or assign than would have been withheld without such action, Eisai shall have no obligation to pay to Arena or its successor or assign any amounts in respect of withheld amounts above those which would have been withheld had such action not been taken and (B) if as a result of any action by Eisai or any of its Affiliates, including any assignment, sublicense, change of place of incorporation or failure to comply with Applicable Laws or filing or record retention requirements, a higher percentage is withheld on Payments to Arena than would have been withheld without such action, Eisai shall pay to Arena any withheld amounts above those which would have been withheld had such action not been taken.

8.6 Records.

(a) Eisai. Eisai shall keep, and cause the Eisai Related Parties to keep, complete, true and accurate books of accounts and records for the purpose of determining the amounts payable to Arena pursuant to Section 8.2 and 8.3. Such books and records shall be kept for such period of time required by Applicable Laws, but no less than at least five years following the end of the Calendar Quarter to which they pertain. Eisai shall also keep, and cause its Affiliates and Distributors to keep, complete, true and accurate books of accounts and records for the purpose of determining the amounts payable to Arena under the Existing Agreement during the five-year period ending with the Specified Date (" **Existing Agreement Audit Period** "). Such records shall be subject to inspection in accordance with Section 8.7.

(b) Arena. Arena shall keep, and cause its Affiliates to keep, complete, true and accurate books of accounts and records for the purpose of determining the amounts payable to Eisai or payable by Eisai under the Existing Agreement during the Existing Agreement Audit Period, including the Finished Product COGS (as defined in the Existing Agreement). Such records shall be subject to inspection in accordance with Section 8.7.

8.7 Audits.

(a) Audit of Eisai . Upon not less than 60 days' prior written notice, Eisai shall permit an independent, certified public accountant of international recognition (for the purposes of this Section 8.7, the " **Auditor** ") selected by Arena and reasonably acceptable to Eisai, which acceptance shall not be unreasonably conditioned, withheld or delayed, to audit or inspect those books and records of Eisai and the Eisai Related Parties that relate to (i) Net Sales for the sole purpose of verifying the royalty payments made to Arena, and (ii) payments made by Eisai to Arena GmbH pursuant to the Existing Agreement during the Existing Agreement Audit Period for the sole purpose of verifying such payments made to Arena GmbH.

(b) Audit of Arena . Upon not less than 60 days' prior written notice, Arena shall permit an Auditor selected by Eisai and reasonably acceptable to Arena, which acceptance shall not be unreasonably conditioned, withheld or delayed, to audit or inspect those books or records of Arena and its Affiliates that relate to (i) Finished Product COGS for the sole purpose of verifying the amounts invoiced by Arena GmbH pursuant to the Existing Agreement and (ii) payments made by Arena GmbH pursuant to the Existing Agreement during the Existing Agreement Audit Period, for the sole purpose of verifying such payments made to Eisai.

(c) Audit Procedures . The audited Party shall not be obligated to provide the Auditor any records until the Auditor executes a confidentiality agreement in a form reasonably acceptable to the audited party. The Auditor shall disclose to the auditing Party only whether any reports made or amounts invoiced under this Agreement or the Supply Agreement or, as applicable, the Existing Agreement are correct and details concerning any discrepancies. The Auditor shall send a copy of the report to the other Party at the same time it is sent to the auditing Party. Such audits or inspections may be made no more than once each Calendar Year (unless an audit or inspection reveals a material inaccuracy in reports made or amounts invoiced under this Agreement or, as applicable, the Existing Agreement, in which case it may be repeated within such Calendar Year), during normal business hours. If such report shows that the amounts paid by a Party for the period audited are less than the amounts actually payable by such

Party to the other Party during the period audited, then (absent manifest error or fraud in such audit report) the underpaying Party shall pay to the other Party the amount of such underpayment plus interest under Section 8.8 , from the date such amounts were originally owed until payment is made, within 30 days of receipt of such audit. If such report shows that the amounts paid by a Party for the period audited exceed the amounts actually owed by such Party to the other Party for the period audited, then (absent manifest error or fraud in such audit report) the overpaying Party shall deliver to the other Party an invoice for such excess amount, and the other Party shall pay such invoiced excess amount within 30 days of receipt of such invoice. Such records for any particular Calendar Quarter shall be subject to no more than one audit or inspection and no audit or inspection with respect to any Calendar Quarter may be initiated later than five years after the end of such Calendar Quarter. Audits and inspections c onducted under this Section 8.7 shall be at the expense of the auditing Party, unless a v ariation or error producing (i) with respect to an audit or inspection pursuant to subsection (a) , an underpayment in amounts payable exceeding an amount equal to 5% of the amount paid for a period covered by the audit or inspection is established, in which case all reasonable and verifiable costs relating to the audit or inspection for such period and any unpaid amounts that are discovered shall be paid by Eisai and (ii) with respect to an audit or inspection pursuant to subsection (b) , an overpayment in amounts payable by Eisai or an underpayment in amounts payable by Arena pursuant to the Existing Agreement during the Existing Agreement Audit Period exceeding an amount equal to 5% of the amount paid for a period covered by the audit or inspection is established, in which case all reasonable and verifiable costs relating to the audit or inspection for such period and any unpaid amounts that are discovered shall be paid by Arena. The auditing Party shall endeavor in such audit not to unreasonably disrupt the normal business activities of the audited party.

8.8 Payment Due Dates; Late Payments. If any Payment is due on a day when banks in New York, New York are generally closed, then such Payment shall not be considered late if made on the next day on which such banks are generally open. In the event that any Payment due under this Agreement is not made when due, such Payment shall accrue interest from the date due at a rate per annum equal to 4% above the U.S. Prime Rate (as set forth in The Wall Street Journal, Eastern Edition) for the date on which payment was originally due until the date such Payment plus accrued interest hereunder is actually made, calculated daily on the basis of a 365-day year, or similar reputable data source; provided, that in no event shall such rate exceed the maximum legal annual interest rate. The payment of such interest shall not limit the Party entitled to receive such payment from exercising any other rights it may have as a consequence of the lateness of any Payment.

8.9 Currency Conversion. For the purpose of calculating any sums due under, or otherwise reimbursable pursuant to, this Agreement or the Existing Agreement (including the calculation of Net Sales expressed in currencies other than United States Dollars), such conversion shall be made by using the arithmetic mean of the exchange rates for the purchase of United States Dollars as published in The Wall Street Journal, Eastern Edition, on the last Business Day of each month in the Calendar Quarter(s) to which such payments relate.

ARTICLE 9
CONFIDENTIALITY; STANDSTILL

9.1 Confidential Information. Except to the extent expressly authorized by this Agreement or the Supply Agreement or otherwise agreed in writing by the Parties, the Parties agree that the receiving Party (the " **Receiving Party** ") shall keep confidential and not publish or otherwise disclose or use for any purpose other than as provided for in this Agreement or the Supply Agreement any Know-How, information or materials, patentable or otherwise, in any form (written, oral, photographic, electronic, magnetic, or otherwise) that is disclosed to it by the other Party (the " **Disclosing Party** ") pursuant to this Agreement or the Supply Agreement including all information concerning the Initial Product, the Once-Daily Product or any other Product or any Compound or Related Compound and any other technical or business information of whatever nature concerning the Disclosing Party or its technology or business and all Confidential Information (as defined in the Original Agreement, the Restated Agreement or Existing Agreement) (collectively, " **Confidential Information** " of the Disclosing Party), except that the Receiving Party may disclose Confidential Information of the Disclosing Party to its Affiliates and its and its Affiliates' respective officers, directors, employees, agents, subcontractors (including, in the case of Eisai, Eisai Related Parties and Co-Promotion Partners) and consultants with a need to know such Confidential Information to assist the Receiving Party with the activities contemplated or required of it by this Agreement or the Supply Agreement (and who shall be advised of the Receiving Party's obligations hereunder and who are bound by confidentiality obligations with respect to such Confidential Information no less onerous than those set forth in this Agreement) (each, a " **Recipient** "). For the purposes of this Article 9, the term "Disclosing Party" shall include each Party and its Affiliates and its and their respective officers, directors, employees, agents, subcontractors and consultants who are directed to disclose such Party's or its Affiliate's Confidential Information, and the term "Receiving Party" shall include each Party and its Affiliates. For clarity, all Program Know-How (as defined in the Existing Agreement) (except any Program Know-How included in the Purchased Assets) is deemed to be the Confidential Information of Arena and shall be deemed to have been disclosed by Arena to Eisai for purposes of Section 9.2. It is understood and agreed that with respect to any Confidential Information included in the Purchased Assets, from and following the Effective Date, Eisai shall be the Disclosing Party with respect to any such Confidential Information. Notwithstanding the foregoing, the Parties acknowledge the practical difficulty of policing the use of information in the unaided memory of the Receiving Party or its Recipients, and as such each Party agrees that the Receiving Party shall not be liable for the use by any of its Recipients of specific Confidential Information of the Disclosing Party that is retained in the unaided memory of such Recipient; provided, that (a) such Recipient is not aware that such Confidential Information is the confidential information of Disclosing Party at the time of such use; (b) the foregoing is not intended to grant, and shall not be deemed to grant, the Receiving Party, its Affiliates, or its Recipients (i) a right to disclose the Disclosing Party's Confidential Information or (ii) a license under any Patents or other intellectual property right of the Disclosing Party; and (c) such Recipient has not intentionally memorized such Confidential Information for use outside this Agreement.

9.2 Exceptions. Notwithstanding Section 9.1 , Confidential Information shall not include any Know-How, information or materials that, in each case as demonstrated by competent evidence:

(a) was already known to the Receiving Party or any of its Recipients, other than under an obligation of confidentiality, at the time of disclosure;

(b) was generally available to the public or was otherwise part of the public domain at the time of its disclosure to the Receiving Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure by the Disclosing Party and other than through any act or omission of the Receiving Party or any of its Recipients in breach of this Agreement or the Existing Agreement;

(d) was subsequently lawfully disclosed to the Receiving Party or any of its Recipients by a Person other than the Disclosing Party, and who, to the knowledge of the Receiving Party or such Recipient, did not directly or indirectly receive such information from the Disclosing Party or any of its Affiliates under an obligation of confidence; or

(e) was developed by the Receiving Party or any of its Recipients without use of or reference to any information or materials disclosed by the Disclosing Party.

Information specific to the use of certain compounds, methods, conditions or features shall not be deemed to be within the foregoing exceptions merely because such information is embraced by general disclosures in the public domain or in the possession of the Receiving Party or its Recipients. In addition, a combination of information will not be deemed to fall within the foregoing exceptions, even if all of the components fall within an exception, unless the combination itself and its significance are in the public domain or in the possession of the Receiving Party prior to the disclosures hereunder. Notwithstanding anything to the contrary herein, neither the act of using information in a clinical trial nor the filing of information with a governmental authority shall, for the purpose of this Article 9, in and of itself be deemed to place such information in the public domain.

9.3 Permitted Disclosures. Notwithstanding the provisions of Section 9.1, the Receiving Party may disclose Confidential Information of the Disclosing Party, as expressly permitted by this Agreement or the Supply Agreement or if and to the extent such disclosure is reasonably necessary or useful in the following instances:

(a) the performance by the Receiving Party of its obligations or exercise of its rights as contemplated by this Agreement or the Supply Agreement; provided, that wherever reasonable and practicable in the circumstances the recipient of any such Confidential Information shall be subject to obligations of confidentiality and non-use with respect to such Confidential Information substantially similar to the obligations of confidentiality and non-use of the Receiving Party pursuant to this Article 9;

(b) filing or prosecuting Patents as permitted by this Agreement;

(c) seeking, obtaining or maintaining any Regulatory Approval as permitted by this Agreement; provided , that the Receiving Party shall take reasonable measures to assure confidential treatment of such Confidential Information, to the extent such treatment is available;

(d) prosecuting or defending litigation with respect to a Party or its Affiliates, and with respect to Eisai, Eisai Related Parties and Co-Promotion Partners, as permitted by this Agreement;

(e) complying with Applicable Laws; and

(f) disclosure to Third Parties in connection with due diligence or similar investigations by or on behalf of a Third Party in connection with a potential marketing, distribution or supply agreement with, or license to, or collaboration with such Third Party (including as to Eisai, a potential Distributor or Sublicensee, and as to Arena, a potential sublicensee under the licenses granted to Arena under Section 4.4) or a potential merger or acquisition by such Third Party, or in connection with performance of any such license, collaboration or merger agreement, and disclosure to potential Third Party investors in confidential financing documents; provided, in each case, that any such Third Party agrees to be bound by obligations of confidentiality and non-use substantially similar to the obligations of confidentiality and non-use of the Receiving Party pursuant to this Article 9.

Notwithstanding the foregoing, in the event the Receiving Party or a Recipient is required to make a disclosure of the Disclosing Party's Confidential Information pursuant to Section 9.3(d) or (e) to comply with a subpoena or other legal order, it shall, except where impracticable, give reasonable advance notice to the Disclosing Party of such disclosure and give the Disclosing Party a reasonable opportunity to quash such subpoena or order and to obtain a protective order requiring that the Confidential Information and documents that are the subject of such subpoena or order be held in confidence by such court or agency or, if disclosed, be used only for the purposes for which such subpoena or order was issued; and provided, further, that if such subpoena or order is not quashed or a protective order is not obtained, the Confidential Information disclosed in response to such subpoena or order shall be limited to the Disclosing Party's Confidential Information that is legally required to be disclosed in response to such subpoena or order and shall still be subject to the restrictions on use set forth in this Article 9.

9.4 Confidentiality of Agreements and Their Terms. Except as otherwise provided in this Article 9, each Party agrees not to disclose to any Third Party the existence of this Agreement, the Supply Agreement, the Original Agreement, the Restated Agreement or the Existing Agreement or the terms and conditions of any such agreement without the prior written consent of the other Party, except that each Party may disclose the terms and conditions of any such agreement that are not otherwise made public as contemplated by Section 9.5 or were not otherwise made public in accordance with the Original Agreement, the Restated Agreement or the Existing Agreement, as permitted under Section 9.3.

9.5 Public Announcements.

(a) As soon as practicable following the Effective Date, each Party shall issue a mutually agreed to press release announcing the entry into this Agreement and the Supply

Agreement . Except as required by Applicable Laws (including disclosure requirements of the U.S. Securities and Exchange Commission (" **SEC** ") (including disclosure requirements of a Party's Affiliate), the NASDAQ stock exchange or any other stock exchange on which securities issued by a Party or any of its Affiliates are traded), neither Party shall make any other public announcement concerning this Agreement , the Supply Agreement, the Original Agreement, the Restated Agreement or the Existing Agreement or the subject matter hereof or thereof without the prior written consent of the other Party, which shall not be unreasonably conditioned, withheld or delayed; provided, that it shall not be unreasonable for a Party to withhold consent with respect to any public announcement containing any of such Party's Confidential Information . In the event of a public announcement required under Applicable Law s, to the extent practicable under the circumstances, the Party making such announcement shall provide the other Party with a copy of the proposed text of such announcement sufficiently in advance of the scheduled release to afford such other Party a reasonable opportunity to review and comment upon the proposed text .

(b) Prior to the Effective Date, redacted versions of the Original Agreement, Restated Agreement and Existing Agreement were filed with the SEC. The Parties shall coordinate in advance with each other in connection with the filing of this Agreement and the Supply Agreement (including, if applicable, redaction of certain provisions of this Agreement and the Supply Agreement) with the SEC or any other governmental agency, the NASDAQ stock exchange or any other stock exchange on which securities issued by a Party or any of its Affiliates are traded, and each Party shall use reasonable efforts to seek confidential treatment for the terms reasonably requested by the other Party to be redacted; provided, that each Party shall ultimately retain control over what information to disclose to the SEC or any other governmental agency, the NASDAQ stock exchange or any other stock exchange, as the case may be, and nothing in this Agreement shall prevent a Party from taking all actions it reasonably considers necessary to comply with Applicable Laws with respect to any such filings or disclosures; and provided, further, that the Parties shall use their reasonable efforts to file redacted versions with any governing bodies that are consistent with redacted versions previously filed with any other governing bodies. Except as provided in the preceding sentence, neither Party nor any of their respective Affiliates shall be obligated to consult with or obtain approval from the other Party with respect to any filings to the SEC, the NASDAQ stock exchange or any other stock exchange or governmental agency.

9.6 Use of Name. Neither Party shall use the name, insignia, symbol, Trademark, trade name or logotype of the other Party (or any abbreviation or adaptation thereof) in any publication, press release or marketing and promotional material or other form of publicity without the prior written approval of such other Party in each instance, which approval shall not be unreasonably conditioned, withheld or delayed, or except as expressly permitted in this Agreement or the Supply Agreement. The restrictions imposed by this Section 9.6 shall not prohibit either Party from making any disclosure (a) identifying the other Party or its Affiliate as a counterparty to this Agreement and the Supply Agreement to its investors, (b) that is required by Applicable Laws or the requirements of a national securities exchange or another similar regulatory body (provided, that any such disclosure shall be governed by this Article 9), (c) that is necessary for the performance by Eisai or Arena or Arena GmbH of its obligations or exercise of its rights as contemplated by this Agreement or the Supply Agreement or (d) with respect to which written consent has previously been obtained. Further, the restrictions imposed on each

Party under this Section 9.6 are not intended, and shall not be construed, to prohibit a Party from identifying the other Party in its internal business communications; provided , that any Confidential Information in such communications remains subject to this Article 9 .

9.7 Publication of Information Related to the Products. As between the Parties, Eisai shall have the sole right to publicly present or submit for written or oral publication a manuscript, abstract or the like that includes information relating to any Compound, Related Compound or Product (without Arena's review or consent). The contribution of each Party shall be noted in all publications or presentations by acknowledgment or co-authorship, as appropriate.

9.8 Stand-Still.

(a) Certain Restrictions on Eisai. During the Term and for two years thereafter, except with the written consent of Arena or Arena US (which may be withheld by Arena or Arena US at the sole discretion of its board of directors) or by way of stock dividends or other distributions made to Arena's or any of its Affiliates' stockholders generally, neither Eisai nor any of its Affiliates shall, in any manner, directly or indirectly: (i) make, effect, initiate, cause or participate in (A) any acquisition of beneficial ownership of any securities of Arena or any securities of any Affiliate of Arena (in excess of 5% of the total outstanding securities of Arena or any such Affiliate of Arena at the time of any such acquisition), (B) other than purchase of any Purchased Assets and the Products under the Supply Agreement, any acquisition of any material assets of Arena or any material assets of any Affiliate of Arena, (C) any tender offer, exchange offer, merger, business combination, recapitalization, reorganization, restructuring, liquidation, dissolution or extraordinary transaction involving Arena or any Affiliate of Arena, or involving any securities of Arena or any securities of any Affiliate of Arena, or (D) any "solicitation" of "proxies" (as those terms are used in Regulation 14A of the Exchange Act) or consents with respect to any securities of Arena or any Affiliate of Arena; (ii) form, join or participate in a "group" (as defined in the Exchange Act and the rules promulgated thereunder) with respect to the beneficial ownership of any securities of Arena or any Affiliate of Arena in excess of the amounts permitted under subclause (i)(A); (iii) act, alone or in concert with others, to seek to control the management, board of directors or policies of Arena or any Affiliate of Arena; (iv) take any action that could reasonably be expected to require Arena or any Affiliate of Arena to make a public announcement regarding any of the types of matters set forth in clause "(i)" of this sentence; (v) agree or offer to take, or knowingly encourage or propose (publicly or otherwise) the taking of, any action referred to in clause "(i)", "(ii)", "(iii)" or "(iv)" of this sentence; (vi) induce or knowingly encourage any other person or entity to take any action of the type referred to in clause "(i)", "(ii)", "(iii)", "(iv)" or "(v)" of this sentence; (vii) enter into any discussions, negotiations, arrangement or agreement with any other Person relating to any of the foregoing or (viii) request or propose that Arena or any Affiliate of Arena amend, waive or consider the amendment or waiver of any provision set forth in this Section 9.8(a).

(b) Exception to Standstill Provisions.

(i) The provisions of Section 9.8(a) shall cease to apply: (A) if Arena or any Affiliate of Arena publicly announces or otherwise engages in a process designed to solicit offers relating to transactions that, if consummated, would result in (1) a Third Party

acquiring beneficial ownership of 50% or more of the outstanding securities of Arena or such Affiliate, as applicable, immediat ely after such transaction, (2) a sale of all or substantially all of the consolidated assets of Arena and all its Affiliates, or (3) a merger, consolidation or any similar extraordinary transaction involving Arena or any Affiliate of Arena pursuant to which all or substantially all of the consolidated assets of Arena and all its Affiliates would, after the closing of such transaction, be under the control of a Person that did not, prior to such transaction, control Arena or any of its Affiliates, in each case ((1), (2) and (3)) from the time of such announcement or the commencement of such process and continuing until such time, if any, as the board of directors of Arena or the applicable Affiliate publicly announces that such process has terminated; or (B) if the board of directors of Arena or any Affiliate of Arena adopts a plan of liquidation or dissolution .

(ii) Notwithstanding Section 9.8(a), (A) in the event a Third Party makes a *bona fide* public offer or proposal that, if consummated, would result in such Third Party, together with its affiliates and other members of any group of which such Third Party is a member, beneficially owning 50% or more of the outstanding shares of Arena or any Affiliate of Arena or all or substantially all of the assets of Arena or any Affiliate of Arena, from the time such offer or proposal is made public and continuing until such offer or proposal expires or is publicly rescinded or (B) from and after the 10th day following the filing of a preliminary proxy statement by any Third Party with respect to the commencement of a *bona fide* proxy or consent solicitation subject to Section 14 of the Exchange Act to elect or remove more than one-half of the directors of Arena or any Affiliate of Arena, then either case ((A) or (B)) during the applicable time frame above Eisai or any of its Affiliates shall have the right to submit a confidential, non-public proposal to the board of directors of Arena or any Affiliate of Arena or any executive officer thereof with respect to any transaction of the type referred to in Section 9.8(a)(i), and in connection with such a proposal Eisai and its Affiliates may consult on a confidential basis with third party advisors with respect to any such proposal.

(iii) Nothing in Section 9.8(a) shall prohibit Eisai or any of its Affiliates from acquiring beneficial ownership of securities of Arena or any Affiliate of Arena by or through (A) a diversified mutual or pension fund managed by an independent investment adviser or pension plan established for the benefit of the employees of Eisai or any of its Affiliates, (B) any employee benefit plan of Eisai or any of its Affiliates or (C) any stock portfolios not controlled by Eisai or any of its Affiliates that invest in Arena or any Affiliate of Arena among other companies; provided, that Eisai or any of its Affiliates does not, directly or indirectly, request the trustee or administrator or investment adviser of such fund, plan or portfolio to acquire beneficial ownership of such securities. Further, nothing herein shall prevent Eisai or any of its Affiliates from acquiring securities of another pharmaceutical or biotechnology company or other Person that beneficially owns any securities of Arena or any Affiliate of Arena; provided, that such Person beneficially does not own, at the time of the consummation of such acquisition of securities by Eisai or any of its Affiliates, more than 10% of any class of outstanding securities of Arena or any Affiliate of Arena.

9.9 Confidentiality under the Supply Agreement . Eisai and Arena agree that this Article 9 will govern the confidentiality and use restrictions of the Parties to the Supply Agreement with respect to all Confidential Information disclosed pursuant to the Supply

Agreement prior to Facility Acquisition. Thereafter, Section 14.1 of the Supply Agreement will govern information disclosed under the Supply Agreement.

ARTICLE 10
PATENT PROSECUTION AND ENFORCEMENT

10.1 Ownership of Intellectual Property.

(a) Arena Intellectual Property Rights. Arena and its Affiliates have, and shall retain, all right, title and interest in and to the Arena Licensed IP, Arena Licensed Records, Arena Licensed Manufacturing Know-How, Arena Licensed Supply Records and any other intellectual property owned by Arena or its Affiliates as of the Effective Date, (other than the Purchased Intellectual Property) or developed by Arena or its Affiliates outside the scope of this Agreement during the Term.

(b) Eisai Intellectual Property Rights. Eisai and its Affiliates have, and shall retain, all right, title and interest in and to the Existing Eisai Know-How and Existing Eisai Patents, any other intellectual property owned by Eisai or its Affiliates as of the Effective Date or developed by Eisai or its Affiliates during the Term, including any New Program Know-How or New Program Patents and, from the Effective Date, any Purchased Intellectual Property.

(c) New Program Intellectual Property Rights. Eisai shall have and own the entire right, title and interest in and to all New Program Know-How and New Program Patents and shall have and retain the right to use, disclose and exploit the New Program Know-How and New Program Patents for any and all purposes, including the right to disclose the New Program Know-How to its Affiliates. Each Party has disclosed to the other Party in writing the discovery, identification, conception, reduction to practice or other making of any Program Know-How (as defined in the Existing Agreement) prior to the Effective Date, and Arena shall disclose to Eisai in writing the discovery, identification, conception, reduction to practice or other making of any New Program Know-How or New Program Patents from and after the Effective Date. Arena shall, and hereby does, assign, and shall cause its Affiliates to so assign, to Eisai or an Affiliate of Eisai designated by Eisai in writing, without additional compensation, all of its right, title and interest in and to any New Program Know-How and New Program Patents as well as any intellectual property rights with respect thereto to fully effect the ownership by Eisai provided for in this Section 10.1(c). Arena and its Affiliates shall execute all documents and take all actions reasonably requested by Eisai to fully effect the ownership by Eisai provided for in this Section 10.1(c).

10.2 Patent Prosecution and Maintenance.

(a) Arena Licensed Patents. During the Term, Eisai shall be responsible for the preparation, filing, prosecution and maintenance of all Arena Licensed Patents, at Eisai's own expense and at its discretion. During the Term, Eisai shall keep Arena informed of progress with regard to the preparation, filing, prosecution and maintenance of Arena Licensed Patents in the Territory in a timely manner, but not less frequently than once per Calendar Quarter. To that end, Eisai shall: (i) provide Arena with a copy of the final draft of any proposed application for the Arena Licensed Patents at least 30 days prior to filing the same in the Territory, unless

otherwise agreed by patent counsel for each Party, and Eisai shall consider in good faith any comments or revisions suggested by Arena or its counsel; (ii) promptly provide Arena with a copy of each p atent application as filed, together with a notice of its filin g date and serial number; (iii) provide Arena with a copy of any action, communication, letter, or other correspondence issued by the applicable patent office within at least 10 days of receipt thereof, and Eisai shall consult with Arena regarding responding to the same and shall consider in good faith any comments, strategies, and the like proposed by Arena or its counsel; (iv) provide Arena with a copy of any response, amendment, paper, or other correspondence filed with the applicable patent office within 10 days of Eisai 's receipt of the as-filed document; and (v) promptly notify Arena of the allowance, grant, or issuance of such Arena Licensed Patent s in the Territory. Arena shall, and shall cause its Affiliates to, assist and cooperate with Eisai, as Eisai may reasonably request from time to time, in the preparation, filing, prosecution and maintenance of the Arena Licensed Patents under this Agreement, including that Arena shall, and shall cause its Affiliates to, provide access to relevant documents and other evidence and make its employees available at reasonable business hours. If Eisai elects to abandon or cease prosecution or maintenance of any Arena Licensed Patent in the Territory, Eisai shall provide reasonable prior written notice to Arena of such intention to abandon (which notice shall, to the extent possible, be given no later than 90 calendar days prior to the next deadline for any action that must be taken with respect to any such Arena Licensed Patent). In such case, to the extent consistent with Eisai's global intellectual property strategy for the Products, upon written notice to Eisai , Arena may elect to continue prosecution or maintenance of any such Arena Licensed Patent at its own expense , and Eisai shall take such actions, at Eisai 's expense, as may be reasonably necessary to enable Arena to do so . If Arena elects to continue prosecution or maintenance of any such Patent that constitutes an Arena Licensed Patent , then such Patent shall be excluded from the Arena Licensed Patents and no longer subject to this Agreement .

(b) Eisai Patents. Eisai shall be solely responsible for the preparation, filing, prosecution and maintenance of all Patents owned by Eisai or any of its Affiliates throughout the world, at Eisai's own expense and at its discretion, including any Purchased Patents, the Existing Eisai Patents and any New Program Patents. Arena shall, and shall cause its Affiliates to, assist and cooperate with Eisai, as Eisai may reasonably request from time to time, in the preparation, filing, prosecution and maintenance of the Purchased Patents, including that Arena shall, and shall cause its Affiliates to, provide reasonable access to relevant documents and other evidence and make its employees reasonably available at reasonable business hours.

10.3 Infringement by Third Parties.

(a) Notice. During the Term, in the event that either Arena or Eisai becomes aware of any infringement or threatened infringement by a Third Party of any Arena Licensed Patents, it shall notify the other Party in writing to that effect. Any such notice shall include any evidence that such notifying Party has in its possession and is legally able to disclose that supports such allegation of infringement or threatened infringement by such Third Party.

(b) Enforcement Procedures. Subject to the following provisions, during the Term, Eisai shall have the first right to bring and control any action or proceeding with respect to any infringement of any Arena Licensed Patent by a Third Party in the Territory, at its own expense as it reasonably determines appropriate, and Arena shall have the right to be represented in

any such action at its own expense by counsel of its choice. If Eisai does not bring such action or proceeding within the earlier of (i) 60 days after the notice provided pursuant to Section 10.3(a) or pursuant to the Existing Agreement, or (ii) 10 days before the expiration date for bringing such action or proceeding, then Arena shall have the right, to the extent consistent with Eisai's global intellectual property strategy for the Products, to bring and control any action or proceeding with respect to such infringement of any Arena Licensed Patent by a Third Party in the Territory, at its own expense as it reasonably determines appropriate, and Eisai shall have the right to be represented in any such action at its own expense by counsel of its choice.

(c) Cooperation. During the Term, each Party shall cooperate fully with the other Party with respect to such actions or proceedings described in Section 10.3(b), or similar actions or proceedings brought under the Existing Agreement and ongoing during the Term, including being joined as a party plaintiff or joining the other Party as a party plaintiff in such action or proceeding and providing access to relevant documents and other evidence and making its employees available at reasonable business hours.

(d) Recoveries. Any monetary recovery resulting from such actions or proceedings described in Section 10.3(b), or similar actions or proceedings brought under the Existing Agreement and ongoing during the Term, or any actions or proceedings by Eisai under Section 10.3(f) to enforce any Purchased Patents or any New Program Patents, will be allocated as follows: each of Eisai and Arena first will be reimbursed, out of such recovery, for its reasonable and verifiable costs and expenses with respect to such action or proceeding (such reimbursement to be pro-rata based on the Parties' relative costs and expenses if the recovery is not sufficient to reimburse both Parties fully) with any remainder retained by Eisai and deemed Net Sales, subject to royalty payments from Eisai to Arena under Section 8.3.

(e) Paragraph IV Notices. During the Term, if either Party receives a notice under 21 U.S.C. §355(b)(2)(A)(iv) or 355(j)(2)(A)(vii)(IV) concerning an Arena Licensed Patent, or any similar notice under the Applicable Laws of a country in the Arena Licensed Patent Territory outside of the United States (each, a " **Paragraph IV Notice** "), then it shall provide a copy of such notice to the other Party within five days after its receipt thereof. Patent infringement litigation based on a Paragraph IV Notice concerning an Arena Licensed Patent or any similar notice received prior to the Effective Date shall be brought as provided in Section 10.3(b).

(f) Eisai Patents. Eisai shall have the exclusive right to enforce Patents owned by Eisai or any of its Affiliates throughout the world, at Eisai's own expense and at its discretion, including any Purchased Patents, Existing Eisai Patents and New Program Patents. Arena shall, and shall cause its Affiliates to, assist and cooperate with Eisai, as Eisai may reasonably request from time to time, in the enforcement of the Purchased Patents, including that Arena shall, and shall cause its Affiliates to, provide reasonable access to relevant documents and other evidence and make its employees reasonably available at reasonable business hours.

10.4 Infringement of Third Party Rights. During the Term, e ach Party shall promptly notify the other in writing of any allegation by a Third Party that the activity of either of the Parties pursuant to this Agreement infringes or may infringe the intellectual property rights of such Third Party .

(a) Eisai. With respect to any claim alleging that (i) the Commercialization of Products in the Territory pursuant to this Agreement, the Original Agreement, the Restated Agreement or the Existing Agreement, (ii) the making or having made, or importing or selling in the Territory of any Compound, Related Compound or Product or intermediate thereof, or (iii) the conduct of development activities by or on behalf of Eisai or Eisai Related Parties pursuant to this Agreement, the Original Agreement, the Restated Agreement or the Existing Agreement, in each case ((i), (ii) and (iii)) infringes the intellectual property rights of any Third Party, Eisai shall have the sole right, subject to Section 12.7, to control any defense of any such claims at its own expense (including outside counsel fees and all amounts payable by Eisai as a judgment based on such claim or in settlement of such claim) and by counsel of its own choice.

(b) Arena. With respect to any claim alleging that (i) the discovery or development prior to the Original Effective Date of any Compound or Product, or (ii) any activity by Arena or its Affiliates prior to the Effective Date outside the Territory (as it existed under the Existing Agreement), infringes or may infringe the intellectual property rights of any Third Party, in each case ((i) - (ii)) Arena shall have the sole right, subject to Section 12.7, to control any defense of any such claims at its own expense (including outside counsel fees and all amounts payable by Arena as a judgment based on such claim or in settlement of such claim) and by counsel of its own choice.

10.5 Invalidity or Unenforceability Defenses or Actions.

(a) Third Party Defense or Counterclaim. During the Term, if a Third Party asserts, as a defense or as a counterclaim in any action or proceeding described in Section 10.3(b), or any similar action or proceeding brought under the Existing Agreement and ongoing during the Term, that any Arena Licensed Patent is invalid or unenforceable, then the Party that brought such action or proceeding pursuant to Section 10.3(b) or the Existing Agreement shall respond to such defense or defend against such counterclaim (as applicable), at its own expense.

(b) Third Party Declaratory Judgment or Similar Action. During the Term, if a Third Party asserts, in a declaratory judgment action or similar action or claim filed by such Third Party in the Territory, that any Arena Licensed Patent is invalid or unenforceable, then the Party first becoming aware of such action or claim shall promptly give written notice to the other Party. With respect to the Arena Licensed Patents, Eisai shall have the first right to defend against such action or claim, at its own expense as it reasonably determines appropriate, and Arena shall have the right to be represented in any such action at its own expense by counsel of its choice. If Eisai determines not to defend against such action or claim, it will so notify Arena sufficiently in advance of the deadline for response to allow Arena to respond, and Arena shall have the right to defend against such action or claim, at its own expense as it reasonably determines appropriate, and Eisai shall have the right to be represented in any such action at its own expense by counsel of its choice. Each Party shall cooperate fully with the other Party with

respect to such defense, including being joined as a Party defendant or joining the other Party as a Party defendant in such defense and providing access to relevant documents and other evidence and making its employees available at reasonable business hours.

10.6 Consent for Settlement. Neither Party shall enter into any settlement or compromise of any action or proceeding under Section 10.3 or Section 10.5 without the prior written consent of the other Party, which consent shall not be unreasonably conditioned, withheld or delayed. The defending Party may enter into a settlement or compromise of any action or proceeding under Section 10.4 without the consent of the other Party; provided, that such settlement or compromise would not reasonably be expected to materially adversely affect such other Party or its Affiliates.

10.7 Patent Term Extensions. The Parties shall discuss and recommend for which, if any, of the Arena Licensed Patents the Parties should seek Patent Term Extensions in the Arena Licensed Patent Territory. After the Effective Date, Eisai shall have the final decision-making authority with respect to seeking and obtaining any such Patent Term Extensions in the Arena Licensed Patent Territory for the Arena Licensed Patents, and shall act with reasonable promptness in light of the development stage of each Product to apply for any such Patent Term Extensions, where it so elects; provided, that Eisai shall consult with Arena in good faith to determine which such Arena Licensed Patents should be the subject of efforts to obtain a Patent Term Extension. Arena shall cooperate fully with Eisai in making such filings or actions, for example and without limitation, by making available all required regulatory data and information in Arena's possession or Control and executing any required authorizations to apply for such Patent Term Extension. All expenses incurred in connection with activities of Eisai with respect to the Arena Licensed Patent for which Eisai seeks Patent Term Extensions pursuant to this Section 10.7 shall be entirely borne by Eisai .

10.8 Orange Book Listings. Eisai shall fully involve Arena in the planning and decisions regarding listing the applicable Arena Licensed Patent with the applicable Regulatory Authorities in the Arena Licensed Patent Territory for each Product and Eisai shall consult in good faith with Arena regarding such listing, including all so called "Orange Book" listings required under the Hatch-Waxman Act in the United States and equivalent listings in other countries in the Arena Licensed Patent Territory; provided, that Eisai shall have final decision-making authority regarding which Arena Licensed Patents to list and shall maintain such listings in each applicable country (and shall make such filings). Arena shall use reasonable efforts to provide any needed cooperation, including to (a) provide to Eisai a correct and complete list of Arena Licensed Patents in such country covering such Product and any other information that is Controlled by Arena or any of its Affiliates, and is, to the Knowledge of Arena, otherwise necessary or reasonably useful to enable Eisai to make such decision and filings with Regulatory Authorities in such country with respect to the applicable Arena Licensed Patents, and (b) cooperate with Eisai's reasonable requests in connection therewith, including meeting any submission deadlines, in each case, to extent required or permitted by Applicable Laws. Eisai shall pay the costs of all "Orange Book" (and any equivalent) filings with respect to any Product in the Territory.

10.9 Eisai Related Parties. Eisai shall have the right to exercise any of its rights, and perform any of its obligations, under this Article 10 through any Eisai Related Party.

10.10 Intellectual Property under the Supply Agreement . Eisai and Arena agree that prior to a Facility Acquisition, Section 10.1 will govern the ownership of New Program Know–How discovered, identified, conceived, reduced to practice or otherwise made in the course of or as a result of activities under the Supply Agreement.

ARTICLE 11
REPRESENTATIONS, WARRANTIES AND COVENANTS

11.1 Mutual Representations, Warranties and Covenants. As of the Effective Date, each Party hereby represents and warrants to the other Party and covenants as follows:

(a) Duly Organized. Such Party and Arena US (i) is a corporation or limited liability company, with restricted liability, duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and (ii) is qualified to do business and is in good standing as a foreign corporation or organization in each jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification and failure to have such qualification would prevent such Party from performing its obligations under this Agreement.

(b) Due Authorization; Binding Agreement. The execution, delivery and performance of this Agreement and the Related Documents by such Party have been duly authorized by all necessary corporate or organizational action. This Agreement and the Related Documents are legal and valid obligations binding on such Party and enforceable in accordance with their respective terms subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights and judicial principles affecting the availability of specific performance and general principles of equity, whether enforceability is considered in the proceeding at law or equity.

(c) No Conflicts. The execution, delivery and performance of this Agreement, the Supply Agreement and the Related Documents by such Party, Arena GmbH or Arena US, as applicable, does not: (i) violate any Applicable Law; (ii) conflict with or result in a breach of the Constitutive Documents of such Party, Arena GmbH or Arena US, as applicable; or (iii) conflict with, constitute a default under or give rise to any right of termination, cancellation, modification or acceleration under, any agreement, instrument or understanding, oral or written, to which such Party, Arena GmbH or Arena US, as applicable, is a party or by which it, or any of its material assets or properties, including in the case of Arena, the Purchased Assets and Inventory, is bound, except, in the case of clause (iii) for any conflicts or defaults that would not, individually or in the aggregate, materially affect the ability of such Party, Arena GmbH or Arena US to perform its obligations under this Agreement, the Supply Agreement and the Related Documents or otherwise prevent or materially impede, interfere with, hinder or delay the consummation of the transactions contemplated by this Agreement, the Supply Agreement and the Related Documents.

(d) No Conflicting Grant of Rights. Such Party and Arena GmbH have the right to grant (or cause its Affiliates to grant) the rights granted by such Party to the other Party under this Agreement and the Supply Agreement and have not granted any rights to any Person that are in conflict with the rights granted by such Party or Arena GmbH to the other Party under this Agreement or the Supply Agreement.

(e) Debarment. Such Party is not debarred under the FFDCA or listed on either Excluded List and it does not, and shall during the Term not , employ or use the services of any Person who is debarred or listed on either Excluded List, in connection with the development, manufacture or Commercialization of the Initial Product , the Once-Daily Product or any other Product. In the event that either Party becomes aware of the debarment or threatened debarment of, or listing or threatened listing on either Excluded List of, any Person providing services to such Party, including the Party itself and its Affiliates, contractors, licensees, or distributors, that directly or indirectly relate to activities under this Agreement or the Supply Agreement , the other Party shall be immediately notifi ed in writing.

(f) Development . Such Party and its Affiliates have conducted, and to the Knowledge of such Party, their respective contractors and consultants have conducted, all development with respect to the Compound and the Initial Product that they have conducted prior to the Effective Date, in accordance with GLP and GCP and other Applicable Laws, except to the extent any noncompliance would not materially negatively affect the likelihood of obtaining Regulatory Approval of the Initial Product or the commercial viability of the Initial Product in any country in the Territory.

(g) Legal Compliance.

(i) With respect to Regulatory Filings for which such Party or GmbH was responsible under the Existing Agreement, such Party or GmbH prepared, maintained and retained all such Regulatory Filings that are required to be maintained or retained as of the Effective Date, pursuant to and in accordance with GLP, GCP and other Applicable Laws.

(ii) Neither such Party nor its Affiliates received any written notice or to the Knowledge of such Party, any oral notice, that indicates that any of the INDs for the Initial Product are not currently in good standing with the FDA.

(iii) With respect to INDs for which such Party or Arena GmbH was responsible under the Existing Agreement, such Party or Arena GmbH filed with the FDA all required notices, supplemental applications and annual or other reports or documents, including adverse experience reports, with respect to each such IND that was material to the continued development of the Initial Product.

(iv) Except for a failure which would not have a material adverse effect on the Products or such Party's or Arena GmbH's business pertaining to the Products, (1) the business and operations of such Party and Arena GmbH are, and for the past six years have been, in compliance with all Applicable Laws and (2) neither such Party nor Arena GmbH has received a notice or other communication alleging a possible violation by such Party or Arena GmbH of any Applicable Law relating to the Products or such Party's or Arena GmbH' business pertaining to the Products.

11.2 Representations, Warranties and Covenants of Arena. As of the Effective Date, Arena represents and warrants to Eisai and hereby (where applicable) covenants to Eisai:

(a) Consents . No material notice to, filing with, authorization of, exemption by, or consent of, any Person, including any Governmental Entity, including any foreign Governmental Entity, is required for Arena or its Affiliates to transfer the Purchased Assets or the Inventory to Eisai and otherwise consummate the transactions contemplated hereunder or under the Supply Agreement, except for the Consents.

(b) Title; Assets .

(i) Arena has good and marketable title to, (1) the Arena Regulatory Approvals, (2) the Samples, and (3) the Purchased Records free and clear of all Liens (other than Permitted Liens);

(ii) Arena GmbH has good and marketable title to, or valid contract rights to, (1) the Purchased Trademarks, (2) the Purchased Supply Records, (3) the Purchased Validation Materials, (4) the Product Domain Names, (5) the Third Party Distributor Agreements and (6) the Inventory, free and clear of all Liens (other than Permitted Liens);

(iii) Arena has the complete and unrestricted power and unqualified right (except as described in the final proviso of Section 3.3) to sell, convey, deliver, transfer and assign to Eisai, as applicable, (1) the Arena Regulatory Approvals, (2) the Samples and (3) the Purchased Records;

(iv) Arena GmbH has the complete and unrestricted power and unqualified right (subject to the Consents with respect to the Third Party Distributor Agreements) to sell, convey, deliver, transfer and assign to Eisai, as applicable, (1) the Purchased Trademarks, (2) the Purchased Supply Records, (3) the Purchased Validation Materials, (4) the Product Domain Names, (5) the Third Party Distributor Agreements and (6) the Inventory;

(v) Arena or Arena US has good and marketable title to all of the Purchased Patents and Purchased Know-How free and clear of all Liens (other than Permitted Liens);

(vi) Arena GmbH has good and marketable title to all of the Purchased Manufacturing Know-How free and clear of all Liens (other than Permitted Liens);

(vii) Arena and Arena US have the complete and unrestricted power and unqualified right to sell, convey, deliver, transfer and assign to Eisai, as applicable, the Purchased Patents and the Purchased Know-How;

(viii) Arena GmbH has the complete and unrestricted power and unqualified right to sell, convey, deliver, transfer and assign to Eisai, as applicable, the Purchased Manufacturing Know-How;

(ix) to the Knowledge of Arena, there are no adverse claims of ownership to the Purchased Assets (excluding the Purchased Intellectual Property) or the Inventory;

(x) Arena has not received written, or to the Knowledge of Arena oral, notice that any Person has asserted a claim of ownership or right of possession or use in or to any of the Purchased Assets or to the Inventory, except as previously disclosed to Eisai prior to the Effective Date; and

(xi) at the Closing, Eisai will acquire from Arena, Arena US or Arena GmbH, good and marketable title to, or valid contract rights to, as applicable, all of the Purchased Assets and the Inventory, free and clear of any Liens (other than Permitted Liens), license or other restriction or limitation regarding use or disclosure.

(c) Intellectual Property .

(i) Patent Rights. The Arena Patents existing as of the Effective Date are set forth on **Exhibit C** attached hereto (" **Existing Arena Patents** ") and are all Patents issued or pending in any country in the Territory that, as of the Effective Date, Arena or any of its Affiliates owns or has a license to that claim the Compound, the Initial Product, the Once-Daily Product or any other Product or a method of use or manufacture of the Compound, a Related Compound, the Initial Product, the Once-Daily Product or any other Product, as such Compound, Related Compound, Initial Product, Once-Daily Product or other Product exists as of the Effective Date or existed prior thereto, in the Territory, and Arena and Arena US are the exclusive owners of the Existing Arena Patents. The Existing Arena Patents, the Purchased Know-How, the Purchased Manufacturing Know-How and the Purchased Trademarks are not subject to any Liens (other than Permitted Liens) or, to the Knowledge of Arena, claims of ownership, by any Third Party that would prevent the grant of the rights granted to Eisai under this Agreement or the Supply Agreement or materially interfere with Arena's performance of its obligations under this Agreement or Arena GmbH's performance of its obligations under the Supply Agreement or materially prevent Eisai from exercising its rights under this Agreement. True, complete and correct copies of the file wrapper relating to the prosecution and maintenance of the Existing Arena Patents filed in the United States have been made available to Eisai prior to the Effective Date. Except as previously disclosed to Eisai prior to the Effective Date, the Existing Arena Patents in the United States have been diligently prosecuted before the United States patent office in accordance with Applicable Laws, and to the Knowledge of Arena, the Existing Arena Patents in the countries of the Territory outside the United States in which such Patents have been filed have been diligently prosecuted before the applicable patent offices in accordance with Applicable Laws. Except as previously disclosed to Eisai prior to the Effective Date, the Existing Arena Patents in the United States have been filed and maintained in accordance with Applicable Laws, and to the Knowledge of Arena, the Existing Arena Patents in the countries of the Territory outside the United States in which such Patents have been filed have been filed and maintained in accordance with Applicable Laws. Except as previously disclosed to Eisai prior to the Effective Date, all applicable fees owed with respect to the prosecution and maintenance of the Existing Arena Patents have been paid on or before the due date for payment to the extent necessary to prevent the abandonment of the Existing Arena Patents. With respect to any issued patents included in the Existing Arena Patents in the United

States, Arena or one of its Affiliates has presented all prior art material to the patentability of the claims of such applications of which it and the inventors are aware to the relevant Patent Examiner at the United States patent office, to the extent required and in accordance with Applicable Laws.

(ii) Patent Status. As of the Effective Date, (i) all issued Arena Patents are in full force and effect and subsisting, and, to Arena's Knowledge, are not invalid or unenforceable; (ii) except as previously disclosed to Eisai prior to the Effective Date, none of the Arena Patents is currently involved in any interference, reissue, reexamination, or opposition proceeding; and (iii) except as previously disclosed to Eisai prior to the Effective Date, neither Arena nor any of its Affiliates has received any written notice from any Person, or has Knowledge, of any such actual or threatened proceeding.

(iii) Non-Infringement of Third Party Rights. To the Knowledge of Arena, the discovery, identification, conception, reduction to practice or other making of any inventions claimed in the Arena Patents existing as of the Effective Date have not constituted or involved the misappropriation of trade secrets of any Third Party. Except as previously disclosed to Eisai prior to the Effective Date, neither Arena nor any of its Affiliates has received any written notice from any Third Party, nor does Arena have any Knowledge of any actual or threatened claim or assertion by a Third Party, that the manufacture, use, sale or import of the Compound or the Initial Product in the Territory infringes or misappropriates the intellectual property rights of a Third Party.

(iv) Non-Action or Claim. As of the Effective Date, there are no pending or threatened in writing, or to Knowledge of Arena, threatened adverse actions, suits, claims, or formal governmental investigations by or against Arena or any of its Affiliates in or before any court, Regulatory Authority or other governmental authority in the Territory with respect to the Compound or the Initial Product, including in connection with the conduct of any clinical trials or manufacturing activities with respect thereto. As of the Effective Date, there are no material unsatisfied judgments or outstanding orders, injunctions, decrees, stipulations or awards (whether rendered by a court, an administrative agency or by an arbitrator) against Arena (or any of its Affiliates) in the Territory with respect to the Compound or the Initial Product.

(v) No Conflicting Agreement. Except for the Third Party Distributor Agreements, neither Arena nor any of its Affiliates has entered into any Contract that granted any Third Party the right to develop, promote, market or sell in the Territory the Compound, the Initial Product, the Once-Daily Product or any other Product or otherwise assigned, transferred, licensed, conveyed or otherwise encumbered in a manner that would prevent Eisai from exercising its rights under this Agreement, its right, title or interest in or to, the Arena Patents or the Regulatory Filings in the Territory with respect to the Initial Product, the Once-Daily Product or any other Product (including by granting any covenant not to sue with respect thereto) and during the Term it will not enter into any such agreements or grant any such right, title or interest to any Person that conflicts with the rights granted to Eisai under this Agreement. There are no Contracts pursuant to which Arena or any of its Affiliates has granted any Third Party rights to any portion of the Purchased Intellectual Property, other than any nondisclosure agreements and material transfer agreements entered into in the ordinary course of business, the Third Party Distributor Agreements, agreements with service providers granting a license to the Purchased Intellectual Property solely to the extent

necessary to perform the service provider's duties under such agreement, investigator-initiated study agreements and clinical trial agreements granting investigators and institutions a license to the Purchased Intellectual Property solely for non-commercial research purposes and educational purposes, and agreements providing consent or limiting use in the Purchased Trademarks that have been previously disclosed to Eisai or that will not materially adversely affect the Purchased Trademarks. The Purchased Know-How, the Purchased Manufacturing Know-How, the Arena Licensed Know-How and the Arena Licensed Manufacturing Know-How together constitute all Know-How that, as of the Effective Date, Arena or any of its Affiliates owns or has a license to and that (a) is necessary for, or is as of the Effective Date or was at any time during the 24-month period prior to the Effective Date used for, the development, manufacture or Commercialization of any Product in any country in the Territory, as such Product exists as of the Effective Date or existed prior thereto and (b) is Confidential Information of Arena. No Affiliate of Arena, other than Arena US, has any right, title or interest (including beneficial ownership and any economic interest) in any of the Purchased Know-How, Arena Licensed Know-How, Purchased Patents and Arena Licensed Patents. No Affiliate of Arena GmbH has any right, title or interest (including beneficial ownership and any economic interest) in any of the Purchased Trademarks, Purchased Manufacturing Know How or Arena Licensed Manufacturing Know-How.

(d) Third Party Distributor Agreements .

(i) Arena has made available to Eisai complete and accurate copies of all Third Party Distributor Agreements, including all amendments, modifications and waivers relating thereto.

(ii) Each Third Party Distributor Agreement is in full force and effect and constitutes a legal, valid and binding agreement of each party thereto, enforceable in accordance with its terms; and neither Arena GmbH nor, to the Knowledge of Arena, any other party to a Third Party Distributor Agreement, is or is alleged to be, or has received notice that it is or is alleged to be, in violation or breach of or default under any such Third Party Distributor Agreement (or with notice or lapse of time or both, would be in violation or breach of or default under any such Third Party Distributor Agreement). Except as previously disclosed to Eisai, no Third Party Distributor has made any demands for renegotiation of any amount to be paid or payable to or by Arena GmbH under a Third Party Distributor Agreement. There are no disputes under any Third Party Distributor Agreement and Arena GmbH has not received any notice that any Third Party Distributor intends to cancel or terminate any Third Party Distributor Agreement. Neither Arena GmbH, nor to Arena's Knowledge, any Third Party Distributor, has taken any action that would cause any Third Party Distributor Agreement to terminate or fail to renew.

(e) Inventory . All of the Inventory has not been adulterated (except to the extent where adulteration was solely due to the expiration of the Product) and has been manufactured, handled, maintained and stored at all times in accordance with the specifications set forth in the relevant Arena Regulatory Approvals, in substantial compliance with all requirements of relevant Good Manufacturing Practices, and in substantial compliance with all requirements of relevant Governmental Entities.

(f) Legal Proceedings. Except as previously disclosed to Eisai, (i) there are no Legal Proceedings or Orders pending or, to the Knowledge of Arena, threatened against the

Purchased Assets, the Arena Licensed IP, the Arena Licensed Manufacturing Know-How, the Arena Licensed Supply Records, the Arena Licensed Records or the Inventory, or against Arena or any of its Affiliates that could reasonably be expected to adversely affect any of the Purchased Assets, the Arena Licensed IP, the Arena Licensed Manufacturing Know-How, the Arena Licensed Supply Records, the Arena Licensed Records or the Inventory, and (ii) there are no Legal Proceedings pending by Arena or any of its Affiliates, or that Arena or such Affiliate intends to initiate, against any other Person that would adversely affect the Purchased Assets, the Arena Licensed IP, the Arena Licensed Manufacturing Know-How, the Arena Licensed Supply Records, the Arena Licensed Records or the Inventory.

(g) Taxes.

(i) Arena, Arena US and Arena GmbH have timely paid all Taxes that will have been required to be paid by it, the non-payment of which would result in a Lien on any Purchased Asset or the Inventory or would result in Eisai becoming liable or responsible therefor.

(ii) Arena, Arena US and Arena GmbH have established, in accordance with GAAP, adequate reserves for the payment of, and will timely pay, all Taxes that arise from or with respect to the Purchased Assets or Inventory and are incurred or attributable to the Pre-Closing Tax Period, the non-payment of which would result in a Lien on any Purchased Asset or the Inventory or would result in Eisai becoming liable therefor.

(h) Regulatory Matters.

(i) No governmental authority (including the FDA) has commenced or, to the Knowledge of Arena, threatened to initiate any action to enjoin production of the Initial Product at any facility, nor has Arena or any of its Affiliates or, to the Knowledge of Arena, any of its contractors, received any written notice thereof.

(ii) At no time when Arena GmbH was responsible for Regulatory Filings under the Existing Agreement did Arena or any of its Affiliates, or any of its or their respective officers, employees, or agents, make an untrue statement of material fact or fraudulent statement to the FDA or any other Regulatory Authority with respect to the development of the Initial Product, fail to disclose a material fact required to be disclosed to the FDA with respect to the development of the Initial Product, or commit an act, make a statement, or fail to make a statement with respect to the development of the Initial Product that could reasonably be expected to provide a basis for the FDA to invoke its policy respecting "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities", set forth in 56 Fed. Reg. 46191 (September 10, 1991) and any amendments thereto.

(iii) Regulatory Approvals . Arena GmbH has not requested that any of the Third Party Distributors transfer any Regulatory Approvals to Arena or any of its Affiliates.

(iv) Clinical Studies . Arena and its Affiliates are not conducting any clinical studies or trials related to the Compound or any of the Products.

(i) Brokers . No broker, finder, financial advisor, investment banker or other Person is or will be entitled to any brokerage, finder's, financial advisor's or other similar fee or commission in c onnection with the transactions contemplated un der this Agreement and the Supply Agreement based upon arrang ements made by or on behalf of Arena or any of its Affiliates , for which Arena or Eisai could be liable, or by or on behalf of Arena or any of its Affiliates .

(j) Suppliers . Schedule 11.2(j) specifies as of the Effective Date the names of the suppliers of each of the direct materials (i.e., only the API, excipients, packaging materials and precursor materials 4CPE and ZP3) used in the manufacture of the Products. None of such suppliers has given Arena or its Affiliates written notice terminating, canceling or threatening to terminate or cancel any Contract with Arena or its Affiliates relating to the applicable component of the Products supplied to Arena.

(k) Scientific and Technical Information.

(i) Arena or Arena GmbH has heretofore disclosed or made available to Eisai (or Eisai otherwise has access to) (i) all material scientific and technical information known to any of its or its Affiliates' respective employees with the title of vice president or higher or in-house general counsel relating to (A) the safety and efficacy of the Compound and the Initial Product, including the results of any material nonclinical studies required for filing an IND or clinical trials with respect to the foregoing, (B) the drug quality, including stability, variability, impurities and delivery performance, of the Compound and the Initial Product and (C) the status of the Initial Product under the Controlled Substances Act, as it may be amended from time to time, and the rules, regulations, guidances, guidelines, and requirements promulgated or issued thereunder and (ii) all material Regulatory Filings submitted to, or filed with, or listed by a Regulatory Authority and the status of all material discussions with Regulatory Authorities, in each case, in respect of the Compound and the Initial Product in the Territory.

(ii) To the Knowledge of Arena, (x) no serious adverse event information has come to the attention of Arena or any of its Affiliates with respect to the Compound or the Initial Product that is materially different with respect to the incidence, severity or nature of such serious adverse events than the information that was filed as safety updates to any Regulatory Filings for the Compound or the Initial Product, and (y) all written data summaries that were included in any such Regulatory Filings based on clinical trials conducted or sponsored by Arena or any of its Affiliates accurately summarize in all material respects the raw data underlying such summaries.

(iii) To the Knowledge of Arena, the manufacturing of the Initial Product to be provided by Arena GmbH to Eisai pursuant to the Supply Agreement, as such manufacturing is conducted as of the Effective Date, does not and will not infringe the Patents of a Third Party that are granted in the Territory as of the Effective Date.

(l) Purchase Orders . Ildong Pharmaceutical Co., Ltd. has not made any payments to Arena or any of its Affiliates in respect of any unfulfilled purchase orders issued by Ildong Pharmaceutical Co., Ltd. to Arena GmbH under the Marketing and Supply Agreement by

and between Arena GmbH and Ildong Pharmaceutical Co., Ltd., dated November 6, 2012, as amended . Arena agrees that from the Effective Date, the right to payment from Ildong Pharmaceutical Co., Ltd. in respect of the fulfillment of any such unfulfilled purchase orders or future purchase orders shall belong to Eisai.

11.3 Representations, Warranties and Covenants of Eisai. As of the Effective Date, Eisai represents and warrants to Arena and hereby (where applicable) covenants to Arena:

(a) Consents . No material notice to, filing with, authorization of, exemption by, or consent of, any Person, including any Governmental Entity, including any foreign Governmental Entity, is required for Eisai to purchase the Purchased Assets or the Inventory from Arena and otherwise consummate the transactions contemplated hereunder or under the Supply Agreement.

(b) Brokers . No broker, finder, financial advisor, investment banker or other Person is or will be entitled to any brokerage, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated under this Agreement or the Supply Agreement based upon arrangements made by or on behalf of Eisai.

(c) Non-Action or Claim. As of the Effective Date, there are no pending or threatened in writing, or to Knowledge of Eisai, threatened adverse actions, suits, claims, or formal governmental investigations by or against Eisai or any of its Affiliates in or before any court, Regulatory Authority or other governmental authority in the Territory with respect to Eisai's marketing, promotion or sale of pharmaceutical products in the Territory that would materially negatively affect Eisai's ability to perform its obligations under this Agreement or the Supply Agreement.

(d) Investigations. Eisai shall notify Arena within 30 days after it becomes the subject of an investigation by any governmental authority with respect to its marketing practices or marketing conduct with respect to pharmaceutical products in the Territory (including any Product).

(e) No Blocking Patents. To Eisai's Knowledge, Eisai does not own or control any Patents as of the Effective Date in the Territory that would be infringed by Arena's or Arena GmbH's conduct of the development activities contemplated to be conducted under this Agreement or manufacturing activities contemplated to be conducted under the Supply Agreement as of the Effective Date.

(f) Regulatory Matters . At no time when Eisai was responsible for Regulatory Filings under the Existing Agreement did Eisai or any of its Affiliates, or any of its or their respective officers, employees, or agents, make an untrue statement of material fact or fraudulent statement to the FDA or any other Regulatory Authority with respect to the development of the Initial Product, fail to disclose a material fact required to be disclosed to the FDA with respect to the development of the Initial Product, or commit an act, make a statement, or fail to make a statement with respect to the development of the Initial Product that could reasonably be expected to provide a basis for the FDA to invoke its policy respecting "Fraud,

Untrue Statements of Material Facts, Bribery, and Illegal Gratuities", set forth in 56 Fed. Reg. 46191 (September 10, 1991) and any amendments thereto.

(g) Scientific and Technical Information . To the Knowledge of Eisai, (x) no serious adverse event information has come to the attention of Eisai or any of its Affiliates with respect to the Compound or the Initial Product that is materially different with respect to the incidence, severity or nature of such serious adverse events than the information that was filed as safety updates to any Regulatory Filings for the Compound or the Initial Product, and (y) all written data summaries that were included in any such Regulatory Filings based on clinical trials conducted or sponsored by Eisai or any of its Affiliates accurately summarize in all material respects the raw data underlying such summaries.

(h) Excluded Liabilities . To the Knowledge of Eisai, as of the Effective Date, there are no facts or circumstances, and there have been no allegations by a Third Party, that are reasonably expected to result in any Excluded Liability for which Eisai would incur Losses.

11.4 Disclaimer. EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATIONS OR EXTENDS ANY WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, AND EACH PARTY EXPRESSLY DISCLAIMS ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND OF FITNESS FOR A PARTICULAR PURPOSE OR USE, NON-INFRINGEMENT, VALIDITY AND ENFORCEABILITY OF PATENTS, OR THE PROSPECTS OR LIKELIHOOD OF DEVELOPMENT OR COMMERCIAL SUCCESS OF THE PRODUCT.

ARTICLE 12
INDEMNIFICATION; LIABILITY

12.1 Survival; Expiration . All representations and warranties contained in this Agreement or any Related Document shall survive the Closing and shall expire on the second anniversary of the Effective Date; *provided, however* , that the representations and warranties contained in Sections 11.1(a), 11.1(b), 11.2(b) and 11.2(g) and Section 4(a) of the Side Letter Agreement shall survive the Closing until the expiration of any applicable statute of limitations (after giving effect to any extensions or waivers) (each applicable period, the " **Survival Period** "). No claim for indemnification hereunder for breach of any such representations or warranties may be made after the expiration of the applicable Survival Period, except in the case of fraud, willful breach or intentional misrepresentation; provided, that, such obligations to indemnify, hold harmless and reimburse shall not terminate with respect to any Losses as to which the Indemnitee shall have, on or prior to such date, previously made a claim by delivering a written notice of such claim to the Indemnitor. All covenants and agreements in this Agreement shall survive the Closing until fully performed or as further specified in this Agreement. Each Party shall give prompt written notice to the other Party of (x) any event, circumstance or condition that constitutes a breach of, or makes inaccurate, any representation and warranty of such Party hereunder, or (y) the non-fulfillment of any covenant, agreement or obligation of such Party hereunder.

12.2 Indemnification of Arena. Eisai shall defend, indemnify and hold harmless each of Arena, its Affiliates, and its and their respective directors, officers, stockholders and employees (collectively, the " **Arena Indemnitees** ") from and against any and all losses, liabilities, damages, penalties, fines, costs and expenses (including reasonable attorneys' fees and other expenses of litigation) (" **Losses** ") from :

(a) any breach or inaccuracy of any representation or warranty of Eisai in this Agreement or any Related Document;

(b) any failure by Eisai to duly and timely perform or fulfill any of its covenants or agreements required to be performed by Eisai under this Agreement or any Related Document;

(c) any Transfer Taxes or Apportioned Obligations allocated to Eisai pursuant to Section 7.1;

(d) any Assumed Liability; and

(e) any claims, actions, suits or proceedings brought by a Third Party (each, a " **Third Party Claim** ") against any Arena Indemnitee to the extent arising from, based upon or occurring as a result of: (i) the actual or alleged (A) negligence or willful misconduct of, (B) violation of Applicable Laws by, in each case ((A) and (B)), Eisai or any of its Affiliates or other Eisai Related Party, Co-Promotion Partner or other subcontractors in performing any activity contemplated by this Agreement, or (C) breach of this Agreement or the PV Agreement by Eisai or any Eisai Related Party or Co-Promotion Partner; (ii) the regulatory activities, development, manufacture, use, handling, storage, sale, Commercialization or other exploitation of any Compound, Related Compound or Product by Eisai or any Eisai Related Party or Co-Promotion Partner or its or their collaborators or other subcontractors at any time after the Effective Date; (iii) any investigation by a Governmental Entity of Eisai's or any Eisai Related Party's or Co-Promotion Partner's marketing, promotion, detailing or similar activities with respect to Products in the Territory; or (iv) any alleged or actual infringement arising from, based on or occurring as a result of the use by Eisai, any Eisai Related Party or Co-Promotion Partner of any Product Trademark, Non-Branded Trademark or any Development Trademark (each as defined in the Existing Agreement); except that the foregoing indemnification obligations shall not apply (A) to Product Liability Claims and (B) to the extent any such Third Party Claim is based on or result from matters within the scope of the indemnification obligations of Arena set forth in Section 12.3 or in Section 12.10(b), as to which Third Party Claim each Party shall indemnify the other Party to the extent of its liability with respect to the Losses applicable to such Third Party Claim.

12.3 Indemnification of Eisai. Arena shall defend, indemnify and hold harmless each of Eisai, its Affiliates, and its and their respective directors, officers, stockholders and employees (collectively, the " **Eisai Indemnitees** ") from and against any and all Losses from:

(a) any breach or inaccuracy of any representation or warranty of Arena or Arena US in this Agreement or any Related Document;

(b) any failure by Arena or Arena US to duly and timely perform or fulfill any of its covenants or agreements required to be performed by Arena under this Agreement or any Related Document;

(c) any Excluded Liability; except that the indemnification obligation in this clause (c) shall not apply (i) to Product Liability Claims or (ii) to any matters within the scope of the indemnification obligations of Eisai set forth in Section 12.2 or in Section 12.10(a), as to which matter each Party shall indemnify the other Party to the extent of its liability with respect to the Losses applicable to such matter;

(d) any Apportioned Obligations allocated to Arena pursuant to Section 7.1; and

(e) any Third Party Claims against any Eisai Indemnitee to the extent arising from, based on or occurring as a result of: (i) the regulatory activities, development, manufacture, use, handling, storage, sale or other exploitation of any Compound, Related Compound or Product by Arena, any of its Affiliates or any other subcontractor, licensee, distributor or collaborator of Arena or any of its Affiliates (excluding in all cases Eisai, its Affiliates and their respective licensees, distributors and subcontractors) at any time after the Effective Date, but excluding any activities under the Supply Agreement; (ii) the actual or alleged (A) negligence or willful misconduct of or (B) violation of Applicable Laws by, in each case ((A) and (B)), Arena or any of its Affiliates or its or their respective other subcontractors in performing any activity contemplated by this Agreement; or (iii) the actual or alleged breach of this Agreement or the PV Agreement by Arena or any of its Affiliates; except that the foregoing indemnification obligations shall not apply (A) to Product Liability Claims and (B) to the extent any such Third Party Claim is based on or result from matters within the scope of the indemnification obligations of Eisai set forth in Section 12.2 or in Section 12.10(a), as to which Third Party Claim each Party shall indemnify the other Party to the extent of its liability with respect to the Losses applicable to such Third Party Claim.

12.4 Calculation of Losses . Any indemnity payment hereunder shall be treated as an adjustment to the Purchase Price to the extent permitted by Applicable Law.

12.5 Set-Off Rights . Until the date that is […***…] following the Effective Date, Eisai shall have the right to set-off, against any amounts that would otherwise be payable by Eisai to Arena pursuant to Section 7.2, Section 8.2 or Section 8.3 or otherwise under this Agreement, the amount required to be paid by Arena at the time of set-off (but not any amounts not yet due and payable) pursuant to Section 12.3 or Section 12.8.

12.6 Limitations .

(a) No Eisai Indemnitee shall be entitled to be indemnified pursuant to Section 12.3(a) unless the aggregate of all Losses under Section 12.3(a) to which the Eisai Indemnitees would, but for this Section 12.6(a), be entitled to indemnification exceeds on a cumulative basis […***…] (the " **Indemnity Threshold** "), at which point each Eisai Indemnitee shall be entitled to be indemnified for the aggregate amount of all Losses and not just amounts in excess of the Indemnity Threshold (except that this Section 12.6(a) shall not apply to any breach of the representations and warranties set forth in Sections 11.1(a), 11.1(b), 11.2(b) or 11.2(g), Section 4(a) of the Side Letter Agreement or any actual fraud, intentional misrepresentation or willful misconduct as determined under common law).

(b) Arena shall have no liability pursuant to Section 12.3(c) for (i) any Losses above […***…] arising from any single claim, action, suit or proceeding, (ii) any Losses above […***…] in the aggregate (except that the limitations in clauses (i) and (ii) shall not apply to Losses from or relating to any Third Party Distributor Agreement prior to the Effective Date), (iii) any Losses arising from Product Liability Claims or (iv) any Losses arising from any claim, action, suit or proceeding brought after the date that is […***…] months after the Effective Date.

(c) No Arena Indemnitee shall be entitled to be indemnified pursuant to Section 12.2(a) unless the aggregate of all Losses under Section 12.2(a) to which the Arena Indemnitees would, but for this Section 12.6(c), be entitled to indemnification exceeds the Indemnity Threshold, at which point each Arena Indemnitee shall be entitled to be indemnified for the aggregate Losses and not just amounts in excess of the Indemnity Threshold (except that this Section 12.6(c) shall not apply to any breach of the representations and warranties set forth in Sections 11.1(a) or 11.1(b) or any actual fraud, intentional misrepresentation or willful misconduct as determined under common law).

(d) To the fullest extent permitted by Applicable Law, the indemnities set forth in this Article 12 shall be the exclusive monetary remedies of the Eisai Indemnitees against Arena and the Arena Indemnitees against Eisai, as applicable, for any breach of representation or warranty or breach of any covenant or agreement contained in this Agreement or any Related Document, except in the case of fraud, intentional misrepresentation or willful misconduct or in the case of equitable remedies.

(e) The representations, warranties, agreements, covenants and obligations of Arena and Arena US, and the rights and remedies that may be exercised by the Eisai Indemnitees, shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or knowledge of, any of the Eisai Indemnitees or any of their Representatives. The representations, warranties, agreements, covenants and obligations of Eisai, and the rights and remedies that may be exercised by the Arena Indemnitees, shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or knowledge of, any of the Arena Indemnitees or any of their Representatives.

12.7 Procedure.

(a) Notice and Right to Assume. A Party that intends to exercise its rights to defense, indemnity or hold harmless under this Article 12 (the " **Indemnitee** ") shall promptly notify the indemnifying Party (the " **Indemnitor** ") in writing of any Third Party Claim in respect of which the Indemnitee intends to exercise such rights. The failure to deliver written notice to the Indemnitor within a reasonable time after the commencement of any action with respect to a Third Party Claim shall only relieve the Indemnitor of its obligations under this Article 12 if and to the extent the Indemnitor is actually prejudiced thereby. The Indemnitee shall provide the Indemnitor with reasonable assistance, at the Indemnitor's expense, in connection with the defense of the Third Party Claim. The Indemnitor shall have the right to assume and conduct the defense of the Third Party Claim with counsel of its choice. The Indemnitee may participate in and monitor such defense with counsel of its choice, which shall be at its own expense. The Indemnitor shall not settle any Third Party Claim without the prior written consent of the Indemnitee, not to be unreasonably conditioned, withheld or delayed, unless the settlement involves only the payment of money by the Indemnitor and does not involve any admission of liability or wrongdoing on the part of any Arena Indemnitees or Eisai Indemnitees, as applicable. So long as the Indemnitor is defending the Third Party Claim, the Indemnitee shall not settle any such Third Party Claim without the prior written consent of the Indemnitor.

(b) Indemnitor Conducts Defense. The assumption of a defense by the Indemnitor shall not be deemed an admission that the Indemnitor has an obligation to defend, indemnify or hold harmless an Arena Indemnitee or Eisai Indemnitee, as applicable, from and against any Loss from a Third Party Claim. If the Indemnitor assumes and conducts the defense of a Third Party Claim as provided above, and if it is ultimately determined that the Indemnitor was not obligated to indemnify, defend, or hold harmless an Arena Indemnitee or Eisai Indemnitee, as applicable, from and against any Loss from such Third Party Claim, the Indemnitee shall reimburse the Indemnitor for any and all reasonable and verifiable costs and expenses (including attorneys' fees and costs of suit) and all other Losses incurred by the Indemnitor in connection with such Third Party Claim.

(c) Indemnitor Does Not Conduct Defense. If the Indemnitor does not assume and conduct the defense of a Third Party Claim as provided above, (i) the Indemnitee may defend against such Third Party Claim; provided, that the Indemnitee shall not settle any Third Party Claim without the prior written consent of the Indemnitor, not to be unreasonably conditioned, withheld or delayed and (ii) if it is ultimately determined that the Indemnitor was obligated to indemnify, defend, or hold harmless an Arena Indemnitee or Eisai Indemnitee, as applicable, from and against any Loss from such Third Party Claim, the Indemnitor shall reimburse the Indemnitee for any and all reasonable and verifiable costs and expenses (including attorneys' fees and costs of suit) and all other Losses incurred by the Indemnitee in connection with such Third Party Claim.

12.8 Product Liability Claims.

(a) All Product Liability Claims brought prior to the date that is […***…] months after the Effective Date will be governed by the terms of Section 11.4 of the Existing Agreement (with Arena substituted for Arena GmbH in such terms). All Product Liability Claims brought on or after the date that is […***…] months after the Effective Date will be governed by Sections 12.8(b) and 12.8(c).

(b) Except as set forth in Section 12.8(c) with respect to Arena Manufacturing Defect Losses, for any Product Liability Claim brought on or after the date that is […***…] months after the Effective Date, Eisai shall bear 100% of the Product Liability Defense Costs and shall bear 100% of all Product Liability Losses.

(c) If a Product Liability Claim brought on or after the date that is […***…] months after the Effective Date includes allegations of Arena Manufacturing Defect Losses, Arena may participate in and monitor the defense of such Product Liability Claim defense with Shadow Counsel appointed by Arena, and the attorneys' fees and costs for such Shadow Counsel shall be borne solely by Arena. Eisai shall not settle, or consent to the settlement of, any Product Liability Claim brought on or after the date that is […***…] months after the Effective Date that would require the payment to a Third Party of Arena Manufacturing Defect Losses without the prior written consent of Arena, such consent not to be unreasonably withheld, conditioned or delayed. Each of Arena and Eisai shall bear […***…]% of all Arena Manufacturing Defect Losses.

(d) Notwithstanding anything to the contrary in this Agreement, if after a Facility Acquisition, Eisai is actually indemnified by Arena GmbH or its successor or assign against any Losses under the Supply Agreement, Arena shall have no obligation to also indemnify Eisai in respect of such Losses and may credit any Losses for which Arena GmbH or its successor or assign indemnified Eisai against any Arena Manufacturing Defect Losses for which Arena is responsible under Section 12.8. Prior to a Facility Acquisition, Arena GmbH's obligations to indemnify Eisai under the Supply Agreement will not apply to any Product Liability Claims, Product Liability Defense Costs and Product Liability Losses, which will instead be governed by the terms of this Section 12.8.

(e) For the avoidance of doubt, notwithstanding any other provision of this Agreement, any claims, actions, suits or proceedings based on or occurring as a result of personal injury, death or property damage (to the extent resulting from personal injury or death) caused by or resulting from (or allegedly caused by or resulting from) the use of a Product sold, distributed, dispensed or otherwise administered in any country outside of the Existing Agreement Territory prior to the Effective Date and all Losses related thereto shall, as between Eisai and Arena, be the exclusive responsibility of Arena and constitute Excluded Liabilities hereunder.

12.9 Insurance ; Capitalization .

(a) Each Party, at its own expense, shall maintain appropriate insurance with an insurance carrier that has a minimum rating of A.M. Best's rating of A-7 in an amount consistent with industry standards, for a company in a similar position to such Party, which shall include, (a) during the Term, in the case of Arena and Eisai, general liability insurance in the minimum amount of US$1 million per occurrence, US$2 million in the aggregate, and US$10 million umbrella coverage, (b) during the Term, in the case of Eisai, product liability insurance (including clinical trial insurance) in the minimum amount of US$10 million per occurrence and in the aggregate, and (c) until the first anniversary of the Effective Date, in the case of Arena, product liability insurance in the minimum amount of US$/10 million per occurrence and in the aggregate. Eisai shall maintain such product liability insurance at the same level for not less than five years after termination of this Agreement, and shall maintain such clinical trial insurance at the same level for five years after the last clinical trial for a Product conducted by or on behalf of Eisai. Each Party shall provide the other Party with written notice at least 30 days prior to any cancellation, nonrenewal or material change in the insurance described in clause (a) and Eisai shall provide Arena with written notice at least 30 days prior to any cancellation, nonrenewal of material change in the insurance described in clause (b) above, and each Party shall name the other Party as an additional insured with respect to such insurance. Each Party shall provide a certificate of insurance evidencing such coverage to the other Party upon request. It is understood that such insurance shall not be construed to create a limit of either Party's liability with respect to its indemnification obligations under this Article 12.

(b) Arena shall at all times during the Term hold cash in an amount of no less than […***…].

12.10 Indemnification under the Supply Agreement . The following provisions in this Section 12.10 will supersede Sections 13.1 and 13.2 of the Supply Agreement prior to a Facility Acquisition:

(a) Indemnification of Arena under the Supply Agreement. Eisai shall defend, indemnify and hold harmless the Arena Indemnitees from and against any and all Losses from any Third Party Claims against any Arena Indemnitee to the extent arising from, based upon or occurring as a result of: (i) the actual or alleged (A) negligence or willful misconduct of or (B) violation of Applicable Laws by, in each case ((A) and (B)), Eisai or any Eisai Related Party or other subcontractor under the Supply Agreement in performing any activity contemplated by the Supply Agreement or the Quality Agreements (as defined in the Supply Agreement); or (ii) any actual or alleged breach by Eisai (or any Eisai Related Party or other subcontractor under the Supply Agreement) of the Supply Agreement or the Quality Agreements; except that the foregoing indemnification obligations shall not apply to the extent any such Third Party Claim is based on or result from matters within the scope of the indemnification obligations of Arena set forth in Section 12.3 of 12.10(b), as to which Third Party Claim each Party shall indemnify the other Party to the extent of its liability with respect to the Losses applicable to such Third Party Claim.

(B) Indemnification of Eisai under the Supply Agreement . Arena shall defend, indemnify and hold harmless the Eisai Indemnitees from and against any and all Losses from any Third Party Claims against any Eisai Indemnitee to the extent arising from, based on or occurring as a result of: (i) the actual or alleged (A) negligence or willful misconduct of or (B) violation of Applicable Laws by, in each case ((A) and (B)), Arena or any of its Affiliates or subcontractor s under the Supply Agreement in performing any activity contemplated by the Supply Agreement or the Quality Agreements, but excluding Product Liability Claims; (ii) any actual or alleged breach by Arena (or any of its Affiliates or subcontractor s under the Supply Agreement) of the Supply Agreement or the Quality Agreements (as defined in the Supply Agreement), but excluding Product Liability Claims, except as expressly provided in Section 12.8 ; or (c) any actual or alleged br each by Eisai of a Third Party Distribut or Agreement to the extent resulting from an act or omission of Arena except to the extent Arena was acting in accordance with Eisai's written instructions or resulting from Eisai's failure to pay any amounts due under the Supply Agreement ; except that the foregoing indemnification obligations shall not apply to the extent any such Third Party Claim is based on or result from matters within the scope of the indemnification obligations of Eisai set forth in Section 1 2 .2 or 12.10(a) , as to which Third Party Claim each Party shall indemnify the other Party to the extent of its liability with respect to the Los ses applicable to such Third Party Claim .

ARTICLE 13
TERM AND TERMINATION

13.1 Term. This Agreement shall commence on the Effective Date and shall continue in full force and effect until termination of this Agreement with respect to all countries in the Territory (such period, the " **Term** ").

13.2 Post-Closing Termination.

(a) By Arena for Eisai's Failure to Develop or Commercialize . Arena may terminate this Agreement upon written notice to Eisai, (i) with respect to a Major Market (such Major Market, a " **Terminated Territory** "), if (A) prior to obtaining Regulatory Approval of a Product in such Major Market, Eisai permanently ceases development of all Products for such Major Market or (B) after obtaining Regulatory Approval of a Product in such Major Market, Eisai permanently ceases Commercialization of all Products in such Major Market or (ii) with respect to this Agreement in its entirety, if Eisai permanently ceases development and Commercialization of all Products in the Territory. For purposes of this Section 13.2(a), the normal pauses or gaps between or following clinical trials or other studies for the analysis of data, preparation of reports and design of future clinical trials or preparation of regulatory filings and other customary development functions not constituting clinical trials do not constitute a cessation of development and launch preparation activities shall constitute Commercialization.

(b) By Eisai for Non-Compete Reasons. Eisai may terminate this Agreement in its entirety or with respect to one or more countries in the Territory pursuant to Section 4.7(c).

(c) Other Arena Termination Rights .

(i) Arena shall have the right to terminate this Agreement immediately upon written notice to Eisai if Eisai or any of its Affiliates commences, or knowingly and materially assists or encourages any Third Party to commence or conduct, any interference, re-examination or opposition proceeding with respect to, challenges the validity or enforceability of, or opposes any extension of or the grant of a supplementary protection certificate with respect to, any Arena Licensed Patent.

(ii) Arena shall have the right to terminate this Agreement immediately upon written notice to Eisai if Eisai is debarred under the FFDCA or listed on either Excluded List.

(iii) Arena shall have the right to terminate this Agreement on five days written notice to Eisai if Eisai breaches its obligations under Section 9.8.

13.3 Adjudication of Disputes Regarding Cessation of Development or Commercialization.

(a) In the event of any dispute, controversy or claim regarding whether or not Arena has a right to terminate this Agreement in its entirety or with respect to a Major Market pursuant to Section 13.2 (a " **Termination Dispute** "), the Parties shall attempt to resolve such Dispute in accordance with Section 14.1. If such Termination Dispute is not resolved in accordance with Section 14.1 and Arena wishes to pursue such termination, such Termination Dispute shall be resolved by binding arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce (the " ICC ") as then in effect as such rules may be modified by this Section 13.3 or agreement of the Parties, and judgment on the arbitration award may be entered in any court having jurisdiction thereof. The decision rendered in any such arbitration will be final and not appealable, absent manifest error. If Arena intends to commence binding arbitration of such Termination Dispute, Arena shall file a request for arbitration with the ICC and provide written notice to Eisai informing Eisai of such intention.

(b) The arbitration shall be conducted by a panel of three arbitrators experienced in the pharmaceutical business, each of whom shall not be a current or former employee or director, or a then-current stockholder, of either Party or any of its Affiliates (the " **Panel** "). Within 30 days after receipt of the original notice of binding arbitration, each Party shall nominate one arbitrator for the ICC's confirmation (with the right to nominate a replacement arbitrator until an arbitrator nominated by such Party is confirmed by the ICC) and such two arbitrators shall jointly nominate the third arbitrator for the ICC's confirmation; provided, that if the two arbitrators nominated by the Parties are unable or fail to agree upon the third arbitrator within such period, the third arbitrator shall be appointed by the ICC. The place of arbitration shall be New York, New York.

(c) Within 30 days after the appointment and selection of the Panel, the Parties shall reach an agreement upon and thereafter shall follow the arbitration procedures, including limits on discovery, ensuring that the arbitration will be concluded and the award rendered as expeditiously as possible, but in any event within eight months from appointment

and selection of the Panel. In the event the Parties fail to reach an agreement on procedures, procedures meeting such time limits shall be determined by the Panel and adhered to by the Parties.

(d) All rulings of the Panel shall be in writing and shall be delivered to the Parties within seven days of the conclusion of the arbitration.

(e) The Panel shall, in rendering its decision, apply the substantive law of the laws of the State of New York, United States, without reference to its conflicts of law principles with the exception of sections 5-1401 and 5-1402 of New York General Obligations Law, and without giving effect to any rules or laws relating to arbitration.

(f) The Panel, in rendering its decision, must only determine whether or not Arena has a right to terminate this Agreement in its entirety or with respect to the applicable Major Market pursuant to Section 13.2 and may not award any other relief or take any other action.

(g) Either Party may apply to the Panel for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of that Party pending the arbitration award. Subject to Section 12.7, each Party shall bear its own costs and expenses and attorneys' fees, and the non-prevailing Party shall pay the full costs of the Panel's fees and any administrative fees of arbitration.

(h) All proceedings and decisions of the Panel shall be deemed Confidential Information of each of the Parties, and shall be subject to Article 9. Except to the extent necessary to confirm or enforce an award or as may be required by Applicable Laws, neither a Party nor any member of the Panel may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties.

13.4 Accrued Obligations. The termination of this Agreement, in its entirety or with respect to a Terminated Territory , for any reason shall not release either Party from any liability or obligation that, at the time of such termination, has already accrued to such Party or that is attributable to a period prior to such termination, nor will any termination of this Agreement preclude either Party from pursuing all rights and remedies it may have under this Agreement, at law or in equity, with respect to breach of this Agreement.

13.5 Effects of Termination in Entirety. If this Agreement is terminated in its entirety by Arena pursuant to Section 13.2(a) or (c) or by Eisai pursuant to Section 13.2(b), the following shall apply (in addition to any other rights and obligations under this Agreement with respect to such termination):

(a) License. Eisai shall and hereby does, and shall cause its Affiliates to, effective as of the effective date of termination, grant Arena and its Affiliates a perpetual, irrevocable, exclusive, royalty-free license, with the right to grant multiple tiers of sublicenses, in and to the Eisai Grantback Know-How and the Eisai Grantback Patent Rights to develop, make, have made, use, import, offer for sale, sell and otherwise Commercialize Products in the Territory.

(b) Assignment of Purchased Assets . Eisai hereby assigns, and shall cause its Affiliates to assign, to Arena or its designee all of its and its Affiliates' right, title and interest in and to the Purchased Assets, free and clear of all Liens (other than Permitted Liens).

(c) Winding-Down of Development Activities. In the event there are any on-going clinical trials or other development work with respect to a Product in the Territory:

(i) The Parties shall work together in good faith to adopt a plan to wind-down such clinical trials or other development work in an orderly fashion, provided at Arena's election Eisai will promptly transition such clinical trials or other development work activities to Arena or its designee, including the transfer to Arena of any Development Data then in Eisai's or its Affiliate's possession that has not previously been transferred (or developed) by Arena, with due regard for patient safety and the rights of any subjects that are participants in any clinical trials of a Product, and take any actions it deems reasonably necessary or appropriate to avoid any human health or safety problems and in compliance with all Applicable Laws; and

(ii) If Arena elects to wind-down the clinical trials or other development work with respect to a Product, all costs and expenses incurred from the effective date of the termination notice shall be borne 100% by Eisai. If Arena elects to transition the clinical trials or other development work with respect to a Product to Arena, Eisai will bear its own costs and expenses incurred from the effective date of the termination notice but Arena will bear any other costs or expenses incurred in connection with such transition, including any Third Party costs or expenses.

(d) Inventory . Arena shall have the right, but not obligation, on written notice to Eisai, to purchase from Eisai and its Affiliates and Eisai Related Parties quantities of Product remaining in inventory as of the termination date at the applicable Estimated Price (as defined in the Existing Agreement), if purchased under the Existing Agreement, or Product Purchase Price (as defined in the Supply Agreement), if purchased under the Supply Agreement, or the price charged by the manufacturer in an arms-length transaction, if purchased from such a manufacturer after the conclusion of the Continuation Period (as defined in the Supply Agreement), paid by Eisai or such Eisai Related Party for such Product.

(e) Assignment of Regulatory Filings (including Regulatory Approvals). Upon Arena's request and to the extent permitted by Applicable Laws, Eisai shall assign or cause to be assigned to Arena or its designees (or to the extent not so assignable, Eisai shall take all reasonable actions to make available to Arena or its designee the benefits of) all Regulatory Filings (including INDs, NDAs and Regulatory Approvals) for the Products in the Territory, including any such Regulatory Filings made or owned by Eisai or any Eisai Related Party, at no cost to Arena. Eisai shall provide a complete copy of all Regulatory Filings assigned (or made available), as well as copies of all correspondence with Regulatory Authorities not already provided to Arena, pertaining to Products in the Territory .

(f) Transition. Eisai shall, at Arena's cost and written request, use Commercially Reasonable Efforts to cooperate with Arena or its designee to effect a smooth and orderly transition in the development and Commercialization of the Products in the Territory. To the extent applicable, Arena shall use, identify and finalize an agreement or other arrangement

with a Third Party in relation to the Products and the transfer of the Regulatory Filings (including INDs, NDAs and Regulatory Approval) into the name of Arena or Arena's designee so that the transition occurs as promptly as reasonably possible.

(g) Customer Agreements. Upon the completion of the rights and obligations defined in this Section 13.5, at the written request of Arena, Eisai shall assign to Arena or its designee any Third Party distribution agreements and Sublicense agreements that solely relate to the Products, to the extent permitted under each such agreement. In the event such assignment is not requested by Arena or is not permitted under any such agreement, then the rights of such Third Party with respect to each Product shall terminate upon termination of Eisai's rights with respect thereto. Eisai shall use its good faith efforts to include provisions requiring compliance with the foregoing provision in the agreements with applicable Third Parties.

(h) Terminated Product Trademarks. Upon Arena's request, Eisai shall assign or cause to be assigned to Arena or its designees (or to the extent not so assignable, Eisai shall take all actions to make available to Arena or its designee the benefits of) all Terminated Product Trademarks, at no cost to Arena. Eisai shall provide a list of all Terminated Product Trademarks used in Commercialization of the Products within 30 days of Arena's request.

13.6 Effects of Termination With Respect to a Terminated Territory. If this Agreement is terminated with respect to one or more Terminated Territories by Arena pursuant to Section 13.2(a), the following shall apply (in addition to any other rights and obligations under this Agreement with respect to such termination):

(a) Licenses. All licenses granted by Arena hereunder shall automatically be deemed to be amended to exclude, if applicable, the right to develop, make, have made, use, import, offer for sale, sell and otherwise Commercialize Products in such Terminated Territory other than to develop, make or have made Product in such Terminated Territory solely for the purpose of furthering any Commercialization of the Products in the remaining Territory.

(b) Certain Effects of Termination. The effects of termination set forth in Section 13.5 shall apply solely with respect to the activities and matters specific to such Terminated Territory.

13.7 Return of Confidential Information. Upon termination of this Agreement in its entirety, each Party shall promptly return to the other Party, or delete or destroy, all relevant records and materials in such Party's possession or control containing Confidential Information of the other Party; provided, that such Party may keep one copy of such materials for archival purposes only subject to a continuing confidentiality obligations. Upon termination of this Agreement solely as to one or more Terminated Territories, each Party shall promptly return to the other Party, or delete or destroy, all relevant records and materials in such Party's possession or control containing Confidential Information of the other Party that are specific to and relate solely to such Terminated Territory(ies); provided, that such Party may keep one copy of such materials for archival purposes only subject to a continuing confidentiality obligations.

13.8 Rights in Bankruptcy. All licenses grante d under or pursuant to Section 4 .1(a) by Arena are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code or analogous provisions of Applicable Laws outside the United States, licenses of right to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code or analogous provisions of Applicable Laws outside the United States. The Parties agree that Eisai or Arena, as the case may be, as licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code or analogous provisions of Applicable Laws outside the United States. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against a Party under the U.S. Bankruptcy Code or analogous provisions of Applicable Laws outside the United States, the other Party shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, which, if not already in such other Party's possession, shall be promptly delivered to it (a) upon any such commencement of a bankruptcy proceeding upon such other Party's written request therefor, unless the first Party elects to continue to perform all of its obligations under this Agreement, or (b) if not delivered under (a) above, following the rejection of this Agreement by or on behalf of such first Party upon written request therefor by the other Party.

13.9 Survival. Upon termination of this Agreement, all rights and obligations of the Parties under this Agreement shall terminate, except those described in the following Articles and Sections: Sections 4.4, 6.5 (solely to the extent related to Products sold by Eisai or the Eisai Related Parties), 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 10.1, 11.4, 13.4, 13.5, 13.7, 13.8 and this Section 13.9 and Articles 1, 9 (for the time period therein with respect to Section 9.8), 12, 14 and 15.

ARTICLE 14
DISPUTE RESOLUTION AND GOVERNING LAW

14.1 Dispute Resolution Process. The Parties recognize that disputes as to certain matters may from time to time arise during the Term that relate to interpretation of a Party's rights or obligations hereunder or any alleged breach of this Agreement. If the Parties cannot resolve any such dispute within 30 days after written notice of a dispute from one Party to the other, either Party may, by written notice to the other Party, have such dispute referred to the Senior Executives. The Senior Executives shall negotiate in good faith to resolve the dispute within 30 days. During such period of negotiations, any applicable time periods under this Agreement shall be tolled. If the Senior Executives are unable to resolve the dispute within such time period, except any Termination Dispute to be arbitrated pursuant to Section 13.3, either Party may pursue any remedy available to such Party at law or in equity, subject to the terms and conditions of this Agreement and the other agreements expressly contemplated hereunder. Notwithstanding anything in this Article 14 to the contrary, Arena and Eisai shall each have the right to apply to any court of competent jurisdiction for appropriate injunctive or provisional relief, as necessary to protect its rights or property.

14.2 Governing Law; Litigation; Exclusive Venue and Service. This Agreement and all questions regarding its existence, validity, interpretation, breach or performance, shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, United States, without reference to its conflicts of law principles with the exception of sections 5-1401 and 5-1402 of New York General Obligations Law. Subject to

Section 13.3, t he Parties hereby irrevocably and unconditionally consent to the exclusive jurisdiction of the courts of the State of New York and the United States District Court for the Southern District of New York for any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this Agreement, and agree not to commence any action, suit or proceeding (other than appeals therefrom) related thereto except in such courts. The Parties irrevocably and unconditionally waive their right to a jury trial. The Parties further hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this Agreement in the courts of the State of New York or in the United States District Court for the Southern District of New York, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. Each Party further agrees that service of any process, summons, notice or document by registered mail to its ad dress set forth in Section 15.10 shall be effective service of process for any action, suit or proceeding brought against it under this Agreement in any such court.

ARTICLE 15
GENERAL PROVISIONS

15.1 Existing Agreement. As of the Effective Date, the Existing Agreement is revised in its entirety and replaced with the provisions set forth in this Agreement, and the PV Agreement is hereby terminated; provided, however, that (a) the provisions regarding Product Purchase Price in Section 7.4(a) of the Existing Agreement shall survive and continue to apply only to (i) Product delivered for which payment has been made or is due as of the Specified Date, except as included in the reconciliation report dated as of March 31, 2016 provided by Eisai under Section 7.4(c) of the Existing Agreement, and (ii) Product ordered (but not yet delivered) prior to the Specified Date (collectively, the " **Existing Agreement Product** "), (b) the Product Purchase Price paid for the Existing Agreement Product shall not be subject to adjustment or reconciliation pursuant to Section 7.4(b), (c), (d) or (e) or Section 7.5 of the Existing Agreement and (c) Section 11.4 of the Existing Agreement shall survive and continue to apply only to Product Liability Claims required to be governed by the terms of Section 11.4 of the Existing Agreement pursuant to Section 12.8 hereof. Nothing in this Section 15.1 shall relieve either Party of any liability for any breach of the Existing Agreement or any indemnification obligations or any other remedies existing under the Existing Agreement, in each case, prior to the Effective Date.

15.2 Force Majeure. If the performance of any part of this Agreement by a Party (other than making payment when due) is prevented, restricted, interfered with or delayed by any reason or cause beyond the reasonable control of such Party (including: fire, flood, volcano, embargo, power shortage or failure, acts of war, insurrection, riot, terrorism, strike, lockout or other labor disturbance, shortage of raw materials, epidemic, failure or default of public utilities or common carriers, destruction of production facilities or materials by fire, earthquake, or storm or like catastrophe, acts of God or any acts, omissions or delays in acting of the other Party) or by compliance with any injunction, law, order, proclamation, regulation, ordinance, demand or requirement of any government or of any subdivision, authority or representative of any such government (including changes in the requirements of a Regulatory Authority), whether or not it is later held to be invalid, except to the extent any such injunction,

law, order, proclamation, regulation, ordinance, demand or requirement operates to delay or prevent the non-performing Party's performance as a result of any breach by such Party or any of its Affiliates of any term or condition of this Agreement, the PV Agreement or the Quality Agreement or any breach of Applicable Law s (an event of " **Force Majeure** "), the Party so affected shall, upon giving written notice to the other Party, be excused from such performance to the extent of such Force Majeure event; provided , that the affected Party shall use its substantial, good faith efforts to avoid or remove such causes of non-performance and shall continue performance with the utmost dispatch whenever such causes are removed or it is otherwise able (with Commercially Reasonable Efforts) to perform its obligations.

(a) Notification. If either Party becomes aware that such an event of Force Majeure has occurred, is imminent or likely, it shall immediately notify the other Party.

(b) Keeping the Other Informed. The Party subject to an event of Force Majeure shall keep the other Party informed as to the progress of overcoming or avoiding the effects of such an event of Force Majeure and of recommencing performing the affected obligation.

15.3 Waiver of Breach. Any condition or term of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof. No such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the waiving Party. No delay or waiver by either Party of any condition or term of this Agreement in any one or more instances shall be construed as a further or continuing waiver of such condition or term or of another condition or term of this Agreement.

15.4 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and to perform all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

15.5 Performance by Affiliates or Subcontractors.

(a) To the extent that this Agreement imposes obligations on Affiliates of a Party, such Party agrees to cause its Affiliates to perform such obligations. Either Party may contract with one or more of its Affiliates to perform its obligations hereunder; provided, that the Parties shall remain liable hereunder for the prompt payment and performance of all of their respective obligations hereunder.

(b) Each Party may subcontract some of its obligations under this Agreement to the extent expressly permitted under this Agreement; provided, that with respect to all subcontractors: (i) none of the other Party's rights hereunder are materially diminished or otherwise materially adversely affected as a result of such subcontracting; (ii) the subcontractor undertakes in writing reasonable and customary obligations of confidentiality and non-use; (iii) the subcontractor does not have the right to further subcontract such obligation unless agreed by the other Party; (iv) the subcontracting Party shall remain responsible and liable for the performance by any subcontractor of its obligations under this Agreement; and (v) such permitted subcontracting shall not relieve the subcontracting Party of any liability or obligation under this Agreement, except to the extent satisfactorily performed by such subcontractor. In the event a Party performs any of its obligations under this Agreement through a subcontractor, then

such Party shall at all times be fully responsible for the performance and payment of such subcontractor. The termination of the engagement of, or termination of the appointment of, any subcontractor of a Party shall not release such Party from any liability or obligation that, at the time of such termination, has already accrued to such Party with respect to the subcontractor, nor will any such termination of such an engagement or termination of an appointment preclude the other Party from pursuing all rights and remedies it may have under this Agreement, at law or in equity, with respect to the subcontractor and its acts and omissions.

15.6 Modification. No amendment or modification of any provision of this Agreement shall be effective unless in a prior writing signed by authorized officers of both Parties. No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance, or any other matter not set forth in an agreement in writing and signed by authorized officers of both Parties.

15.7 Severability. In the event any provision of this Agreement is held invalid, illegal or unenforceable in any jurisdiction, to the fullest extent permitted by Applicable Law s, (a) the Parties shall negotiate, in good faith and enter into a valid, legal and enforceable substitute provision that most nearly reflects the original intent of the Parties and (b) if the rights and obligations of either Party will not be materially and adversely affected, all other provisions of this Agreement shall remain in full force and effect in such jurisdiction. Such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction.

15.8 Entire Agreement. This Agreement (including the Exhibits attached hereto) constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes and cancels all previous express or implied agreements and understandings, negotiations, writings and commitments, either oral or written, in respect to the subject matter hereof, effective as of the Effective Date, except as provided in Section 15.1. Subject to Section 15.1, each of the Parties acknowledges and agrees that in entering into this Agreement, and the documents referred to in it, it does not rely on, and shall have no remedy in respect of, any statement, representation, warranty or understanding (whether negligently or innocently made) of any Person (whether party to this Agreement or not) other than as expressly set out in this Agreement. Nothing in this clause shall, however, operate to limit or exclude any liability for fraud.

15.9 Language. The language of this Agreement is English. Any translation of this Agreement in another language shall be deemed for convenience only and shall never prevail over the original English version.

15.10 Notices. Any notice or communication required or permitted under this Agreement shall be in writing in the English language, delivered personally, sent by facsimile or sent by internationally-recognized overnight courier to the following addresses of the Parties (or such other address for a Party as may be at any time thereafter specified by like notice):

To Arena:	**To Eisai:**
356 Royalty Inc. 6154 Nancy Ridge Drive San Diego, CA 92121 USA Facsimile: (858) 677-0065 Attention: President and Chief Executive Officer	Eisai Inc. 100 Tice Blvd. Woodcliff Lake, New Jersey 07677 Facsimile: (201) 746-3204 Attention: General Counsel
with a copy to:	**with a copy to:**
Arena Pharmaceuticals, Inc. 6154 Nancy Ridge Drive San Diego, CA 92121 USA Facsimile: (858) 677-0065 Attention: General Counsel	Eisai Inc. 100 Tice Blvd. Woodcliff Lake, New Jersey 07677 Facsimile: (201) 746-2457 Attention: Chief Strategy Officer, Neurology Business Group

Any such notice shall be deemed to have been given: (a) when delivered if personally delivered, (b) on the third day after dispatch if sent by confirmed facsimile, or (c) on the sixth day after dispatch if sent by internationally-recognized overnight courier. This Section 15.10 is not intended to govern the day-to-day business communications necessary between the Parties in performing their obligations under this Agreement.

15.11 Assignment. This Agreement shall not be assignable or otherwise transferred, nor may any right or obligations hereunder be assigned or transferred (except as otherwise expressly stated in this Agreement), by either Party to any Third Party without the prior written consent of the other Party; except that (a) Arena may assign its rights to receive royalty payments and other payments under this Agreement to a Third Party without Eisai's consent and (b) either Party may assign or otherwise transfer this Agreement without the consent of the other Party to a successor in interest that acquires all or substantially all of the business or assets of the assigning Party to which this Agreement relates, whether by merger, acquisition or otherwise; provided, that the successor in interest assumes this Agreement in writing or by operation of law; provided, that Eisai shall not have the right to assign this Agreement under the preceding clause prior to the expiration of the first 18 months after the Effective Date without Arena's prior written consent, which may be granted or withheld in Arena's sole discretion. In addition, either Party shall have the right to assign, sublicense, subcontract or delegate this Agreement or any or all of its obligations or rights hereunder to an Affiliate upon written notice to the other Party; provided, that the assigning, sublicensing, subcontracting or delegating Party hereby guarantees and shall remain fully and unconditionally obligated and responsible for the

full and complete performance of this Agreement by such Affiliate and in no event such assignment, sublicensing, subcontracting or delegation be deemed to relieve such Party's liabilities or obligations to the other Party under this Agreement. The other Party shall, at the request and expense of the assigning, sublicensing, subcontracting or delegating Party, enter into such supplemental agreements with the applicable Affiliates as may be necessary or advisable to permit such Affiliates to avail itself of any rights or perform any obligations of the assigning, sublicensing, subcontracting or delegating Party hereunder. Subject to the foregoing, this Agreement shall inure to the benefit of each Party, its successors and permitted assigns. Any assignment of this Agreement in contravention of this Section 15.11 shall be null and void.

15.12 No Partnership or Joint Venture. Each Party is an independent contractor under this Agreement. Nothing contained herein shall be deemed to create an employment, agency, joint venture or partnership relationship between the Parties or any of their agents or employees, or any other legal arrangement that would impose liability upon one Party for the act or failure to act of the other Party. The Parties shall operate their own businesses separately and independently and they shall hold themselves out as, act as, and constitute independent contractors in all respects and not as principal and agent, partners or joint venturers. The Parties shall each be responsible for fulfilling their own obligations under this Agreement, and they shall not have control or responsibility over the actions of the other Party. The Parties shall make and receive only such payments as are required under this Agreement, and shall not share in, or participate in, the business operations of the other Party. Neither Party shall have any express or implied power to enter into any contracts or commitments or to incur any liabilities in the name of, or on behalf of, the other Party, or to bind the other Party in any respect whatsoever.

15.13 Interpretation. The captions to the several Articles and Sections of this Agreement are not a part of this Agreement but are included for convenience of reference and shall not affect its meaning or interpretation. In this Agreement: (a) the word "including" shall be deemed to be followed by the phrase "without limitation" or like expression; (b) "hereof", "hereto", "hereby", "herein" and "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement; (c) "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends, and such phrase does not mean simply "if"; (d) the singular shall include the plural and vice versa; (e) references to a Person are also to its permitted successors and assigns; (f) masculine, feminine and neuter pronouns and expressions shall be interchangeable; (g) except where the context requires otherwise, "or" has the inclusive meaning represented by the phrase "and/or"; (h) references to an Applicable Law include any amendment or modification to such Applicable Law and any rules or regulations issued thereunder, whether such amendment or modification is made, or issuance of such rules or regulations occurs, before or after the Effective Date; and (i) a reference to any agreement includes any supplements and amendments to such agreement. Each accounting term used herein that is not specifically defined herein has the meaning given to it under GAAP consistently applied, but only to the extent consistent with its usage and the other definitions in this Agreement. The language of this Agreement shall be deemed to be the language mutually chosen by the Parties and no rule of strict construction shall be applied against either Party. As used in this Agreement, the words "previously disclosed to Eisai prior to the Effective Date" means during a teleconference between counsel to Arena (which may include inside or outside counsel) and counsel to Eisai (which may include inside or outside counsel) at least one Business Day prior to the Effective Date, with such call beginning

with a statement indicating that items disclosed on such call constitute disclosure under this Agreement.

15.14 References. Unless otherwise specified, (a) references in this Agreement to any Article, Section or Exhibit means references to such Article, Section or Exhibit of this Agreement and (b) references in any section to any clause are references to such clause of such section.

15.15 Counterparts; Electronic Signature Pages. This Agreement may be executed in any number of counterparts each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile or other electronic signatures and such signatures shall be deemed to bind each Party as if they were original signatures.

15.16 Limitation of Liability. EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 9, NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT OR ANY RELATED DOCUMENT OR ANY LICENSE GRANTED HEREUNDER OR THEREUNDER; PROVIDED, THAT THIS SECTION 15.16 SHALL NOT BE CONSTRUED TO LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATIONS UNDER ARTICLE 12.

15.17 Equitable Relief; Specific Performance. The Parties acknowledge and agree that the obligations and restrictions set forth in Article 9 are reasonable and necessary to protect the legitimate interests of the other Party and that such other Party would not have entered into this Agreement in the absence of such obligations and restrictions, and that any breach or threatened breach of any provision of Article 9 will result in irreparable injury to such other Party for which there will be no adequate remedy at law. In the event of a breach or threatened breach of any provision of Article 9 the non-breaching Party shall be authorized and entitled to obtain from any court of competent jurisdiction injunctive relief, whether preliminary or permanent, and an equitable accounting of all earnings, profits and other benefits arising from such breach, which rights shall be cumulative and in addition to any other rights or remedies to which such non-breaching Party may be entitled in law or equity. Each Party hereby waives any requirement that the other Party post a bond or other security as a condition for obtaining any such relief. Nothing in this Section 15.17 is intended, or should be construed, to limit either Party's right to equitable relief or any other remedy for a breach of any other provision of this Agreement.

15.18 No Benefit to Third Parties. Except as provided in Article 12, the representations, warranties, covenants and agreements set forth in this Agreement and the Related Documents are forth the sole benefit of the Parties and their successors and permitted assigns, and they shall not be construed as conferring any rights on any other Persons.

15.19 Expenses . Except as otherwise specified herein or in any Related Document, each Party shall bear any costs and expenses incurred by it with respect to the transactions contemplated herein.

15.20 Cumulative Rights. Except as expressly provided herein, the Parties' respective rights under the various provisions of this Agreement shall be construed as cumulative, and no one of them is exclusive of the other or exclusive of any rights allowed by Applicable Law s.

ARTICLE 16
COMPLIANCE WITH LAW

16.1 Generally. Each Party covenants that during the Term it shall, and shall cause its Affiliates to, comply with Applicable Laws with respect to performing its obligations or exercising its rights under this Agreement.

16.2 Securities Laws. Each of the Parties acknowledges that it is aware that the securities laws of the Territory and other countries prohibit any Person who has material non-public information about a publicly listed company from purchasing or selling securities of such company or from communicating such information to any person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.

16.3 Certain Payments. Each of the Parties acknowledges that it is aware that the United States and other countries have stringent laws that prohibit persons directly or indirectly to make unlawful payments to, and for the benefit of, government officials and related parties to secure approvals or permission for their activities.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

356 ROYALTY INC.

By: /s/ Amit Munshi

Name: Amit Munshi

Title: President and Chief Executive Officer

EISAI INC.

By: /s/ Shaji Procida

Name: Shaji Procida

Title: President and COO

EISAI CO., LTD.

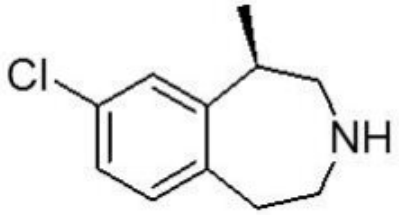
By: /s/ Ivan Cheung

Name: Ivan Cheung

Title: Corporate Officer and Senior Vice President

EXHIBIT A

Compound Structure



(*R*)-8-Chloro-1-methyl-2,3,4,5-tetrahydro-1 *H* -3-benzazepine

EXHIBIT B

Bill of Sale

[See Attached]

EXHIBIT B-1

FORM OF BILL OF SALE (ARENA)

This Bill of Sale (this " **Bill of Sale** ") is made as of this 28th day of December, 2016, is given by 356 Royalty Inc., a Delaware corporation having a principal place of business at 6154 Nancy Ridge Drive, San Diego, CA 92121 (" **Seller** ") to Eisai Inc., a company organized under the laws of Delaware having a principal place of business at 100 Tice Blvd., Woodcliff Lake, New Jersey 07677 and to (" **ESI** "), and Eisai Co., LTD., a company organized under the laws of Japan having a principal place of business at 4-6-10 Koishikawa Bunkyo-ku, Tokyo, Japan, 112-88 (" **ECL** "). " **Buyer** " shall mean (a) ESI, with respect to all rights of Eisai under this Agreement with respect to the ESI Territory and (b) ECL, with respect to all rights of Eisai under this Agreement with respect to the ECL Territory.

RECITALS

WHEREAS , Buyer and Seller, have entered into that certain Transaction Agreement, dated as of the date hereof (the " **Transaction Agreement** "); and

WHEREAS , pursuant to the Transaction Agreement, Seller has agreed to sell, deliver, convey, assign and transfer certain of the Purchased Assets to Buyer, and Buyer has agreed to purchase, take delivery of and acquire such Purchased Assets from Seller.

AGREEMENT

NOW, THEREFORE , in consideration of the benefits to be derived from this Bill of Sale and of the representations, warranties, conditions, agreements and promises contained in the Transaction Agreement and this Bill of Sale, and other good and valuable consideration, the receipt and sufficiency of which Seller hereby acknowledges, Seller, intending to be legally bound, hereby declares and states as follows:

1. **Definitions** . Unless otherwise specifically provided herein, capitalized terms used in this Bill of Sale and not otherwise defined herein shall have the respective meanings ascribed thereto in the Transaction Agreement.

2. **Conveyance, Assignment and Transfer** . In accordance with the provisions of the Transaction Agreement, Seller hereby sells, delivers, conveys, assigns and transfers to Buyer all of Seller's right, title and interest in and to the Purchased Patents, the Arena Regulatory Approvals, the Samples, the Purchased Records and the Purchased Know-How. The assets referred to in the immediately preceding sentence related to or held in any country in North America, South America, Central America and the Caribbean, shall be sold, delivered , conveyed, assigned or transferred to ESI and the assets referred to in the immediately preceding sentence related to or held in any other country shall be sold, delivered , conveyed, assigned or transferred to ECL.

3. **Transaction Agreement Controls** . Notwithstanding any other provision of this Bill of Sale to the contrary, nothing contained herein shall in any way supersede, modify, replace, amend, change, rescind, waive, exceed, expand, enlarge or in any way affect the provisions, including warranties, covenants, agreements, conditions, representations or, in general any of the rights and remedies, or any of the obligations of Buyer or Seller set forth in the Transaction Agreement. This Bill of Sale is subject to and governed entirely in accordance with the terms and conditions of the Transaction Agreement. Nothing contained herein is intended to modify or supersede any of the provisions of the Transaction Agreement.

4. **Further Assurances.** In accordance with Section 15.4 of the Transaction Agreement, for no further consideration, Seller shall execute, acknowledge and deliver such further instruments, and perform all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Bill of Sale or the Transaction Agreement.

5. **Assignment** . This Bill of Sale and the rights and obligations of the Seller hereunder may not be assigned or delegated by the Seller. This Bill of Sale shall be binding upon and shall inure to the benefit of the Buyer and its successors and assigns.

[*Signature page follows*]

IN WITNESS WHEREOF , Seller has executed this Bill of Sale as of the date first above written.

356 ROYALTY INC.

By: _____

Name:

Title:

[*Signature Page to Bill of Sale*]

EXHIBIT B-2

FORM OF BILL OF SALE (ARENA GMBH)

This Bill of Sale (this " **Bill of Sale** ") is made as of this 28th day of December, 2016, is given by Arena Pharmaceuticals GmbH, a company organized under the laws of Switzerland, having a principal place of business at Untere Brühlstrasse 4, 4800, Zofingen, Switzerland (" **Seller** ") to Eisai Inc., a company organized under the laws of Delaware having a principal place of business at 100 Tice Blvd., Woodcliff Lake, New Jersey 07677 and to (" **ESI** "), and Eisai Co., LTD., a company organized under the laws of Japan having a principal place of business at 4-6-10 Koishikawa Bunkyo-ku, Tokyo, Japan, 112-88 (" **ECL** "). " **Buyer** " shall mean (a) ESI, with respect to all rights of Eisai under this Agreement with respect to the ESI Territory and (b) ECL, with respect to all rights of Eisai under this Agreement with respect to the ECL Territory.

RECITALS

WHEREAS , Buyer and Seller, have entered into that certain Supply Agreement, dated as of the date hereof (the " **Supply Agreement** ") and Buyer and 356 Royalty Inc. have entered into that certain Transaction Agreement, dated as of the date hereof (the " **Transaction Agreement** "); and

WHEREAS , pursuant to the Supply Agreement, Seller has agreed to sell, deliver, convey, assign and transfer the Purchased Assets to Buyer, and Buyer has agreed to purchase, take delivery of and acquire the Purchased Assets from Seller.

AGREEMENT

NOW, THEREFORE , in consideration of the benefits to be derived from this Bill of Sale and of the representations, warranties, conditions, agreements and promises contained in the Transaction Agreement, the Supply Agreement and this Bill of Sale, and other good and valuable consideration, the receipt and sufficiency of which Seller hereby acknowledges, Seller, intending to be legally bound, hereby declares and states as follows:

1. **Definitions** . Unless otherwise specifically provided herein, capitalized terms used in this Bill of Sale and not otherwise defined herein shall have the respective meanings ascribed thereto in the Supply Agreement.

2. **Conveyance, Assignment and Transfer** . In accordance with the provisions of the Supply Agreement, Seller hereby sells, delivers, conveys, assigns and transfers to Buyer all of Seller's right, title and interest in and to the Purchased Assets. The assets referred to in the immediately preceding sentence related to or held in any country in North America, South America, Central America and the Caribbean, shall be sold, delivered , conveyed, assigned or transferred to ESI and the assets referred to in the immediately preceding sentence related to or held in any other country shall be sold, delivered , conveyed, assigned or transferred to ECL.

3. **Supply Agreement and Transaction Agreement Control** . Notwithstanding any other provision of this Bill of Sale to the contrary, nothing contained herein shall in any way supersede, modify, replace, amend, change, rescind, waive, exceed, expand, enlarge or in any way affect the provisions, including warranties, covenants, agreements, conditions, representations or, in general any of the rights and remedies, or any of the obligations of Buyer or Seller set forth in the Supply Agreement or any of the obligations of any party to the Transaction Agreement set forth in the Transaction Agreement. This Bill of Sale is subject to and governed entirely in accordance with the terms and conditions of the Supply Agreement. Nothing contained herein is intended to modify or supersede any of the provisions of the Supply Agreement and the Transaction Agreement.

4. **Further Assurances.** In accordance with Section 17.6 of the Supply Agreement, for no further consideration, Seller shall execute, acknowledge and deliver such further instruments, and perform all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Bill of Sale or the Supply Agreement.

5. **Assignment** . This Bill of Sale and the rights and obligations of the Seller hereunder may not be assigned or delegated by the Seller. This Bill of Sale shall be binding upon and shall inure to the benefit of the Buyer and its successors and assigns.

[*Signature page follows*]

IN WITNESS WHEREOF , Seller has executed this Bill of Sale as of the date first above written.

ARENA PHARMACEUTICALS GMBH

By: _____

Name:

Title:

[*Signature Page to Bill of Sale*]

EXHIBIT B-3

FORM OF BILL OF SALE (ARENA US)

This Bill of Sale (this " **Bill of Sale** ") is made as of this 28th day of December, 2016, is given by Arena Pharmaceuticals Inc., a Delaware corporation having a principal place of business at 6154 Nancy Ridge Drive, San Diego, CA 92121 (" **Seller** ") to Eisai Inc., a company organized under the laws of Delaware having a principal place of business at 100 Tice Blvd., Woodcliff Lake, New Jersey 07677 and to (" **ESI** "), and Eisai Co., LTD., a company organized under the laws of Japan having a principal place of business at 4-6-10 Koishikawa Bunkyo-ku, Tokyo, Japan, 112-88 (" **ECL** "). " **Buyer** " shall mean (a) ESI, with respect to all rights of Eisai under this Agreement with respect to the ESI Territory and (b) ECL, with respect to all rights of Eisai under this Agreement with respect to the ECL Territory.

RECITALS

WHEREAS , Buyer and Seller, have entered into that certain Letter Agreement, dated as of the date hereof (the " **Letter Agreement** ") and Buyer and 356 Royalty Inc. have entered into that certain Transaction Agreement, dated as of the date hereof (the " **Transaction Agreement** "); and

WHEREAS , pursuant to the Letter Agreement, Seller has agreed to sell, deliver, convey, assign and transfer certain of the Purchased Assets to Buyer, and Buyer has agreed to purchase, take delivery of and acquire such Purchased Assets from Seller.

AGREEMENT

NOW, THEREFORE , in consideration of the benefits to be derived from this Bill of Sale and of the representations, warranties, conditions, agreements and promises contained in the Transaction Agreement, the Letter Agreement and this Bill of Sale, and other good and valuable consideration, the receipt and sufficiency of which Seller hereby acknowledges, Seller, intending to be legally bound, hereby declares and states as follows:

1. **Definitions** . Unless otherwise specifically provided herein, capitalized terms used in this Bill of Sale and not otherwise defined herein shall have the respective meanings ascribed thereto in the Transaction Agreement.

2. **Conveyance, Assignment and Transfer** . In accordance with the provisions of the Letter Agreement, Seller hereby sells, delivers, conveys, assigns and transfers to Buyer all of Seller's right, title and interest in and to the Purchased Intellectual Property. The assets referred to in the immediately preceding sentence related to or held in any country in North America, South America, Central America and the Caribbean, shall be sold, delivered , conveyed, assigned or transferred to ESI and the assets referred to in the immediately preceding sentence related to or held in any other country shall be sold, delivered , conveyed, assigned or transferred to ECL.

3. **Letter Agreement and Transaction Agreement Control** . Notwithstanding any other provision of this Bill of Sale to the contrary, nothing contained herein shall in any way supersede, modify, replace, amend, change, rescind, waive, exceed, expand, enlarge or in any way affect the provisions, including warranties, covenants, agreements, conditions, representations or, in general any of the rights and remedies, or any of the obligations of Buyer or Seller set forth in the Letter Agreement or any of the obligations of any party to the Transaction Agreement set forth in the Transaction Agreement. This Bill of Sale is subject to and governed entirely in accordance with the terms and conditions of the Letter Agreement. Nothing contained herein is intended to modify or supersede any of the provisions of the Letter Agreement and the Transaction Agreement.

4. **Further Assurances.** In accordance with Section 15.4 of the Transaction Agreement, for no further consideration, Seller shall execute, acknowledge and deliver such further instruments, and perform all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Bill of Sale or the Transaction Agreement.

5. **Assignment** . This Bill of Sale and the rights and obligations of the Seller hereunder may not be assigned or delegated by the Seller. This Bill of Sale shall be binding upon and shall inure to the benefit of the Buyer and its successors and assigns.

[*Signature page follows*]

IN WITNESS WHEREOF , Seller has executed this Bill of Sale as of the date first above written.

ARENA PHARMACEUTICALS INC.

By: _____

Name:

Title:

[*Signature Page to Bill of Sale*]

EXHIBIT C

Existing Arena Patents

[See Attached]

EXHIBIT C
EXISTING ARENA PATENTS (AS OF 12/21/2016)

[Pages 1 through 8 of this exhibit have been redacted and omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission.]

EXHIBIT D

Form of Intellectual Property Assignments

[See Attached]

FORM OF

PATENT ASSIGNMENT (ARENA) [1]

This Patent Assignment (this " Assignment ") is made as of the __ day of ____, [ ], by 356 Royalty Inc., a Delaware corporation having a principal place of business at 6154 Nancy Ridge Drive, San Diego, CA 92121 (" Assignor ") to [ ], having its place of business at _____ (" Assignee ").

WHEREAS, [pursuant to, and upon the terms and conditions of, the Transaction Agreement dated as of December 28, 2016 (the " Transaction Agreement "), by and among Assignor and [Eisai],] [2] Assignor has agreed to sell, convey, assign and transfer to [Eisai], and [Eisai] has agreed to, or to cause its affiliates to, accept [certain assets, including] Assignor's right, title and interest in, to and under the patents and patent applications set forth in Exhibit A (attached hereto), and all applications and registrations therefor, together with any renewal, division, continuation (in whole or in part), or request for continued examination of any of such patents and patent applications, and all patents or certificates of invention issuing thereon, and any and all extensions, divisions, renewals, substitutions, confirmations, registrations, revalidations, revisions, and additions of or to any of the foregoing, and any patents or patent applications that are the subject of administrative proceedings with respect to any of the foregoing patents and patent applications before the applicable jurisdiction's patent office, including reissues, reexaminations, oppositions, third party observations, post-grant reviews and inter partes review proceedings (hereinafter referred to as " Patents "); and

WHEREAS, Assignor desires to confirm and perfect its transfer and assignment to Assignee, and Assignee is desirous of confirming and perfecting the transfer and assignment of all of Assignor's right, title and interest in, to and under said Patents.

NOW, THEREFORE, effective as of the date hereof, Assignor, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby sell, convey, assign and transfer to Assignee, and Assignee hereby accepts the sale, conveyance, assignment and transfer of all of Assignor's right, title and interest in, to and under the Patents related to a country in the [ESI][ECL] Territory (as defined in the Transaction Agreement), together with all rights to sue for past, present or future infringement of said Patents together with all claims for damages for reason of past, present or future infringement of said Patents, and the right to sue for and collect the same for Assignee's own use and enjoyment, all to be held and enjoyed by said Assignee, its successors and assigns, as fully and entirely as the same would have been held and enjoyed by Assignor had this Assignment not been made.

Assignor hereby requests the Commissioner of Patents and Trademarks and the corresponding entities or agencies in any other applicable countries to record Assignee as the assignee and owner of said Patents, and to issue any and all letters patent thereon to Assignee, as assignee of the entire right, title and interest in, to and under the same, for the sole use and enjoyment of Assignee, its successors, assigns or other legal representatives.

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[1] **Note to Draft** : Local forms outside the U.S. to be updated to comply with applicable law.

[2] **Note to Draft** : To be conformed to local jurisdictions that would require filing of a referenced agreement.

[Assignor acknowledges and agrees that the representations, warranties, covenants, agreements and indemnitees contained in the Transaction Agreement shall not be superseded hereby, but shall remain in full force and effect to the full extent provided therein. To the extent that any provision of this Assignment is inconsistent or conflicts with the Transaction Agreement, the provisions of the Transaction Agreement shall control.] [1] The parties may execute this Assignment in multiple counterparts, any one of which need not contain the signature of more than one party, but all such counterparts taken together shall constitute one and the same instrument. Any counterpart may be executed by facsimile or PDF signature and such facsimile or PDF signature shall be deemed an original. The terms and conditions of this Assignment shall inure to the benefit of Assignee, its successors, assigns and other legal representatives, and shall be binding upon Assignor, its successors, assigns and other legal representatives. Except to the extent that U.S. federal law preempts state law with respect to the matters covered hereby, this Assignment shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of law thereof.

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[1] **Note to Draft** : To be conformed to local jurisdictions that would require filing of a referenced agreement.

IN WITNESS THEREOF, Assignor and Assignee have caused their respective duly authorized officers to execute this Assignment as of the date first written above.

ASSIGNOR

356 ROYALTY INC.

By _____

Name:

Title:

ASSIGNEE

[●]

By _____

Name:

Title:

Exhibit A – The Patents

[To be inserted]

FORM OF
PATENT ASSIGNMENT (ARENA US) [1]

This Patent Assignment (this " Assignment ") is made as of the __ day of ____, [ ], by Arena Pharmaceuticals, Inc., a Delaware corporation having a principal place of business at 6154 Nancy Ridge Drive, San Diego, CA 92121 (" Assignor ") to [ ], having its place of business at _____ (" Assignee ").WHEREAS, [pursuant to, and upon the terms and conditions of, the Letter Agreement dated as of December 28, 2016 (the " Letter Agreement "), by and among Assignor and [Eisai],] [2] Assignor has agreed to sell, convey, assign and transfer to [Eisai], and [Eisai] has agreed to, or to cause its affiliates to, accept Assignor's right, title and interest in, to and under the patents and patent applications set forth in Exhibit A (attached hereto), and all applications and registrations therefor, together with any renewal, division, continuation (in whole or in part), or request for continued examination of any of such patents and patent applications, and all patents or certificates of invention issuing thereon, and any and all extensions, divisions, renewals, substitutions, confirmations, registrations, revalidations, revisions, and additions of or to any of the foregoing, and any patents or patent applications that are the subject of administrative proceedings with respect to any of the foregoing patents and patent applications before the applicable jurisdiction's patent office, including reissues, reexaminations, oppositions, third party observations, post-grant reviews and inter partes review proceedings (hereinafter referred to as " Patents "); and

WHEREAS, Assignor desires to confirm and perfect its transfer and assignment to Assignee, and Assignee is desirous of confirming and perfecting the transfer and assignment of all of Assignor's right, title and interest in, to and under said Patents.

NOW, THEREFORE, effective as of the date hereof, Assignor, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby sell, convey, assign and transfer to Assignee, and Assignee hereby accepts the sale, conveyance, assignment and transfer of all of Assignor's right, title and interest in, to and under the Patents related to a country in the [ESI][ECL] Territory (as defined in the Transaction Agreement), together with all rights to sue for past, present or future infringement of said Patents together with all claims for damages for reason of past, present or future infringement of said Patents, and the right to sue for and collect the same for Assignee's own use and enjoyment, all to be held and enjoyed by said Assignee, its successors and assigns, as fully and entirely as the same would have been held and enjoyed by Assignor had this Assignment not been made.

Assignor hereby requests the Commissioner of Patents and Trademarks and the corresponding entities or agencies in any other applicable countries to record Assignee as the assignee and owner of said Patents, and to issue any and all letters patent thereon to Assignee, as assignee of the entire right, title and interest in, to and under the same, for the sole use and enjoyment of Assignee, its successors, assigns or other legal representatives.

[Assignor acknowledges and agrees that the representations, warranties, covenants, agreements and indemnitees contained in the Letter Agreement and the Transaction Agreement

[1] **Note to Draft** : Local forms outside the U.S. to be updated to comply with applicable law.
[2] **Note to Draft** : To be conformed to local jurisdictions that would require filing of a referenced agreement.

(the "Transaction Agreement"), dated December 28, 2016, between 356 Royalty Inc. and [Eisai] shall not be superseded hereby, but shall remain in full force and effect to the full extent provided therein. To the extent that any provision of this Assignment is inconsistent or conflicts with the Letter Agreement or the Transaction Agreement, the provisions of the Letter Agreement or the Transaction Agreement, as applicable, shall control.] [1] The parties may execute this Assignment in multiple counterparts, any one of which need not contain the signature of more than one party, but all such counterparts taken together shall constitute one and the same instrument. Any counterpart may be executed by facsimile or PDF signature and such facsimile or PDF signature shall be deemed an original. The terms and conditions of this Assignment shall inure to the benefit of Assignee, its successors, assigns and other legal representatives, and shall be binding upon Assignor, its successors, assigns and other legal representatives. Except to the extent that U.S. federal law preempts state law with respect to the matters covered hereby, this Assignment shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of law thereof.

[1] **Note to Draft** : To be conformed to local jurisdictions that would require filing of a referenced agreement.

IN WITNESS THEREOF, Assignor and Assignee have caused their respective duly authorized officers to execute this Assignment as of the date first written above.

ASSIGNOR

ARENA PHARMACEUTICALS, INC.

By _____

Name:

Title:

ASSIGNEE

[●]

By _____

Name:

Title:

Exhibit A – The Patents

[To be inserted]

FORM OF
TRADEMARK ASSIGNMENT [1]

This Trademark Assignment (this " Assignment ") is dated as of _____, [ ] (the " Effective Date "), and is made from Arena Pharmaceuticals GmbH, a company organized under the laws of Switzerland, having a principal place of business at Untere Brühlstrasse 4, 4800, Zofingen, Switzerland (" Assignor ") to [ ], a _____ (" Assignee ").

WHEREAS, [pursuant to, and upon the terms and conditions of, the Supply Agreement dated as of December 28, 2016 (the " Supply Agreement "), by and among Assignor and [Eisai],] [2] Assignor agreed to sell, convey, assign and transfer to [Eisai], and [Eisai] agreed to, or to cause its affiliates to, accept [certain assets, including] Assignor's worldwide right, title and interest in, to and under the trademark registrations and trademark applications identified on Exhibit A attached hereto (the " Marks ");

WHEREAS, Assignor is the sole and exclusive owner of the Marks, and

WHEREAS, Assignor desires to transfer and assign to Assignee, and Assignee wishes to acquire and assume from Assignor, the Marks, effective as of the Effective Date, upon the terms and subject to the conditions set forth in this Assignment.

NOW, THEREFORE, in c onsideration of the promises and the agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows :

Assignor does hereby irrevocably assign, transfer, convey and deliver to Assignee effective as of the Effective Date, and Assignee hereby accepts, all of Assignor's worldwide right, title and interest in and to the Marks, including any common law, statutory and other rights associated therewith, together with the goodwill of the business associated with the use of and symbolized by the Marks related to a country in the [ESI][ECL] Territory (as defined in the Transaction Agreement), and all the registration applications and registrations therefor, and all rights to (i) bring an action, whether at law or in equity, for past, present or future infringement, dilution, misappropriation, misuse or other violation of said Marks against any third party, (ii) any proceeds, benefits, privileges, causes of action, and remedies relating to said Marks and (iii) recover damages, profits and injunctive relief for all past, present or future infringement, dilution, misappropriation, misuse, or other violation of said Marks.

Effective upon the Effective Date, Assignee shall be responsible for and shall pay all costs relating to the registration, maintenance and prosecution of said Marks, including payment of any associated fees therefor, for the notarization, authentication, legalization or consularization of the signatures hereof, and for the recording of such assignment documents with the appropriate governmental authorities.

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[1] **Note to Draft:** Local forms outside the U.S. to be updated to comply with applicable law.

[2] **Note to Draft** : To be conformed to local jurisdictions that would require filing of a referenced agreement.

Assignor hereby requests the Commissioner of Patents and Trademarks and the corresponding entities or agencies in any other applicable countries to record Assignee as the assignee and owner of said Marks.

The parties acknowledge that certain of said Marks may not yet have been used in commerce prior to the Effective Date (each, an " Unused Mark ") and an application for registration for such Unused Mark may have been filed based on an intent to use it (an "ITU Application") in one or more jurisdictions. With respect to the United States, the parties acknowledge and agree that the transfer contemplated by the Supply Agreement constitutes an assignment of a portion of the business of Assignor to which said Marks (including any Unused Marks) pertain, which business is ongoing and existing, as contemplated by Section 10 of the Trademark Act, 15 U.S.C. §1060, such that any such Unused Mark may be (and hereby is) included in this Assignment. To the extent that any applicable jurisdiction prohibits assignment of an ITU Application and/or Unused Mark prior to use (even where, as here, transfer of a portion of the applicable business has occurred), and Assignor has not filed an allegation of use prior to the Effective Date, then the parties shall take such steps and file such documents, at Assignee's request and expense, as may be necessary and appropriate to: (a) maintain such ITU Application; (b) enable Assignee to use such Unused Mark as Assignor's licensee; (c) upon use of the Unused Mark, file an allegation of use in the appropriate jurisdiction; and (d) effect the assignment of such Unused Mark pursuant to terms comparable to the terms of this Assignment.

In addition to the any of the foregoing actions that may be necessary or appropriate, Assignor, at Assignee's request and expense, shall execute, acknowledge and deliver to Assignee such other instruments of conveyance and transfer and will take such other actions and execute and deliver such other documents, certifications and further assurances as Assignee may reasonably require in order to vest title more effectively in Assignee, or to put Assignee more fully in possession of, any of said Marks. Both of the parties hereto shall cooperate with one another and execute and deliver to the other such other instruments and documents and take such other actions as may be reasonably requested from time to time by the other party hereto as necessary to carry out, evidence and confirm the intended purposes of this Assignment.

[Assignor acknowledges and agrees that the representations, warranties, covenants, agreements and indemnitees contained in the Supply Agreement or the Transaction Agreement (the " Transaction Agreement "), dated as of December 28, 2016, by and between 356 Royalty Inc. and [Eisai], shall not be superseded hereby but shall remain in full force and effect to the full extent provided therein. To the extent that any provision of this Assignment is inconsistent or conflicts with the Supply Agreement or the Transaction Agreement, the provisions of the Supply Agreement or the Transaction Agreement, as applicable, shall control.] [1]

This Assignment is executed by Assignor and shall be binding upon Assignor, its successors and assigns, for the uses and purposes above set forth and referred to and shall inure to the benefit of Assignee, its successors and assigns.

This Assignment may be executed in one or more counterparts, each of which shall be deemed an original, and together shall constitute one and the same agreement and shall become

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[1] **Note to Draft** : To be conformed to local jurisdictions that would require filing of a referenced agreement.

effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that the parties need not sign the same counterpart. This Assignment, following its execution, may be delivered via electronic mail or other form of electronic delivery, which shall constitute delivery of an execution original for all purposes.

Any claims and causes of action arising with respect to this Assignment shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law provisions thereof.

[*Remainder of page intentionally left blank; signature page follows*]

IN WITNESS WHEREOF, Assignor and Assignee have caused their respective duly authorized officers to execute this Assignment as of the date first written above.

ASSIGNOR

ARENA PHARMACEUTICALS GMBH

By _____

Name:

Title:

ASSIGNEE

[●]

By _____

Name:

Title:

[Signature Page to Trademark Assignment]

Exhibit A – The Marks
[To be inserted]

FORM OF
DOMAIN NAME ASSIGNMENT

This Domain Name Assignment (this " Assignment ") is dated as of [ ] (the " Effective Date "), and is made from Arena Pharmaceuticals GmbH, a company organized under the laws of Switzerland, having a principal place of business at Untere Brühlstrasse 4, 4800, Zofingen, Switzerland (" Assignor ") to [ ] (" Assignee ").

WHEREAS, Assignor and [Eisai] have entered into that certain Supply Agreement, dated as of December 28, 2016 (the " Supply Agreement ") and [Eisai] and 356 Royalty Inc. have entered into that certain Transaction Agreement, dated as of December 28, 2016 (the " Transaction Agreement ");

WHEREAS, pursuant to the Supply Agreement, Assignor has agreed to sell, deliver, convey, assign and transfer certain assets to [Eisai], and [Eisai] has agreed to purchase, take delivery of and acquire certain assets from Assignor, including the domain names set forth on Exhibit A attached hereto (the " Domain Names ");

WHEREAS, Assignor is the owner of the Domain Names; and

WHEREAS, Assignor desires to transfer and assign to Assignee, and Assignee wishes to acquire and assume from Assignor, the Domain Names, effective as of the Effective Date, upon the terms and subject to the conditions set forth in this Assignment.

NOW, THEREFORE, in consideration of the premises and mutual promises contained herein, in the Supply Agreement and in the Transaction Agreement, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Conveyance, Assignment and Transfer . Subject to, and in accordance with, the terms and conditions of this Assignment, Assignor hereby sells, conveys, assigns and transfers to Assignee, and Assignee hereby purchases, acquires and accepts from Assignor any and all right, title and interest of Assignor in and to the Domain Names related to a country in the [ESI][ECL] Territory (as defined in the Transaction Agreement), including the goodwill of the business symbolized thereby as well as any associated numerical internet protocol address related thereto and the registration of the domain name with each applicable domain name registrar (each, a " Registrar ").

2. Further Assurances . At Assignee's request and expense, Assignor shall execute such further documentation and take any and all reasonable actions that Assignee may reasonably request to effect the assignment of the Domain Names to Assignee and to record and perfect Assignee's interest in and to the assigned Domain Names, including, without limitation, releasing any "lock" placed on the Domain Names, obtaining the authorization code and providing that code to Assignee, confirming the requested transfer upon receipt of a request to do so from the registrar used by Assignee for the transfer of the Domain Names and executing and delivering all authorizations necessary to effectuate the electronic transfer of the Domain Names. Assignee shall pay all fees due or owing to each Registrar in relation to the transfer of the Domain Names to Assignee.

3 . General .

(a) Assignor acknowledges and agrees that the representations, warranties, covenants, agreements and indemnitees contained in the Supply Agreement and the Transaction Agreement shall not be superseded hereby but shall remain in full force and effect to the full extent provided therein. To the extent that any provision of this Assignment is inconsistent or conflicts with the Supply Agreement or the Transaction Agreement, the provisions of the Supply Agreement or Transaction Agreement, as applicable, shall control.

(b) This Assignment is executed by Assignor and shall be binding upon Assignor, its successors and assigns, for the uses and purposes above set forth and referred to and shall inure to the benefit of Assignee, its successors and assigns.

(c) This Assignment may be executed in one or more counterparts, each of which shall be deemed an original, and together shall constitute one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that the parties need not sign the same counterpart. This Assignment, following its execution, may be delivered via electronic mail or other form of electronic delivery, which shall constitute delivery of an execution original for all purposes.

(d) Any claims and causes of action arising with respect to this Assignment shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law provisions thereof.

[*Remainder of page intentionally left blank; signature page follows*]

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment to be executed in its name by a duly authorized representative as of the date first above written.

ASSIGNOR

ARENA PHARMACEUTICALS GMBH

By: _____

Name:

Title:

ASSIGNEE

[●]

By _____

Name:

Title:

Annex A – The Domain Names

[See attached]

EXHIBIT E

Form of Development and Commercialization Report

[See Attached]

BELVIQ ® Bi-Annual Report
Date

1. **Executive Summary**
   - *Summary of major commercial, regulatory and development activities*
2. **Global Commercial Performance […***…]**
3. **Global Medical Affairs Activities […***…]**
4. **Global Regulatory Activities […***…]**

*****Confidential Treatment Requested**

5. **Global Development Status […***…]**

6. **Partnership Activities**

END OF DOCUMENT

***Confidential Treatment Requested**

SCHEDULE 1.129(C)
PURCHASED PATENTS (AS OF 12/21/2016)

[Pages 1 through 3 of this schedule have been redacted and omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission.]

Schedule 11.2(j)

[…*…]**

*****Confidential Treatment Requested**

Exhibit 10.53

*****Text Omitted and Filed Separately**
with the Securities and Exchange Commission.
Confidential Treatment Requested
Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2.

SUPPLY AGREEMENT

THIS SUPPLY AGREEMENT (the " **Agreement** ") is entered into as of December 28, 2016 (the " **Effective Date** ") by and among **ARENA PHARMACEUTICALS GMBH** , a company organized under the laws of Switzerland, having a principal place of business at Untere Brühlstrasse 4, 4800, Zofingen, Switzerland (" **Arena** "), **EISAI INC.** , a company organized under the laws of Delaware, having a principal place of business at 100 Tice Blvd., Woodcliff Lake, New Jersey 07677 (" **ESI** "), and **EISAI CO., LTD.** , a company organized under the laws of Japan, having a principal place of business at 4-6-10 Koishikawa Bunkyo-ku, Tokyo, Japan, 112-88 (" **ECL** "). " **Eisai** " shall mean (a) ESI, with respect to all rights and obligations of Eisai under this Agreement with respect to North America, South America, Central America and the Caribbean and (b) ECL, with respect to all rights and obligations of Eisai under this Agreement with respect to the world other than North America, South America, Central America and the Caribbean. Each of Arena and Eisai may be referred to in this Agreement individually as a " **Party** " and collectively as the " **Parties** ".

WHEREAS

A. Arena and Eisai previously entered into a Marketing and Supply Agreement, dated as of July 1, 2010 (the " **Original Agreement** "); they subsequently amended and restated the Original Agreement by entering into the Amended and Restated Marketing and Supply Agreement, dated as of May 9, 2012 (the " **Restated Agreement** "), which superseded and replaced the Original Agreement and was amended by several written amendments; and they then entered into a Seconded Amended and Restated Marketing and Supply Agreement, dated as of November 7, 2013 (the " **Existing Agreement** "), which superseded and replaced the Restated Agreement and was amended by several written amendments, and under which Arena granted Eisai exclusive distribution rights for Products (as defined below) in the United States and other specified countries and Arena agreed to manufacture or have manufactured and sell to Eisai, and Eisai agreed to purchase from Arena, certain Products for such countries;

B. The Parties desire to enter into this Agreement to revise the Existing Agreement in its entirety (subject to certain terms that will survive as expressly set forth in the Transaction Agreement) and replace the rights and obligations in the Existing Agreement with the rights and obligations set forth in this Agreement and the Transaction Agreement among Eisai and 356 Royalty Inc., an Affiliate of Arena, effective as of the Effective Date (the " **Transaction Agreement** "), pursuant to which Eisai is purchasing certain assets and is granted a license to develop, manufacture and commercialize pharmaceutical products containing lorcaserin hydrochloride hemihydrate; and

C. Arena has agreed to manufacture and supply such products to Eisai, and Eisai has agreed to purchase such products from Arena, under the terms and conditions of this Agreement.

Now, Therefore, in consideration of the foregoing premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Arena and Eisai, intending to be legally bound, hereby agree as follows :

1. Definitions

For the purposes of this Agreement, the following terms will have the following meanings:

1.1 "[**…***…]**% Reduction** " has the meaning set forth in Section 11.3(a).

1.2 "[**…***…]**% Reduction** " has the meaning set forth in Section 11.3(a).

1.3 " **Affiliate** " of a Party means any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such Party, as the case may be, but for only so long as such control exists. As used in this definition, the term " **control** " (with correlative meanings for the terms " **controlled by** " and " **under common control with** ") means (a) direct or indirect beneficial ownership of more than 50% of the voting share capital or other equity interest in such Person able to elect the directors or management of such Person or (b) the power to direct the management and policies of such Person by contract or otherwise.

1.4 " **Agreement Know-How** " has the meaning set forth in Section 14.2(a).

1.5 " **Agreement Patents** " has the meaning set forth in Section 14.2(a).

1.6 " **Applicable Laws** " means the applicable provisions of any and all national, supranational, regional, state and local laws, treaties, statutes, rules, regulations, administrative codes, guidance, ordinances, judgments, decrees, directives, injunctions, orders, permits (including Regulatory Approvals) of or from any court, arbitrator, Regulatory Authority or other governmental agency or authority having jurisdiction over or related to the subject activity or item as they may be in effect from time to time.

1.7 " **Arena Indemnitees** " has the meaning set forth in Section 13.1.

1.8 " **Arena Know-How** " means (a) the Purchased Know-How; and (b) all Know-How that is Controlled by Arena or any of its Affiliates and used by Arena or its Affiliates at any time during the period of twenty-four months prior to the Effective Date in connection with the Manufacture of Products. In the event of an assignment of this Agreement by Arena to a Third Party, the references to "Arena" in this definition shall be construed to mean Arena Pharmaceuticals GmbH and not its assignee; provided that for purposes of the use of "Affiliates" in the preceding sentence after an assignment of this Agreement by Arena to a Third Party, the reference to "Party" in the definition of "Affiliate" shall be deemed a reference to "Arena Pharmaceuticals GmbH" .

1.9 " **Arena Licensed Know-How** " means all Know-How, excluding the Purchased Know-How that (a) is Controlled by Arena (but not any of its Affiliates) as of the Effective Date or at any time during the term of the Transaction Agreement, (b) is necessary for, or is as of the Effective Date or was at any time during the 24-month period prior to the Effective Date used for, the development, Manufacture or Commercialization of any Product in any country in the Territory in accordance with this Agreement, as such Product exists as of the Effective Date or existed prior thereto, and (c) is Confidential Information of Arena. Notwithstanding the foregoing, in the event of a Change of Control of Arena or a Facility Acquisition, the Arena Licensed Know-How shall not include any Know-How that is owned or Controlled by the acquiring Person described in the definition of "Change of Control," directly or indirectly (other than indirectly through Arena), or by the acquiror of the Facility, respectively, and that (i) exists prior to the closing of such Change of Control or Facility Acquisition or (ii) is developed after such Change of Control or Facility Acquisition without the use of the Arena Licensed Know-How, except to the extent such acquiring Person actually uses such Know-How after the Change of Control or Facility Acquisition, as applicable, in the Manufacture of the Product.

1.10 " **Arena Licensed Records** " means all Records, other than Purchased Records, owned by Arena.

1.11 " **Assumed Liabilities** " means all liabilities, obligations and commitments under the Third Party Distributor Agreements accruing with respect to the period commencing on the Effective Date (excluding, however, any liability or obligation under any Third Party Distributor Agreement arising from or relating to the performance or non-performance by Arena or any of its Affiliates of any such Third Party Distributor Agreement prior to the Effective Date).

1.12 " **Batch** " means the total amount of a particular Product resulting from one complete production run conducted by or on behalf of Arena using the applicable Master Batch Records and Manufacturing SOPs.

1.13 " **Batch Records** " means, with respect to a particular production run conducted by or on behalf of Arena for manufacturing one Batch of a particular Product, the completed batch records, in the form of the Master Batch Records, for such production run containing all the relevant manufacturing details and information for the run, including any deviations.

1.14 " **Bulk Product** " means, with respect to a particular Supplied Product and country in the Territory, such Supplied Product in tablet or capsule form and not packaged in final form.

1.15 " **Business Day** " means any day other than a Saturday or Sunday or a day on which banking institutions located in Zofingen, Switzerland or Japan are permitted or required by Applicable Law to remain closed.

1.16 " **Calendar Quarter** " means a period of three consecutive months during a Calendar Year beginning on and including January 1 st , April 1 st , July 1 st or October 1 st ; provided, that the last Calendar Quarter shall end on the last day of the Term.

1.17 " **Calendar Year** " means a period of 12 consecutive months beginning on and including January 1 st ; *provided* , that the first Calendar Year of the Term shall commence on the

Effective Date and end on December 31 of the year in which the Effective Date occurs; provided, that the last Calendar Year shall end on the last day of the Term.

1.18 " **Certificate of Analysis** " means a written certificate of analysis, in reasonable and customary form, which confirms that the quantity of the applicable Product, manufactured by or on behalf of Arena and delivered by Arena to Eisai under this Agreement, has been tested in accordance with the applicable Product Acceptance Tests and meets the warranty set forth in Section 12.2. The Certificate of Analysis will include the results of all Product Acceptance Tests performed by or on behalf of Arena on the particular Batch of such Product.

1.19 " **Change of Control** " means, with respect to each Party, the occurrence of any of the following:

(a) any "person" or "group" (as such terms are defined below) is or becomes the "beneficial owner" (as defined below), directly or indirectly, in a transaction or series of related transactions, of shares of capital stock or other interests (including partnership or LLC membership interests) of such Party (or any of its Controlling Affiliates) then-outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of the directors, managers or similar supervisory positions (" **Voting Stock** ") (or its Controlling Affiliate, as applicable) of such Party representing 50% or more of the total voting power of all outstanding classes of Voting Stock of such Party (or its Controlling Affiliate, as applicable); or

(b) such Party (or any of its Controlling Affiliates) enters into a merger, consolidation or other form of business combination, share exchange, reorganization, recapitalization or other similar extraordinary transaction with another Person (whether or not such Party (or its Controlling Affiliate, as applicable) is the surviving entity) and as a result of such merger, consolidation or other form of business combination, share exchange, reorganization, recapitalization or similar extraordinary transaction (i) the members of the board of directors or similar governing body of such Party (or its Controlling Affiliate, as applicable) (as the case may be, " **Board of Directors** ") immediately prior to such transaction constitute less than a majority of the members of the Board of Directors of such Party (or its Controlling Affiliate, as applicable) or, if not such Party (or its Controlling Affiliate, as applicable), such surviving Person immediately following such transaction or (ii) the Persons that beneficially owned, directly or indirectly, the shares of Voting Stock of such Party (or its Controlling Affiliate, as applicable) immediately prior to such transaction cease to beneficially own, directly or indirectly, shares of Voting Stock representing at least a majority of the total voting power of all outstanding classes of Voting Stock of the surviving Person immediately following such transaction; or

(c) such Party (or any of its Controlling Affiliates) sells or transfers to any Third Party, in one or more related transactions, properties or assets representing all or substantially all of the consolidated total assets of such Party and its Affiliates.

(d) For the purpose of this definition: (x) "person" and "group" have the meanings given such terms under Section 13(d)(3) and 14(d)(2) of the Exchange Act and the term "group" includes any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act; (y) " **beneficial**

owner ” shall be determined in accordance with Rule 13d-3 under the Exchange Act; and (z) the terms “ **beneficially owned** ” and “ **beneficially own** ” shall have meanings correlative to that of “ **beneficial ownership** ”.

1.20 “ **Commercialization** ” means marketing, promoting, detailing, offering for sale, selling, importing and distributing in the Territory the applicable Product, and other similar activities related to the commercial sale of the Product in the Territory, but excluding for clarity all activities relating to research, development, or manufacturing of any Product. When used as a verb, “ **Commercializing** ” means to engage in Commercialization and “ **Commercialize** ” and “ **Commercialized** ” have corresponding meanings.

1.21 “ **Commercially Reasonable Efforts** ” means, with respect to a particular Party’s specific obligations under this Agreement with respect to a Product and a country in the Territory at the relevant point in time, that level of efforts and application of resources that is consistent with the usual practice followed by that Party in conducting similar activities, in the exercise of its reasonable scientific, business or regulatory judgment, but in no event less than the level of efforts and resources consistent with the commercially reasonable practices of the research-based pharmaceutical industry in the applicable country in the Territory, relating to other prescription pharmaceutical products owned or licensed by it or to which it has exclusive rights that have a market potential and are at a stage of development or product life similar to the applicable Product, taking into account the anticipated or, if applicable, actual Patent coverage and the nature and extent of such Product’s market exclusivity (including Patent coverage and regulatory exclusivity), the likelihood of Regulatory Approval of such Product, the safety and efficacy of such Product, the cost to develop such Product, such Product’s profile, the competitiveness of the marketplace with respect to such Product, the proprietary position of such Product, the regulatory structure involved with respect to such Product, the profitability of such Product (including pricing and reimbursement status and the amounts of marketing and promotional expenditures), and other relevant factors, including comparative technical, legal, scientific, or medical factors. Commercially Reasonable Efforts shall be determined on a country-by-country basis. References in this Agreement to “ **commercially reasonable** ” and similar formulations shall be deemed to incorporate the standard set forth in this definition of “ **Commercially Reasonable Efforts** .”

1.22 “ **Compound** ” means the compound known as (R)-8-chloro-1-methyl-2,3,4,5-tetrahydro-1H-3-benzazepine, in the hydrochloride hemihydrate form, or any other specific pharmaceutically acceptable salt, hydrate, solvate or crystalline polymorph of such compound.

1.23 “ **Confidential Information** ” has the meaning set forth in Section 14.1(a).

1.24 “ **Continuation Period** ” means the Initial Continuation Period and, if Eisai exercises its right to extend the Continuation Period in accordance with Section 2.2, the Continuation Period Extension.

1.25 “ **Continuation Period Extension** ” means the period commencing on the expiration of the Initial Continuation Period and expiring six months thereafter, subject to earlier termination pursuant to Section 15.2.

1.26 " **Control** " (including any variations such as " **Controlled** " and " **Controlling** "), in the context of materials, Patents, Know-How or regulatory filings (including specific Confidential Information), means that the applicable Party or its Affiliate owns or has a license (but excluding license rights granted to such Party by the other Party) to such materials, Patents, Know-How or regulatory filings and has the ability to grant to the other Party the applicable license (or sublicense, as applicable) or right to use such materials, Patents, Know-How or regulatory filings under this Agreement without violating the terms of an agreement with a Third Party.

1.27 " **Controlling Affiliate** " means, with respect to a Party, an Affiliate of such Party that controls (within the meaning given under the definition of "Affiliate") such Party.

1.28 "Co-Promotion Partner" means any Person other than an Eisai Affiliate engaged by Eisai or by any other Co-Promotion Partner to provide promotional or marketing activities (including detailing to prescribers), in collaboration with and as prescribed by Eisai or such other Co-Promotion Partner, to assist in the promotion of sales of Product in a particular country (or countries) in the Territory (either on a co-promotion or co-marketing basis), but excluding Distributors and Sublicensees in the applicable country.

1.29 " **Designated Distributor** " means with respect to the supply of Finished Product for use or sale in (a) the Republic of Korea, Ildong Pharmaceutical Co., Ltd; (b) Israel, the West Bank or the Gaza Strip, Abic Marketing Limited; or (c) Taiwan, CY Biotech Company Limited.

1.30 " **Development Data** " means, with respect to clinical trials and other development work conducted on a Product, all data, results, information and other Know-How generated from or related to such clinical trials and development work, including preclinical, non-clinical and clinical data, reports and information, protocols, statistical analysis plans, methods, and Batch Records for all Products used in such work.

1.31 " **Disclosing Party** " has the meaning set forth in Section 14.1(a).

1.32 " **Distributor** " means any of the Designated Distributors and any Third Party that Eisai or any Distributor appoints to market, promote, sell and distribute Product in a country (or countries) in the Territory, pursuant to the terms of the Transaction Agreement. For clarity, (a) any such Third Party appointed to market, promote, sell and distribute Product shall constitute a Distributor only during the term of such appointment and (b) Eisai is deemed to have appointed the Designated Distributors as Distributors effective as of the Effective Date .

1.33 "Domain Name " means a combination of alpha-numeric characters in combination with a top-level domain name.

1.34 " **Eisai Facility** " means Eisai's manufacturing facility at Kawashima, Japan or such other manufacturing facility as Eisai may designate.

1.35 " **Eisai Indemnitees** " has the meaning set forth in Section 13.2.

1.36 " **Eisai Materials** " has the meaning set forth in Section 11.1(a).

1.37 " **Eisai Related Party** " means any Affiliate of Eisai or any Distributor or Sublicensee.

1.38 " **Eisai Technology** " means all Know-How and all Patents Controlled by Eisai or its Affiliates that are necessary or reasonably useful to Manufacture or supply Product under this Agreement.

1.39 " **Eisai Territory** " means the world other than the Republic of Korea, Taiwan, Israel, the West Bank and the Gaza Strip.

1.40 " **Excess Order** " has the meaning set forth in Section 4.4 .

1.41 "Existing Agreement" has the meaning set forth in the recitals to this Agreement.

1.42 " **Facility** " means Arena's manufacturing facility located in Zofingen, Switzerland.

1.43 " **Facility Acquisition** " has the meaning set forth in Section 2.1.

1.44 " **Facility Licenses** " has the meaning set forth in Section 7.1.

1.45 " **FDA** " means the United States Food and Drug Administration or its successor.

1.46 " **FFDCA** " means the United States Federal Food, Drug, and Cosmetic Act, 21 U.S.C. 301, et seq., as it may be amended from time to time, and the rules, regulations, guidances, guidelines, and requirements promulgated or issued thereunder.

1.47 " **Finishing Activities** " means with respect to Bulk Product, the activities necessary to pack, label and release such Bulk Product so that it can be delivered as Finished Product (in accordance with the Purchase Order).

1.48 " **Finished Product** " means, with respect to a particular Supplied Product and country in the Territory, (a) if such Supplied Product is to be sold to end-users in such country, such Supplied Product in final form ready for sale to the end user in such country, (b) if such Supplied Product is to be used for clinical trials or other development work in such country, such Supplied Product in final form ready for such clinical trials or other development work, (c) if such Supplied Product is to be used as a sample in such country, such Supplied Product in final form ready for distribution as a sample in such country or (d) if such Supplied Product is to be used as part of a compassionate use, named patient use or indigent patient program in such country, such Supplied Product in final form ready for such compassionate use, named patient use or indigent patient program in such country, in each case ((a) - (d)), in appropriate final packaging and labeling, subject to Section 5.2.

1.49 " **Forecast** " has the meaning set forth in Section 4.1.

1.50 " **GAAP** " means generally accepted accounting principles in the Territory, or internationally, as appropriate, consistently applied, and means international financial reporting

standards (“ **IFRS** ”) at such time as IFRS becomes the generally accepted accounting standard and Applicable Laws require that a Party use IFRS.

1.51 “ **Good Manufacturing Practices** ” or “ **GMP** ” means the then-current good manufacturing practices required by the FDA, as set forth in the FFDCA for the manufacture and testing of pharmaceutical materials, including as set forth in 21 U.S.C. section 351 and 21 C.F.R. Parts 210 and 211, and comparable laws or regulations applicable to the manufacture and testing of pharmaceutical materials in other countries in the Territory outside of the United States, as they may be updated from time to time. Good Manufacturing Practices shall include applicable quality guidelines promulgated under the ICH.

1.52 “ **Governmental Entity** ” means any nation, state, province, county, city or political subdivision, any supranational organization of sovereign states, and any official, agency, arbitrator, authority, court, department, commission, board, bureau, instrumentality or other governmental, quasi-governmental or Regulatory Authority thereof, whether domestic or foreign.

1.53 “ **ICH** ” means the International Conference on Harmonization (of Technical Requirements for Registration of Pharmaceuticals for Human Use).

1.54 “ **Indemnitee** ” has the meaning set forth in Section 13.3(a).

1.55 “ **Indemnitor** ” has the meaning set forth in Section 13.3(a).

1.56 “ **Indication** ” means the diagnosis, treatment, prevention or amelioration of any disease or condition for which an NDA or similar regulatory filing may be filed and approved.

1.57 “ **Initial Continuation Period** ” the period commencing on the Effective Date and expiring 24 months thereafter, subject to earlier termination pursuant to Section 15.2.

1.58 “ **Initial Formulation** ” means the pharmaceutical product in solid, oral tablet form containing 10mg of the Compound as its sole active pharmaceutical agent as described in the Initial Product NDA as of the Effective Date.

1.59 “ **Initial Product** ” means the Initial Formulation as indicated for the Indication(s) that, as of the Effective Date, is (are) the subject of the Initial Product NDA.

1.60 “ **Initial Product NDA** ” means NDA22529.

1.61 “ **Inventory** ” has the meaning set forth in Section 11.1(a).

1.62 “ **Initial Term** ” has the meaning set forth in Section 15.1.

1.63 “ **Know-How** ” means all tangible and intangible scientific, technical, trade, financial or business information and materials, including compounds, compositions of matter, formulations, techniques, processes, methods, trade secrets, formulae, procedures, tests, data, results, analyses, documentation, reports, information (including pharmacological, toxicological, non-clinical (including chemistry, manufacturing and control)), and clinical test design, methods,

protocols, data, results, analyses, and conclusions, quality assurance and quality control information, regulatory documentation, information and submissions pertaining to, or made in association with, filings with any Regulatory Authority, product life cycle management strategies, knowledge, know -how, skill, and experience, and all other discoveries, developments, inventions (whether or not confidential, proprietary, patented or patentable), and tangible embodiments of any of the foregoing. For clarity, Know-How does not include Trademarks.

1.64 " **Launch Forecast** " has the meaning set forth in Section 4.3.

1.65 " **Lien** " means any lien, pledge, mortgage, encumbrance, or other security interest of any kind, whether arising by contract or by operation of Applicable Law.

1.66 " **Losses** " has the meaning set forth in Section 13.1.

1.67 " **Manufacture** " means all activities related to the production, manufacture, processing, filling, finishing, testing in support of manufacturing (including release and stability testing), releasing, packaging, or labelling of a Product or any intermediate thereof, including process development, process qualification and validation, scale-up, and commercial manufacture and quality assurance and quality control (and " **Manufactured** " shall be interpreted accordingly).

1.68 " **Manufacturing Process** " shall mean all processes, procedures, methods and controls related to the Manufacture of each presentation of the Product, or any intermediates thereof, that are used by, or on behalf of, Arena or its Affiliates (including by any of their sub-contractors or suppliers).

1.69 " **Manufacturing SOPs** " means , with respect to a particular Product being supplied by Arena to Eisai under this Agreement , the specific methods, techniques, processes and standard operating procedures (including Quality Control Procedures) that are used by or on behalf of Arena in manufacturing such Product.

1.70 " **Master Batch Records** " means the master batch records for Arena's (or its designee's) manufacturing of a specific Product, as established in accordance with the applicable Quality Agreement, including the applicable Manufacturing SOPs, the in-process testing and QA/QC testing for such Product, which records are to be used in the manufacture by or on behalf of Arena of such Product for supply to Eisai under this Agreement.

1.71 " **Month A** " has the meaning set forth in Section 11.3(a).

1.72 " **Month B** " has the meaning set forth in Section 11.3(a).

1.73 " **NDA** " means a New Drug Application (including an Abbreviated New Drug Application) as described in 21 C.F.R. § 314.50, et seq., and all amendments and supplements thereto, that is filed with the FDA, and its equivalent in other countries or regulatory jurisdictions outside the United States, in each case including all documents, data, and other information concerning the applicable product filed therewith .

1.74 " **Non-Conforming Product** " has the meaning set forth in Section 6.5.

1.75 " **Once-Daily Product** " means a once-daily oral tablet formulation that contains the Compound as its sole active pharmaceutical agent.

1.76 " **Optional Change** " has the meaning set forth in Section 7.4.

1.77 " **Order Acceptance** " has the meaning set forth in Section 4.4.

1.78 " **Order Commitment** " has the meaning set forth in Section 4.2.

1.79 " **Ordinary Course of Business** " means the ordinary course of business in substantially the same manner as presently conducted and consistent with past practice and in compliance with Applicable Law as determined from the perspective of an on-going owner-operator of the Purchased Assets.

1.80 " **Original Agreement** " has the meaning set forth in the recitals to this Agreement.

1.81 " **Package Insert** " means (a) any display of written, printed or graphic matter affixed upon the immediate container, outside container, wrapper or other packaging of any Finished Product or (b) any written, printed or graphic material on or within the package from which any Finished Product is to be dispensed.

1.82 " **Patent(s)** " means (a) all patents, certificates of invention, applications for certificates of invention, priority patent filings and patent applications, including provisional patent applications, (b) any renewal, division, continuation (in whole or in part), or request for continued examination of any of such patents, certificates of invention and patent applications, and any all patents or certificates of invention issuing thereon, and any and all extensions, divisions, renewals, substitutions, confirmations, registrations, revalidations, revisions, and additions of or to any of the foregoing, and (c) any patents or patent applications that are the subject of administrative proceedings before a jurisdiction's patent office, including reissues, reexaminations, oppositions, third party observations, post-grant reviews and inter partes review proceedings.

1.83 " **Permitted Lien** " means the following: (a) statutory Liens for Taxes not yet due or payable, (b) Liens for assessments and other governmental charges or Liens of landlords, carriers, warehousemen, mechanics and repairmen incurred in the Ordinary Course of Business, in each case for sums not yet due and payable, or due but not delinquent, or being contested in good faith by appropriate proceedings, (c) any Liens under the terms of the Third Party Distributor Agreements, and (d) Liens incurred in the Ordinary Course of Business in connection with workers' compensation, unemployment insurance and other types of social security.

1.84 " **Person** " means any individual, corporation, partnership, limited liability company, trust, Governmental Entity, or other legal entity of any nature whatsoever.

1.85 " **Product** " means Finished Product or Bulk Product.

1.86 " **Product Acceptance Tests** " means, with respect to a particular Product being supplied by Arena to Eisai under this Agreement, the specific tests (including release tests) to be

used to determine whether such Product manufactured by or on behalf of Arena conforms to the warranty set forth in Section 12.2 , which tests the Parties have established (and may amend from time to time if required) in accordance with the terms of the applicable Quality Agreement.

1.87 " **Product Purchase Price** " means the applicable purchase price for any ordered Product as determined under Section 11.4.

1.88 " **Product Trademark** " means any Trademark for the Commercialization of a Product in any country (a) that includes a brand name or (b) that covers a logo that is used in conjunction with a brand name to form a brand signature or "logo lock up" (*e.g.,* the "genie" logo used with BELVIQ® in the United States as of the Effective Date).

1.89 " **Proposed Response** " has the meaning set forth in Section 7.3(b).

1.90 " **Purchased Assets** " means all of Arena's right, title and interest in, to and under the following: (i) the Purchased Know-How, (ii) the Purchased Trademarks, (iii) the Purchased Records, (iv) the Purchased Validation Materials, (v) the exclusive ownership of and all rights to (including the right to use) and in the Purchased Domain Names and (vi) all rights in the Third Party Distributor Agreements, including all rights to assert claims and take other actions in respect of breaches or other violations thereof on or after the Effective Date (but for clarity excluding any rights to enforce (1) rights to indemnification from a Designated Distributor relating to matters occurring in the period before the Effective Date, including in respect of claims that arise after the Effective Date with respect to such matters) or (2) breaches of the indemnification obligations of a Designated Distributor relating to matters occurring in the period before the Effective Date, including in respect of claims that arise after the Effective Date with respect to such breaches).

1.91 " **Purchased Domain Names** " means all Domain Names owned by Arena as of the Effective Date that contain in whole or in part (a) any Product Trademark, (b) the generic name for an active pharmaceutical ingredient in any Product (for example, "lorcaserin"), or (c) any other word, name, or mark confusingly similar to the foregoing, including a Domain Name containing an intentional misspelling.

1.92 " **Purchased Know-How** " means all Know-How owned by Arena as of the Effective Date that is related solely to the Compound or Product, as such Compound or Product exists as of the Effective Date or existed prior thereto, including the composition, manufacture or use thereof.

1.93 " **Purchased Records** " means those Records owned by Arena as of the Effective Date that are related solely to the Compound, Product, Inventory, Purchased Know-How, Purchased Trademarks, Purchased Validation Materials or the Purchased Domain Names, but excluding any Records to the extent including or referencing data and information relating to the performance of obligations or exercise of rights under any Third Party Distributor Agreement before the Effective Date or any claim or demand that a Designated Distributor or Arena or its Affiliate may have against the other that relates to matters under any Third Party Distributor Agreement arising before the Effective Date.

1.94 " **Purchased Trademarks** " means any and all Trademarks owned by Arena as of the Effective Date and related solely to the Products in the Territory, including the Trademarks set forth on Schedule 1.94.

1.95 " **Purchased Validation Materials** " means the Validation Materials owned by Arena as of the Effective Date that are related solely to the Compound or Product.

1.96 " **Purchase Order** " means a written order submitted by Eisai or a Designated Distributor to Arena, in a form reasonably acceptable to Arena, for Arena to manufacture (or have manufactured) and deliver, and Eisai to purchase, a specific quantity of a particular Product, as provided in Section 4.4 or Article 9.

1.97 " **Quality Agreement** " means each quality agreement between (a) the Parties or (b) Arena and any Designated Distributor and, if applicable, Eisai, in each case (a) and (b) related to the Supplied Products, including the quality agreement between the Parties dated as of June 19, 2012, containing or referring to the agreed policies, procedures, and standards, which shall be customary and reasonable, by which the Parties will coordinate and implement the operational and quality assurance activities needed to efficiently achieve regulatory compliance objectives with respect to manufacturing and supply by Arena of the Products, as the same may be amended from time to time.

1.98 " **Quality Control Procedures** " has the meaning set forth in Section 6.2.

1.99 " **Receiving Party** " has the meaning set forth in Section 14.1(a).

1.100 " **Recipient** " has the meaning set forth in Section 14.1(a).

1.101 " **Records** " means all books, records, files, documents, correspondence, and manuals, or portions thereof, in each case only to the extent data and information included or referenced therein relates to the Compound or any Product, the Inventory, Third Party Distributor Agreements, Purchased Know-How, Purchased Trademarks, Purchased Validation Materials or Purchased Domain Names (including regulatory, financial, research and development and expense records, correspondence and, to the extent not originals, complete and accurate copies of all files relating to the filing, prosecution, issuance, maintenance, enforcement or defense of any Purchased Trademarks, copyrights or other intellectual property rights within the Purchased Know-How, records and documents related to research and pre-clinical and clinical testing and studies for the Compound or the Products, including laboratory notebooks, procedures, tests, dosages, criteria for patient selection, safety and efficacy and study protocols, investigators brochures and all pharmacovigilance and other safety records) that are maintained by Arena on the Effective Date and necessary for, or are as of the Effective Date or were at any time during the 24-month period prior to the Effective Date used for, the development, manufacture or Commercialization of any Product in any country in the Territory, in all forms, including electronic, in which they are stored or maintained. For clarity, to the extent books, records, files, documents, correspondence and manuals, or portions thereof, include data and information unrelated to the Compound or any Product, the Inventory or any Third Party Distributor Agreements, Purchased Know-How, Purchased Trademarks, Purchased Validation Materials or Purchased Domain Names, such unrelated data and information will not be

considered Records. In addition, Records does not include any books, records, files, documents, correspondence or manuals, or portions thereof, that are subject to an attorney-client privilege or that are attorney work product.

1.102 "Regulatory Approval" means, with respect to a Product to be sold for use in a particular country in the Territory: (a) as to the United States, approval by the FDA of the NDA covering such Product in the United States and, if applicable, all necessary approvals or authorizations by the U.S. Drug Enforcement Administration (or its successor) necessary to sell such Product in the United States; and (b) as to a country in the Territory other than the United States, all approvals, registrations, authorizations and licenses by the Regulatory Authorities in such country necessary to sell such Product in such country.

1.103 " **Regulatory Authority** " means , as to a particular country, any national, regional, state or local regulatory agency, department, bureau, commission, council or other Governmental Entity whose review, approval or authorization is necessary for the manufacture, packaging, use, storage, import, export, distribution, promotion, marketing, offer for sale or sale of a Product in such country . In the event that governmental approval is required for pricing or reimbursement for a Product in a country in the Territory to be reimbursed by national health insurance (or its local equivalent), " **Regulatory Authority** " shall also include any national, regional, state or local regulatory agency, department, bureau, commission, council or other Governmental Entity whose approval or authorization of pricing or reimbursement is required.

1.104 " **Regulatory Standards** " has the meaning set forth in Section 6.2.

1.105 " **Related Documents** " means, other than this Agreement, all agreements, certificates and documents signed and delivered by either Party in connection with this Agreement, excluding the Transaction Agreement.

1.106 " **Representatives** " has the meaning set forth in Section 3.1(b).

1.107 " **Required Change** " has the meaning set forth in Section 7.4.

1.108 " **Restated Agreement** " has the meaning set forth in the recitals to this Agreement.

1.109 " **Retention Bonus Payment Date** " has the meaning set forth in Section 11.2(a)(i).

1.110 " **Retention Policy** " means the retention policy for Arena's manufacturing personnel as agreed by the Parties as of the Effective Date, as may be amended during the Term by written agreement of the Parties.

1.111 " **Run-off Period** " means a period of two weeks following the end of the Continuation Period, or such longer period as agreed by the Parties in writing, such agreement to include Eisai's payment for Arena's costs to operate the applicable portion of the Facility during such extension.

1.112 " **Senior Executives** " means the Chairman of the Managing Directors of Arena and the President of Eisai.

1.113 " **Shortfall** " has the meaning set forth in Section 11.4(d).

1.114 " **Shortfall Price** " has the meaning set forth in Section 11.4(d).

1.115 " **Specifications** " means, with respect to a particular Product to be sold or used in a particular country in the Territory, the specifications, characteristics, qualities and labeling and packaging requirements established in writing for such Product, in accordance with the applicable Quality Agreement and, if applicable, in conformance with the Regulatory Approval for the applicable Product in such country and Applicable Laws in such country, with which such Product must conform (including release criteria and associated analytical methods) when delivered by Arena to Eisai under this Agreement, and as the same may be amended from time to time under the terms of the applicable Quality Agreement.

1.116 " **Specified Date** " means July 1, 2016.

1.117 " **Sublicense** " means a sublicense granted by Eisai under the license granted to it by Arena under this Agreement with respect to the Compound or Product, or a license granted by Eisai under the Purchased Know-How, Purchased Validation Materials, Purchased Trademarks, Purchased Domain Names or Purchased Records, to a Sublicensee or an Affiliate of Eisai, or granted by any Sublicensee or Affiliate of Eisai under the sublicense granted to such Person under the license granted to Eisai under this Agreement or the license granted to such Person under such Purchased Assets .

1.118 " **Sublicensee** " means any Person other than Eisai and its Affiliates to whom Eisai or its Affiliate, or any Sublicensee, has granted a sublicense under the license granted to it in this Agreement or under any Sublicense, as applicable, or a license or sublicense under the Purchased Know-How, Purchased Validation Materials, Purchased Trademarks, Purchased Domain Names or Purchased Records, with respect to any Product in any country (or countries) in the Territory, pursuant to the terms of Section 3.8. For clarity, any such Person shall constitute a Sublicensee only during the term of the sublicense granted to such Person.

1.119 " **Supplied Product** " means each of (a) the Initial Product and (b) the Once-Daily Product.

1.120 " **Supply Problem** " has the meaning set forth in Section 11.3(a).

1.121 " **Tax** " or " **Taxes** " means any and all taxes, assessments, levies, tariffs, duties or other charges or impositions in the nature of a tax (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Entity, including income, estimated income, gross receipts, profits, business, license, occupation, franchise, capital stock, real or personal property, sales, use, transfer, value added, employment or unemployment, social security, disability, alternative or add-on minimum, customs, excise, stamp, environmental, commercial rent or withholding taxes, and shall include any liability for Taxes of any other Person under Applicable Law, as a transferee or successor, by contract or otherwise.

1.122 " **Technology Transfer** " has the meaning set forth in Section 3.1 .

1.123 " **Technology Transfer Plan** " means the plan for the transfer of the Manufacturing Process to Eisai or its Affiliate or a Third Party contractor agreed by the Parties, as such plan may be amended from time to time by written agreement of the Parties.

1.124 " **Term** " has the meaning set forth in Section 15.1.

1.125 " **Territory** " means all countries and territories of the world, excluding, following Arena's receipt of written notice thereof from a party to the Transaction Agreement, any country for which the Transaction Agreement is terminated.

1.126 " **Testing Laboratory** " has the meaning set forth in Section 6.6.

1.127 " **Third Party** " means any Person other than Arena, Eisai, and their respective Affiliates **.**

1.128 "Third Party Claim " has the meaning set forth in Section 13.1.

1.129 " **Third Party Distributor Agreement** " means, as amended, supplemented or modified as of the Effective Date, each of (a) the Marketing and Supply Agreement by and between Arena and Abic Marketing Limited, dated July 21, 2014, (b) the Marketing and Supply Agreement by and between Arena and CY Biotech Company Limited, dated July 24, 2013, and (c) the Marketing and Supply Agreement by and between Arena and Ildong Pharmaceutical Co., Ltd., dated November 6, 2012.

1.130 " **Trademark** " means any word, name, symbol, color, designation or device or any combination thereof, including any trademark, trade dress, brand mark, service mark, trade name, brand name, logo or business symbol, whether or not registered.

1.131 " **United States** " means the United States of America and its territories and possessions, including Puerto Rico and the District of Columbia.

1.132 " **Validation Materials** " means those documents, samples and standards, including equipment qualification, validation methods, protocols and reports, master batch records, stability study reports, compatibility studies, specifications, samples used during validation, stability samples and reference standards, not included in the other Purchased Assets or in the Arena Licensed Know-How or Arena Licensed Records, that are used to provide documented evidence that the manufacturing process for the Products and analytical methods used to release starting materials, intermediates and final Products are validated.

2. SUPPLY OBLIGATIONS

2.1 Manufacture and Supply Commitment . In accordance with the terms and conditions of this Agreement, Arena shall use Commercially Reasonable Efforts to supply, or cause to be supplied, to Eisai between […***…]% and […***…]% of the amounts of the Initial Product and the Once-Daily Product ordered by Eisai or a Designated Distributor in accordance with the forecasting and ordering provisions of Article 4 or Article 9 during the Term, and to deliver such Supplied Product during the Term. During the Continuation Period, Eisai shall order from Arena (a) at least […***…] tablets of Product in total for supply to Eisai (or a Designated Distributor), and (b) at least […***…] tablets of Product per Calendar Quarter for supply to Eisai (or a Designated Distributor). During the Continuation Period, if Eisai requires Product above and beyond (i) the […***…] tablets of Product specified in the immediately preceding sentence; (ii) any process validation Batches manufactured at the Eisai Facility; and (iii) after the Technology Transfer, […***…] tablets of Product manufactured per Calendar Quarter at the Eisai Facility, Eisai shall order from Arena such additional Product. If this Agreement is assigned by Arena to an acquiror of the Facility in accordance with Section 16.3, or if Arena is acquired by a Third Party (the effective date of such assignment or acquisition, a " **Facility Acquisition** "), then during the Term after the Continuation Period, Eisai shall order and purchase from Arena at least the lesser of (A) […***…]% of Eisai's and the Eisai Related Parties' requirements of Products, as measured by the total amount of Product on tablet basis manufactured by Arena, Eisai and the Eisai Related Parties (including at the Eisai Facility), or manufactured by a Third Party for Eisai or the Eisai Related Parties and (B) […***…] tablets of Product, in either case ((A) or (B)), on a Calendar Year basis (prorated for any partial Calendar Year). Notwithstanding the foregoing, if at any time during the Term after a Facility Acquisition there are […***…] Supply Problems in any 12-consecutive month period then Eisai shall no longer have any obligations under this Section 2.1 to purchase any minimum amount of Product from Arena.

2.2 Facility Operation; Extension; Run-off . Arena shall maintain the Facility in operation in accordance with Section 7.1 during the Term. If a Facility Acquisition has not occurred by the date that is six months prior to the end of the Initial Continuation Period, then Eisai may extend the Continuation Period to include the Continuation Period Extension by written notice to Arena delivered no later than six months prior to the end of the Initial Continuation Period. If (a) no later than six months prior to the termination of the Continuation Period, a Facility Acquisition has not occurred and Eisai requests by written notice to Arena to include the Run-off Period and (b) Arena Manufactures Bulk Product during the Continuation Period but has not delivered such Bulk Product or Product Manufactured using such Bulk Product prior to the expiration of the Continuation Period, then Arena will undertake any remaining Finishing Activities with respect to such Bulk Product during the Run-off Period to deliver any Finished Product; provided that (A) five employees having the positions (or comparable positions in the same functional area) identified in Exhibit B (or such other positions as may be reasonably acceptable to Eisai), and/or consultants having comparable experience and expertise, as may be reasonably acceptable to Eisai, shall conduct activities during the Run-off Period, and Arena shall use Commercially Reasonable Efforts to retain (or replace) such employees or consultants such that they will be available to conduct Finishing Activities during the Run-off Period, and (B) in no event will Arena be required to conduct any Finishing Activities during the Run-off Period that would require the use of any areas of the Facility except for a small conference room or equivalent, unless the Parties agree otherwise in writing, such agreement to include payment by Eisai for Arena's operation of the Facility in excess of the foregoing limitations. Concurrent with its written request to include the Run-off Period, Eisai shall pay to Arena CHF […***…].

2.3 License to Arena . Eisai hereby grants to Arena during the Term a royalty-free, fully-paid, non-exclusive, worldwide license, with the right to grant sublicenses solely to permitted subcontractors, under the Eisai Technology solely to manufacture and supply, or have manufactured and supplied, Products in the Territory pursuant to the terms of this Agreement.

2.4 Subcontracting . Each Party may subcontract its obligations under this Agreement to the extent expressly permitted under this Agreement; provided, that with respect to all subcontractors: (a) none of the other Party's rights hereunder are materially diminished or otherwise materially adversely affected as a result of such subcontracting; (b) the subcontractor undertakes in writing reasonable and customary obligations of confidentiality and non-use; (c) except as expressly contemplated in Section 3.8(a), the subcontractor does not have the right to further subcontract such obligation unless agreed by the other Party; (d) the subcontracting Party shall remain responsible and liable for the performance by any subcontractor of its obligations under this Agreement; and (e) such permitted subcontracting shall not relieve the subcontracting Party of any liability or obligation under this Agreement, except to the extent satisfactorily performed by such subcontractor. In the event a Party performs any of its obligations under this Agreement through a subcontractor, then such Party shall at all times be fully responsible for the performance and payment of such subcontractor. The termination of the engagement of, or termination of the appointment of, any subcontractor of a Party shall not release such Party from any liability or obligation that, at the time of such termination, has already accrued to such Party with respect to the subcontractor, nor will any such termination of such an engagement or termination of an appointment preclude the other Party from pursuing all rights and remedies it may have under this Agreement, at law or in equity, with respect to the subcontractor and its acts and omissions. Eisai may subcontract its obligations under this Agreement to any Affiliate or Third Party.

2.5 Modifications to Manufacturing Process . Arena shall use reasonable efforts to avoid modifying the manufacturing process for the Initial Product in a manner that Arena knows will or is likely to infringe the Patents of a Third Party.

3. Technology Transfer ; Purchase and Sale; License

3.1 Technology Transfer. Promptly after the Effective Date, Arena shall commence conducting a technology transfer to Eisai or its Affiliate or Third Party designee agreed by the Parties, in accordance with the Technology Transfer Plan, of all Arena Know-How necessary to enable Eisai to Manufacture or have Manufactured the Initial Product and Once-Daily Product according to the Manufacturing Processes used by Arena at the Effective Date or at any time during the 24-month period prior to the Effective Date (the " **Technology Transfer** ") . Upon Eisai's request during the Term, Arena shall provide Eisai with physical copies of any such written Arena Know-How, at Eisai's expense. The Parties shall use diligent efforts to complete the Technology Transfer, as soon as practicable, and in any event sufficiently in advance of the expiration of the Continuation Period for Eisai to be able to manufacture (or have manufactured) the Initial Product and Once-Daily Product by the expiration of the Continuation Period. Further, upon request by Eisai, Arena shall use Commercially Reasonable Efforts to take such additional steps as may be reasonably requested by Eisai to facilitate Eisai's manufacture of three process validation Batches for each of the Initial Product and Once-Daily Product at the Eisai Facility meeting the release testing parameters in the applicable Specifications. Without limiting the generality of the foregoing, Arena will, and will cause its Affiliates to:

(a) perform the Technology Transfer with customary professional standards, in a good scientific manner, and in compliance with all Applicable Laws;

(b) cause a reasonable number of appropriate employees and representatives of Arena and its Affiliates to meet with employees or consultants of Eisai or its Affiliate or Third Party designee (" **Representatives** "), from time to time at the Facility or, pursuant to Section 3.3, at the Eisai Facility as reasonably requested by Eisai, to the extent such meetings do not interfere with such Arena employees' and representatives' ability to conduct their responsibilities at the Facility or otherwise for Arena and its Affiliates, to assist with the Technology Transfer, Manufacturing of the Initial Product and Once-Daily Product at the Eisai Facility (as required to validate such facility) and training of any Representatives to the extent reasonably necessary to enable Eisai, its Affiliate or its Third Party designee to Manufacture the Initial Product and Once-Daily Product in accordance with the Specifications; and

(c) take such steps as Eisai reasonably requests to assist Eisai in obtaining or maintaining any necessary license, permit or approval from any Regulatory Authority with respect to Eisai or its Affiliate or Third Party designee's Manufacture of Supplied Product.

3.2 Person in Facility. Eisai may place a reasonable number of Representatives on-site at the Facility during normal business hours during the Term, for the purpose of assisting with the Technology Transfer and overseeing the supply of Product in accordance with this Agreement. Eisai's selection of its Representatives will be subject to Arena's reasonable consent. Eisai will ensure that its Representatives operate in a manner as not to interfere with operations at the Facility. Eisai's Representatives will have access to Supplied Product documentation and to Arena's production and quality control areas when in use for the Supplied Product only, and will not have access to any area of the Facility when used for products other than Supplied Products. Eisai will require its Representatives to comply with policies and standard operating procedures established by Arena and applicable to the Facility, including security procedures, and provided that such policies and procedures are made available to the Representatives in writing, reasonably in advance, Eisai will be responsible for any noncompliance by its Representatives. As between the Parties, Eisai will be responsible for all costs incurred by its Representatives in connection with its activities under this Section 3.2 .

3.3 Person in Eisai Facility. At Eisai's reasonable request, Arena, reasonably taking into account Arena's other commitments, will make a reasonable number of suitably qualified employees reasonably acceptable to Eisai available for certain week-long periods (within a window of three-week time frames acceptable to Eisai and included in such request) at the Eisai Facility to assist Eisai to establish or validate the Manufacturing process for Products at the Eisai Facility. Arena will ensure that any representative on-site at the Eisai Facility operates in a manner as not to interfere with operations at the Eisai Facility, complies with policies and standard operating procedures established by Eisai and applicable to the Eisai Facility, including security procedures, and provided that such policies and procedures are made available to Arena's Representatives in writing, reasonably in advance, Arena will be responsible for any noncompliance by its Representatives.

3.4 Assistance with Regulatory Know-How. Arena shall reasonably cooperate with any reasonable requests for assistance from Eisai with respect to obtaining or maintaining any Regulatory Approval of a Product in the Territory, including by making a reasonable number of its employees, consultants and other staff reasonably available upon reasonable notice during normal business hours, and reasonably taking into account Arena's other commitments, to answer queries relating to Development Data, the Manufacture of Product or any chemistry, manufacturing and controls data.

3.5 Technology Transfer Payments . On a monthly basis during the Term, Arena shall invoice Eisai for all reasonable and verifiable (a) travel costs incurred by Arena personnel in connection with travel to and attendance at the Eisai Facility (or elsewhere, as reasonably required for the Technology Transfer) during the preceding month, provided that such costs have been approved by Eisai in advance, and (b) Third Party costs incurred by Arena to conduct activities under the Technology Transfer Plan, provided that any such Third Party costs above US$[…***…] have been approved by Eisai in advance. Eisai shall pay each such invoice within 30 days after receipt thereof. Such payments are not refundable or creditable against any other payments owed or payable by Eisai to Arena under this Agreement or other written agreement between Arena or any of its Affiliates and Eisai.

3.6 Purchase and Sale of Assets .

(a) Pursuant to the terms and subject to the conditions of this Agreement, on the Effective Date, Arena shall sell, convey, deliver, transfer and assign to Eisai or Eisai's designee, free and clear of all Liens (other than Permitted Liens), and Eisai shall purchase, take delivery of and acquire from Arena, all of Arena's right, title and interest in, to and under the Purchased Assets. In consideration of the sale, conveyance, delivery, transfer, and assignment of the Purchased Assets to Eisai, the license of the Arena Licensed Know-How and the Arena Licensed Records and Arena's other covenants and obligations hereunder, pursuant to the terms and subject to the conditions hereof, Arena is released of its obligations under the Existing Agreement.

(b) Eisai shall not acquire from Arena pursuant to this Agreement any assets of Arena that are not specifically included in the Purchased Assets.

(c) Pursuant to the terms and subject to the conditions of this Agreement, on the Effective Date, Arena shall sell, convey, transfer and assign to Eisai, and Eisai shall assume from Arena, the Assumed Liabilities.

(d) Eisai shall not be the successor to Arena, and Eisai expressly does not assume any liabilities, obligations or commitments of Arena (other than Assumed Liabilities), whether accrued or fixed, absolute or contingent, known or unknown, determined or determinable, or otherwise (and whether due or to become due). The preceding sentence shall not be construed to, and is not intended to, limit or otherwise affect Eisai's indemnification obligations under Article 13.

(e) Eisai shall reimburse all reasonable, documented out-of-pocket costs incurred by Arena to effect the assignment of the Purchased Trademarks and Purchased Domain Names to Eisai, within 30 days after receipt of each invoice from Arena for such costs.

3.7 Exclusive License . Subject to the terms and conditions of this Agreement, Arena hereby grants to Eisai during the term of the Transaction Agreement an exclusive (even as to Arena except as provided in Section 3.9) license, with the right to grant Sublicenses and to appoint Co-Promotion Partners and Distributors through multiple tiers as provided in Section 3.8, under Arena's rights in the Arena Licensed Know-How and the Arena Licensed Records to develop, make, have made, use, import, offer for sale, sell and otherwise Commercialize Products in the Territory. Eisai shall have the exclusive right in the Territory during the term of the Transaction Agreement to invoice and book all sales of Products. For clarity, Eisai may exercise any or all of its rights under this Section 3.7 through any Eisai Related Party. The rights granted in this Section 3.7 and elsewhere in this Agreement are subject to the rights and obligations set forth in the Third Party Distributor Agreements, as may be amended from time to time. Arena shall reasonably cooperate with Eisai to identify Arena Licensed Records which Eisai may need access to at any time during the term of the Transaction Agreement. As soon as reasonably possible following request by Eisai, Arena shall provide to Eisai a copy of any Arena Licensed Records so requested by Eisai; provided, that Arena may redact any information therein not related to the Compound or any Product; and provided, further, that, Eisai shall reimburse Arena for Arena's reasonable and documented out-of-pocket costs to provide such copies.

3.8 Sublicense Rights; Co-Promotion Partners and Distributors .

(a) Co-Promotion Partners, Sublicensees and Distributors. (i) Eisai shall have the right to appoint one or more Third Parties as Co-Promotion Partners to co-promote or co-market Products with Eisai in the Territory, to grant one or more Sublicenses in the Territory, or to appoint one or more Third Parties as Distributors to market, promote, sell and distribute the Products on Eisai's behalf in the Territory; and (ii) each such Co-Promotion Partner shall have the right to appoint additional Co-Promotion Partners, each such Distributor shall have the right to appoint additional Distributors, and each such Sublicensee or Affiliate shall have the right to grant further Sublicenses, in each case (i) and (ii), as and to the extent set forth below in this Section 3.8(a). Any such Third Party described in this Section 3.8(a) shall be a "subcontractor" of Eisai for which Eisai shall be responsible as provided in Section 2.4.

(i) In the U.S. Neither Eisai nor any Eisai Related Party or Co-Promotion Partner shall grant a Sublicense in the United States or appoint a Distributor or Co-Promotion Partner in the United States during the first [**…***…]** months after the Effective Date without Arena's prior written consent, which consent Arena may grant or withhold in its sole discretion. After such [**…***…]** month period, Eisai shall have the right to appoint a Third Party as a Co-Promotion Partner in the United States, to grant a Sublicense in the United States, and to appoint one or more Third Parties as Distributors in the United States (which may include development work on a Product in the United States), without Arena's prior written consent but on at least ten Business Days prior written notice to Arena. In addition, after such [**…***…]** month period, any Co-Promotion Partner shall have the right to appoint a Third Party as a Co-Promotion Partner in the United States, any Distributor shall have the right to appoint a Third Party as a Distributor in the United States, and any Sublicensee may grant further Sublicenses in the United States, in each case on at least ten Business Days prior written notice to Arena. During the first [**…***…]** months after the Effective Date Eisai shall notify Arena if it or its Affiliate or any Distributor or Co-Promotion Partner desires to appoint any such Distributor or Co-Promotion Partner, or if it or any Affiliate or Sublicensee desires to grant any such Sublicense, and upon such notice the Parties shall discuss in good faith the qualifications of such proposed Co-Promotion Partner, Sublicensee or Distributor and whether and under what conditions Arena would grant the right to use such Third Party to co-promote or co-market Products in the United States, to grant a Sublicense to such Third Party or to appoint such Third Party as a Distributor.

(ii) Outside the U.S. Eisai shall have the right to appoint a Third Party as a Co-Promotion Partner outside the United States, to grant a Sublicense in any country in the Territory outside the United States, and to appoint one or more Third Parties as Distributors in any country in the Territory outside the United States (which may include development work on a Product in such country), without Arena's prior written consent but on at least ten Business Days prior written notice to Arena. In addition, any Co-Promotion Partner shall have the right to appoint a Third Party as a Co-Promotion Partner outside the United States, any Distributor shall have the right to appoint a Third Party as a Distributor outside the United States, and any Sublicensee may grant further Sublicenses outside the United States, in each case on at least ten Business Days prior written notice to Arena.

3.9 Retained Rights . Arena retains (a) the right to practice the Arena Licensed Know-How and Arena Licensed Records as necessary to manufacture and supply, or have manufactured and supplied, Products in the Territory pursuant to this Agreement during the Term; (b) the exclusive right to practice and license the Arena Licensed Know-How and the Arena Licensed Records outside the scope of the licenses granted to Eisai under Section 3.7; and (c) the exclusive right to use the Arena Licensed Records in connection with any claim or demand that a Designated Distributor or Arena may have against the other to the extent it relates to matters under any Third Party Distributor Agreement occurring before the Effective Date .

3.10 No Implied Licenses. Except as expressly set forth herein, neither Party shall acquire any license or other right or interest, by implication or otherwise, under any intellectual property of the other Party. Each Party shall not, and shall not permit any of its Affiliates or sublicensees to, practice any Patents or Know-How licensed to it by the other Party outside the scope of the licenses granted to it under this Agreement.

3.11 Assignment of Purchased Intellectual Property . The Parties shall cooperate and work together in good faith on the recordation of the assignment of the Purchased Trademarks and Purchased Domain Names to Eisai as promptly as practicable following the Effective Date.

3.12 Cooperation in Litigation . From and after the Effective Date, Eisai and Arena shall reasonably cooperate with each other in the defense or prosecution of any legal proceedings instituted prior to the Effective Date or that may be instituted thereafter against or by such Parties relating to or arising out of the conduct of the Manufacture of the Products prior to or after the Effective Date (other than litigation between Eisai and Arena or their respective Affiliates arising out of the transactions contemplated hereby or by the Related Documents). Subject to Article 13, the Party requesting such cooperation shall pay the reasonable and verifiable out-of-pocket costs and expenses of providing such cooperation (including legal fees and disbursements) incurred by the Party providing such cooperation and by its officers, directors, employees and agents, and any applicable Taxes in connection therewith, but shall not be responsible for reimbursing such Party or its officers, directors, managers, employees or agents for their time spent in such cooperation; provided, however, that the amount of such time is reasonable and consistent with such individual's other obligations.

4. FORECASTS AND PURCHASE ORDERS

4.1 Forecasts . On the first day of each month during the Term (except for the last three months of the Term), Eisai shall provide Arena a good faith rolling forecast of anticipated deliveries of each Supplied Product for the Eisai Territory, in Finished Product or Bulk Product form, to be made during each month of the period covered by such forecast (broken down (a) on a country-by-country and packaging configuration-by-packaging configuration basis and (b) by quantities to be sold commercially, used in clinical trials or distributed as samples or as part of a compassionate use, named patient use or indigent patient program) (each, a " **Forecast** " for such Supplied Product). Each Forecast will commence with the month that is three months after the month in which it is delivered. The first three forecasts will cover a 21-month period. Each subsequent forecast will cover a period commencing with the month that is three months after the month in which it is delivered and ending with the earlier of (i) 21 months thereafter and (ii)

the final month of the Term. Each Forecast will specify, on a month-to-month basis during the period covered by the particular Forecast, the amounts of Product to be delivered in each month, the anticipated date of the corresponding Purchase Order and the requested delivery dates for each such delivery of Product; provided that the requested delivery dates must be within the Term. Each delivery specified in a Forecast for Initial Product for distribution in the United States shall be for a multiple of an aggregate of [**…***…]** tablets (or such other number as reasonably agreed by the Parties in writing), and each delivery specified in a Forecast for Once-Daily Product for distribution in the United States shall be for a multiple of an aggregate of [**…***…]** tablets (or such other number as reasonably agreed by the Parties in writing). Prior to the due date for the first Forecast for each Supplied Product in each country in the Territory, the Parties will agree upon the maximum number of tablets that may be ordered in the initial order of such Supplied Product in that country, and the minimum number of tablets required in each order for each packaging configuration of the Supplied Product in such country. The requested delivery dates for each delivery covered by a Forecast shall not be sooner than three months, or later than four months, after the anticipated order date specified in the Forecast; provided, that, if the Parties agree, Product may be delivered sooner than three months after the anticipated order date; and provided, further, that all delivery dates must be within the Term .

4.2 Binding Commitments . The first quarter (consecutive three-month period) of each Forecast shall be a binding commitment (the " **Order Commitment** " for the applicable Product for such quarter) on Eisai to place Purchase Orders, sufficiently in advance of such quarter as described in Section 4.1, to order the applicable Product, on a country-by-country, packaging configuration-by-packaging configuration and use-by-use basis, in amounts at least equal to the amounts forecast to be delivered, which commitment cannot be modified (absent Arena's written consent); provided, that, notwithstanding the foregoing, in no event shall Eisai be obligated to submit Purchase Orders for any quantities of Product for non-clinical purposes in a country if Regulatory Approval is not obtained in such country for the applicable Product. Each such Forecast shall otherwise be non-binding, except as provided below in this Section 4.2, but shall reflect Eisai's good faith expectation (at the time of submitting the Forecast) of the orders of Product and projected delivery dates during the period covered by the Forecast. In each Forecast, the total quantity of Product forecasted to be delivered by Arena during the first quarter in such Forecast may not vary (either up or down) by more than: (X) 25% from the amounts of such Product forecasted to be delivered for the quarter in the earlier Forecast in which such quarter was the second quarter of the Forecast; or (Y) 50% from the amounts of such Product forecasted to be delivered for the quarter in the earlier Forecast in which such quarter was the third quarter of the Forecast.

4.3 Launch Forecasts . Notwithstanding the forecasting process in Section 4.1 , the Parties acknowledge and agree that forecasting and ordering for the launch of the Initial Product and for the launch of the Once-Daily Product in any country in the Territory require the Parties to coordinate the launch requirements in advance of obtaining Regulatory Approval for such Supplied Product in the applicable country, and thus the Parties hereby agree to discuss reasonably and in good faith and to agree, at least two months prior to the expected date of Regulatory Approval of the Initial Product and of the Once-Daily Product in each country, on the binding forecast covering the orders to be placed by Eisai for amounts to be delivered in the first three months after such Regulatory Approval (such forecast, the " **Launch Forecast** " with respect to the applicable Supplied Product in the applicable country); provided, that, notwithstanding any Launch Forecast for a Supplied Product in a country, in no event shall Eisai be obligated to submit Purchase Orders for or purchase any quantities of such Supplied Product if Regulatory Approval is not obtained in such country for the applicable Supplied Product.

4.4 Orders . Subject to Section 9.2, to order Product for supply by Arena under this Agreement, Eisai shall submit to Arena a Purchase Order (which is deemed binding on Eisai) complying with the other applicable terms of this Agreement and specifying (a) the amount of Product ordered (broken down (i) on a country-by-country, and packaging configuration-by-packaging configuration basis and (ii) by quantities to be sold commercially (separate quantities for each different packaging configuration ordered), used in clinical trials or distributed as samples or as part of a compassionate use, named patient use or indigent patient program), (b) the requested delivery date (which shall be within the delivery time limitations specified in Section 4.1 above, unless otherwise agreed by Arena), (c) Eisai's order number, (d) name of Eisai's ordering legal entity and contact person for such entity, (e) Eisai's and Arena's material code and description for each packaging configuration, (f) artwork versions to be used and (g) any special requirements not covered by the product data sheet. Not later than 10 days after receipt of a Purchase Order, Arena shall confirm in writing its receipt of the Purchase Order (" **Order Acceptance** ") and the proposed delivery date, which will be within five days (before or after) the requested date, to Eisai in writing. Eisai shall notify Arena within five days after receipt of the Order Acceptance if such proposed delivery date is unworkable for Eisai, and in such event the Parties shall promptly discuss and seek to agree on an alternative delivery date. If Eisai does not respond within such five-day period, the proposed date will be the confirmed delivery date. For any Purchase Order that contains an Excess Order, Arena shall notify Eisai in the Order Acceptance whether Arena will be able to fulfill such Excess Order (or part thereof) and the expected delivery date for fulfillment. For any such Purchase Order submitted by Eisai, Arena shall be obligated to use Commercially Reasonable Efforts to supply to Eisai between [**…***…]** % and [**…***…]** % of the amount of Product covered by such Purchase Order by the confirmed delivery date; except that to the extent that such ordered amount, when combined with the total amounts of such Product previously ordered by Eisai during the same quarter, exceeds 125% of the Order Commitment for such Product in such quarter (such excess amount, the " **Excess Order** "), Arena shall not be obligated to fill any Purchase Orders to the extent of the Excess Orders therein. Eisai may order in a Purchase Order amounts of Product that are Excess Orders with respect to a particular quarter (i.e., that order amounts in excess of 125% of the Order Commitment for such quarter), and Arena shall use reasonable efforts to fill such Excess Orders. If there is any material conflict between a Purchase Order or an Order Acceptance and the terms and conditions of this Agreement, this Agreement prevails and such conflicting terms are rejected and of no effect, unless the Parties mutually agree otherwise in writing.

4.5 Alternative Forecasting and Order Processes . Following the Effective Date, Eisai and Arena agree to negotiate in good faith regarding the amendment of this Article 4 to revise the forecasting and ordering processes provided herein. If Eisai and Arena cannot agree on such amendments to this Article 4, then the forecasting and ordering processes as provided herein shall remain in effect for the remainder of the Term.

5. SHIPMENT AND DELIVERY

5.1 Delivery and Purchase . For each Purchase Order submitted by Eisai in accordance with Section 4.4 or submitted by Designated Distributors in accordance with the terms of the Third Party Distributor Agreements assigned to Eisai (except to the extent of Excess Orders that Arena does not fulfill), Arena shall use Commercially Reasonable Efforts to deliver to Eisai or the Designated Distributor between [**…***…]** % and [**…***…]** % of the specified amount(s) of Product conforming with the warranty set forth in Section 12.2, and Eisai shall be obligated to purchase and pay for the amount delivered up to [**…***…]** % of such specified amount of Product. Eisai or the Designated Distributor shall engage a common carrier, at Eisai's or the Designated Distributor's expense, to ship Product to Eisai or the Designated Distributor. Upon Eisai's or the Designated Distributor request, Arena shall assist Eisai in identifying a suitable common carrier. Title and risk of loss with respect to Product shall pass to Eisai, and delivery of such Product to Eisai for purposes of this Agreement shall be made, when Arena tenders such Product to Eisai's or the Designated Distributor's designated common carrier at Fiege Logistik (Schweiz) AG, Industriestrasse 11, CH-4665 Oftringen, Switzerland (or such other location in Switzerland designated by Arena in writing at least 15 days prior to the confirmed delivery date); provided, that with respect to any Compound and other precursor materials purchased by Eisai under Section 11.1, title and risk of loss shall pass to Eisai upon payment by Eisai under Section 11.1. Arena or the Designated Distributor, at its own expense, shall be responsible for clearing Product for export and obtaining any export licenses with respect thereto. Eisai or the Designated Distributor, at its own expense, shall be responsible for clearing Product for import and obtaining any import licenses with respect thereto. Arena shall use Commercially Reasonable Efforts to make each such delivery to Eisai or its designee by the confirmed delivery date. Upon delivery of Product (but subject to Section 6.5), Eisai shall have the obligation to pay Arena the Product Purchase Price pursuant to Section 11.4 for such delivered Product. Eisai or the applicable Designated Distributor shall pick up the released Product within 21 days of release, failing which it shall bear the costs associated with the storage of such released Product.

5.2 Labeling and Packaging . Arena and Eisai shall discuss and reasonably agree on all technical requirements for packaging configurations, packaging and labeling used with Product in each country in the Territory. Subject to Section 5.3 , Arena shall label and package (in appropriate primary, secondary and tertiary packaging), including production of Package Inserts, Product to be supplied in accordance with such agreement of the Parties, the applicable Manufacturing SOPs, and Applicable Laws of each applicable country in the Territory, for delivery to Eisai or the Designated Distributor under this Agreement. Eisai or the Designated Distributor shall be responsible for providing to Arena (or its designees, including printed packaging material vendors utilized by Arena) all artwork for all such labeling, Package Inserts and packaging on a timely basis, for each applicable packaging configuration for each country in the Territory, as necessary for Arena to perform such labeling and packaging, and in formats as reasonably agreed by the Parties and reasonably acceptable to Arena. It is agreed that Arena's obligations to manufacture and supply Product shall be delayed to the extent Eisai or the applicable Designated Distributor does not timely agree on all packaging and labeling used with Product (which must be compatible with Arena's equipment) and deliver such necessary artwork. Arena shall have the right to subcontract the manufacture of all printed packaging materials, including labels, and Arena shall be responsible for all such subcontractors as provided in Section 2.4.

5.3 Bulk Product . Notwithstanding anything to the contrary in this Agreement, Eisai shall have the right to elect Supplied Product to be supplied by Arena as Bulk Product or Finished Product. Any such election by Eisai must be included in the applicable Forecasts and Purchase Orders. For clarity, Forecasts and Purchase Orders shall specify what quantity of Supplied Product is required in each Product form.

6. QUALITY ASSURANCE; ACCEPTANCE

6.1 Quality Agreements . Each Party shall duly and punctually perform all of its obligations under and pursuant to the Quality Agreements to which it is a party. Arena shall release all Products in accordance with the terms of the Quality Agreements. Within three months after the Effective Date, the Parties shall update the Quality Agreements to specify the requirements for the release of Bulk Product.

6.2 Quality Control . Arena shall maintain and follow a quality control and quality assurance testing program consistent with the Specifications, the Quality Agreements, GMP, and all other requirements of Applicable Laws and reasonably consistent with industry standards (the " **Quality Control Procedures** "), which shall include performing the applicable Product Acceptance Tests on each Batch of Product prior to delivery to Eisai or the applicable Designated Distributor. Arena shall ensure that all Product supplied to Eisai or the applicable Designated Distributor hereunder by Arena shall be manufactured in accordance with the applicable Manufacturing SOPs, the applicable Quality Agreement, GMP and all other Applicable Laws, and all other applicable requirements of Regulatory Authorities, (collectively, " **Regulatory Standards** ") and shall conform to the applicable warranty set forth in Section 12.2.

6.3 Certificates . Arena shall provide to Eisai or the applicable Designated Distributor, accompanying each delivery of Product by Arena: (a) the Batch number and Purchase Order number (if included on the applicable Purchase Order) of the delivered Product, (b) a completed and accurate Certificate of Analysis as to such Batch, and (c) copies of all other documentation required for Product release as provided in the applicable Quality Agreement.

6.4 Quality Audits . Arena shall maintain all quality control documentation and Product Acceptance Test results for each Batch of Product for a period and in a manner consistent with Regulatory Standards and the applicable Quality Agreement. Eisai may periodically (but no more frequently than once per Calendar Year) review such documentation and results and, as provided for in the Quality Agreements, audit and verify the adherence of Arena to the Quality Control Procedures and Regulatory Standards. Such review and audit shall be on reasonable prior notice and conducted during business hours and in a manner that does not unreasonably disrupt Arena's business or operations.

6.5 Acceptance/Rejection . Eisai or the Designated Distributor (or in either case its authorized representative) shall perform a reasonable and customary visual inspection of all Batches of Product delivered by Arena and shall report to Arena any Product that is reasonably discernible upon such visual inspection not to conform to the warranty set forth in Section 12.1 (" **Non-Conforming Product** ") within 20 days of receipt by Eisai or the Designated Distributor. Eisai or the Designated Distributor shall report to Arena Non-Conforming Product with hidden defects within 30 days of Eisai's discovery of the same; provided that if Eisai fails to notify Arena of a hidden defect in any Product by the earlier of two years after the delivery of such Product or expiration or termination of this Agreement, Eisai shall no longer have the right to reject such Product. A defect is hidden if it could not reasonably have been discovered by a reasonable and customary visual inspection upon receipt of the Product. If any Product is found to be Non-Conforming Product and is reported by Eisai or the Designated Distributor to Arena in the above time frame, then Arena shall, at Eisai's request and option (to be exercised by Eisai promptly), either: (a) replace such Non-Conforming Product at no additional charge to Eisai; (b) refund to Eisai the Product Purchase Price paid (if already paid) to Arena for such Non-Conforming Product or cancel the applicable Purchase Order if not paid; or (c) credit Eisai's account in an amount equal to the Product Purchase Price paid (if already paid) for such Non-Conforming Product, and in any case ((a), (b) or (c)) Arena shall reimburse all shipping, insurance and customs charges for the Non-Conforming Product from the point of delivery in Switzerland to the destination in the Territory of the original shipment, subject to receipt of invoice; provided that if the Non-Conforming Product is reported to Arena at a time at which Arena would not be able to commence and complete manufacture of replacement Product prior to the expiration of the Term, Eisai shall not have the right to elect that Arena replace such Non-Conforming Product. Arena shall reimburse Eisai for the reasonable and verifiable costs incurred by Eisai or the Designated Distributor in properly disposing of or shipping to Arena (as instructed by Arena) such Non-Conforming Product, subject to receipt of invoice. Any notice given under this Section 6.5 shall specify the reason why such Product was found to be Non-Conforming Product. If Eisai or the applicable Designated Distributor does not report any defect or non-conformity of any Product that could reasonably have been discovered by a reasonable and customary visual inspection upon receipt within 20 days of receipt by Eisai or the Designated Distributor or any hidden defect within 30 days after discovery thereof and within the

two-year period specified above, then Eisai or the applicable Designated Distributor shall be deemed to have accepted such Product.

6.6 Dispute Regarding Rejection . If the Parties or Arena and the Designated Distributor disagree as to whether a particular delivery of Product contains Non-Conforming Product, and cannot resolve such disagreement within 30 days, the Parties shall appoint an independent testing laboratory or other appropriate expert mutually acceptable to the Parties (and if applicable the Designated Distributor) (the " **Testing Laboratory** ") to (a) review data that are in question or (b) oversee the evaluation and testing of a sample of such Product at the Testing Laboratory. The Testing Laboratory will conduct testing in accordance with the methods established for testing as set forth in the applicable Specifications. The Party whose position in the dispute was not supported by the Testing Laboratory's findings (or Eisai if the Designated Distributor's position was not supported by such findings) shall bear the costs of the Testing Laboratory. Arena shall address all amounts of Non-Conforming Product as determined by the Testing Laboratory as provided in Section 6.5.

7. REGULATORY

7.1 Facility Licenses; Storage . Arena shall obtain and maintain for the Facility, at its sole cost, all permits, licenses and approvals (including facilities licenses) needed for Arena to be able to manufacture and supply Product in compliance with the warranty set forth in Section 12.1 (the " **Facility Licenses** "), in a timely manner such that Arena is able to meet its manufacturing and supply obligations under this Agreement. Arena shall keep Eisai regularly informed about the status of all such Facility Licenses and shall provide Eisai copies thereof upon request. Arena shall ensure that the Facility complies with GMP and all other Applicable Laws (including environmental laws) with regard to its manufacturing and supply of Product. Arena shall use Commercially Reasonable Efforts to resolve as soon as possible any issues that arise in its seeking or maintaining Facility Licenses, including completely addressing and rectifying any deviations or other issues raised in any Warning Letter from the FDA or any similar warning or objection by any other Regulatory Authority. Arena shall have the right to subcontract with Third Parties for storage services and storage facilities for Products manufactured for supply to Eisai hereunder, and Arena shall be responsible for all such subcontractors as provided in Section 2.4.

7.2 Inspection by Eisai . Arena agrees that Eisai and each Designated Distributor (and its and their respective agents but no more than a total of three persons per inspection) shall separately have the right, pursuant to a reasonable confidentiality agreement with Arena, no more than once per Calendar Year (unless any such inspection reveals a material compliance issue, in which event Eisai and each Designated Distributor (and its and their respective agents) shall have the right to conduct such additional inspections during such Calendar Year as necessary to verify that such issue has been remedied), upon reasonable prior notice to Arena and during business hours, and in a manner that does not unreasonably disrupt Arena's manufacturing operations, to inspect the portion of the Facility where Product is manufactured or stored as well as the manufacturing of the Products, including inspection of (a) the raw materials used in the manufacture of the Products including Eisai Materials, (b) the holding facilities for such raw materials, (c) the equipment used in the manufacture of the Products, and (d) all material records reasonably relating to such manufacturing at the Facility, to the extent they

relate to the Products (which records may be copied by Eisai, the Designated Distributor or its or their agent, at their expense). Following such inspection, Eisai or the applicable Designated Distributor shall discuss its observations and conclusions with Arena and if Eisai or the applicable Designated Distributor believes that any corrective actions are necessary for Arena to comply with the terms and conditions of this Agreement, then within 15 days after such discussion, Eisai shall prepare a schedule that sets forth the corrective actions that Eisai reasonably believes in good faith are required, and Arena will consider such actions in good faith and use Commercially Reasonable Efforts to implement such corrective actions that Arena reasonably and in good faith determines to be required.

7.3 Regulatory Inspections .

(a) Inspection by Regulatory Authorities . Subject to Article 271 of the Swiss Penal Code, upon the request of the FDA or any other Regulatory Authority, Arena shall (i) provide the FDA or such other Regulatory Authority reasonable access to observe and inspect (including pre-approval inspections) the Facility and the procedures used for the manufacture, release and stability testing, or warehousing of Product and to audit the Facility for compliance with GMP or other applicable Regulatory Standards and (ii) cause any Third Party that manufactures any active pharmaceutical agent contained in Product to provide the FDA or such other Regulatory Authority reasonable access to observe and inspect (including pre-approval inspections) the facility at which such Third Party manufactures such active pharmaceutical agent and the procedures used for the manufacture, release and stability testing, or warehousing of such active pharmaceutical agent and to audit such facility for compliance with GMP and all other applicable Regulatory Standards. Arena specifically agrees to cooperate with any inspection by the FDA or other Regulatory Authority, whether prior to or after Regulatory Approval of the applicable Product, and to provide Eisai a copy of any inspection or audit report resulting from any such inspection (subject to reasonable confidentiality restrictions imposed by any Third Party that manufactures active pharmaceutical agent).

(b) Notification of Inspections . Arena agrees to notify Eisai within five calendar days of Arena's receipt of any written or oral inquiries, notifications or inspection activity by any Regulatory Authority in regard to Product to be supplied to Eisai hereunder and immediately by telephone after learning of any unannounced visit or inspection, and shall permit one Eisai employee or agent, in each case approved by Arena, such approval not to be unreasonably conditioned, withheld or delayed, and subject to such agent's executing a reasonable confidentiality agreement with Arena or, if applicable, any Third Party that manufactures any active pharmaceutical agent contained in Product, to be present at and participate in such visit or inspection, excluding any unannounced visit or inspection. Arena shall furnish to Eisai (i) within five calendar days after Arena's receipt, any report or correspondence issued by any Regulatory Authority in connection with such inquiry, notification or inspection, including any FDA Form 483 (List of Inspectional Observations) or applicable portions of any FDA Warning Letters that pertain to any Product manufactured for Eisai hereunder (or any equivalent warning notice in another country or jurisdiction), and (ii) not later than two calendar days prior to the time Arena provides the same to any Regulatory Authority, copies of proposed draft responses or explanations relating to items set forth above (each, a " **Proposed Response** "), in each case redacted of trade secrets or other confidential information of Arena or its contract manufacturer that are unrelated to the obligations under this Agreement

and the manufacture of any Product hereunder. Arena shall discuss with Eisai and consider in good faith any comments provided by Eisai on the Proposed Response. After the filing of the Proposed Response (so modified by comments provided by Eisai, as may be agreed) with the FDA or other Regulatory Authority, Arena shall notify Eisai of any further contacts with the FDA or such Regulatory Authority relating to the subject matter of the response.

(c) Remedial Actions . Arena shall notify Eisai and each Designated Distributor immediately in writing in the event any action is taken or threatened by a Regulatory Authority relating to the manufacture or storage of Product by Arena, or relating to the Facility, that would reasonably be expected to impair materially the ability of Arena to manufacture and supply Product (including any impairment to Arena's ability to manufacture Product conforming to the warranty set forth in Section 12.2) in accordance with this Agreement. In any event, Arena shall address and resolve as soon as reasonably practicable during the Term any issues, concerns or warnings from any Regulatory Authority that would reasonably be expected to affect Arena's ability to manufacture and supply Product in accordance with this Agreement. To the extent Arena must implement a plan of remediation or other modifications or changes to its Facility or its manufacturing processes in order to address and resolve any such issues, concerns or warnings from any Regulatory Authority, Arena shall prepare such plan as soon as possible, shall provide a draft of the plan to Eisai for review and comment, and shall use good faith efforts to implement all reasonable comments of Eisai as soon as possible, and shall implement and complete all aspects of the agreed plan as soon as possible; provided that in no event shall Arena be obligated to prepare or implement a remediation plan after the expiration of the Term.

7.4 Changes in Specifications or Manufacturing Process. Eisai shall notify Arena upon becoming aware of any changes that are needed to the Specification or Manufacturing Process for any Product or to any packaging, labeling or Package Inserts for any Product, in each case to comply with any Regulatory Approval in the Territory, GMP or other Applicable Laws anticipated to come into effect during the Term in any country in the Territory (" **Required Change** ") and any other changes that it wishes to make (" **Optional Change** "). Arena shall use Commercially Reasonable Efforts to implement any Required Change on or before the date specified by the relevant Governmental Entity or if no such date is specified, as reasonably agreed to by the Parties; provided that in no event shall Arena be obligated to implement any Required Change or Optional Change after the expiration of the Term. Arena shall use Commercially Reasonable Efforts to implement any Optional Change as agreed with Eisai. Eisai shall be solely responsible for Arena's out-of-pocket costs incurred in connection with implementing any Required Change and any Optional Change requested by Eisai. All Required Changes and Optional Changes shall be reviewed and discussed by the change control committee consistent with change control procedures implemented by the Parties under the Existing Agreement prior to the Effective Date and shall be implemented in accordance with the provisions of the Quality Agreements.

7.5 Regulatory Cooperation. Arena shall reasonably cooperate, at Eisai's expense, with any reasonable requests for assistance from Eisai with respect to (i) Eisai's (or any Eisai Related Party's) conducting regulatory activities with respect to Products in the Territory, and (ii) maintaining any Regulatory Approval of a Product that is held by Eisai (or any Eisai Related Party), including by:

(a) making its employees, consultants and other staff reasonably available upon reasonable notice during normal business hours to attend meetings with Regulatory Authorities concerning the applicable Products;

(b) performing (except as otherwise agreed by the Parties) all stability testing of each packaging configuration of each Product for which Eisai applies for Regulatory Approval in each applicable country in the Territory as is reasonably necessary to prepare, file, obtain and maintain such Regulatory Approval;

(c) disclosing and making available to Eisai, in a reasonable form as Eisai may reasonably request, all manufacturing and quality control data, chemistry, manufacturing and controls data and other information possessed by Arena or its Affiliates or subcontractors and related to the applicable Product and the manufacturing process therefor as is reasonably necessary or desirable to prepare, file, obtain and maintain any such Regulatory Approval; and

(d) cooperating in Eisai's conducting shipping studies that are necessary for Commercialization of Products in any country in the world outside of North America, South America, Central America and the Caribbean.

Eisai shall reimburse Arena for all reasonable, documented out-of-pocket expenses incurred by Arena in providing such cooperation under this Section 7.5 within 30 days of the date of invoice provided by Arena. In addition, prior to a Facility Assignment, for any activities conducted by Arena under this Section 7.5 in excess of [**…***…**] per Calendar Year, Eisai will reimburse Arena for its fully-burdened internal costs to conduct such activities, at a rate reasonably determined by Arena in accordance with its customary accounting procedures consistently applied. After the Facility Assignment, for any activities conducted by Arena under this Section 7.5, Eisai will reimburse Arena at a rate of CHF[**…***…**] per hour of cooperation; provided, that commencing January 1, 2018, such hourly rate shall be adjusted annually, effective January 1 of the applicable Calendar Year, to reflect any year-to-year percentage increase or decrease (as the case may be) in the U.S. Bureau of Labor Statistics Employee Cost Index (" **ECI** ") (based on the change in the ECI from the most recent index available as of the Effective Date to the most recent index available as of the date of the calculation of such adjusted hourly rate). Eisai shall reimburse such costs within 30 days after the date of invoice therefor provided by Arena.

7.6 Non-Applicant Obligations . After the Effective Date and until the date upon which the last batch of Products on which the United States package insert indicates Arena as the manufacturer expires, Arena shall, in its capacity as a non-applicant with respect to the Products, (a) forward any adverse event or other safety information to Eisai within five days of receipt, in accordance with 21 CFR §314.80(c)(1) and (b) otherwise comply with Applicable Law.

8. SECURITY OF SUPPLY

8.1 Supply Problems . If Arena does not deliver any material amount of Product ordered by Eisai under a Purchase Order complying with the terms of Section 4.4 or by any Designated Distributor under a Purchase Order complying with the terms of the applicable Third Party Distributor Agreement assigned to Eisai (other than amounts that are Excess Orders) by the date 10 days after the confirmed delivery date, Arena shall thereafter use good faith diligent efforts to deliver such amount as soon as possible; provided that in no event shall Arena be obligated to deliver any amounts after the expiration of the Term; and provided further that delivery of at least [**…***…**]% of Product ordered in any such Purchase Order by such date will be deemed complete satisfaction of the amount of Product ordered. Further, if, due to Arena not supplying to Eisai or a Designated Distributor amounts of Product by the applicable confirmed delivery date(s) under a Purchase Order complying with the terms of Section 4.4 or the Third Party Distributor Agreement assigned to Eisai (other than amounts that are Excess Orders), there is a back-order of more than 20 days under pending Purchase Orders of more than 25% of the amount of Product ordered by Eisai or the Designated Distributor pursuant to such Purchase Orders (without regard to whether a Force Majeure Event has caused such supply delays), then the Parties shall meet as soon as practicable to discuss the situation and seek to find resolution, and in any event Arena shall continue to use good faith diligent efforts to deliver to Eisai or the applicable Designated Distributor such back-ordered amounts of Product as soon as possible. Eisai will continue to order all its requirements for supply by Arena, in accordance with the supply commitments of this Agreement. For purposes of this Section 8.1, delivery of any quantity of Non-Conforming Product shall be deemed a failure to supply such quantity of Product by the confirmed delivery date if Eisai or a Designated Distributor has timely given Arena notice of such failure under the terms of Section 6.5.

8.2 Inventory . At all times during the Term, Eisai shall maintain an inventory of at least one month of each Product, based on Eisai's most recent Forecast; provided, that Arena acknowledges and agrees that Eisai's obligation to maintain such inventory of such Product shall be suspended to the extent Arena is unable to supply adequate Product to Eisai under this Agreement.

8.3 Product Shortage. If, during any month of the Term, Arena has insufficient quantities of the Products to fill all Purchase Orders (excluding any Excess Orders) submitted by Eisai that require delivery during such month, unless otherwise instructed by Eisai, Arena shall allocate and deliver to the Designated Distributors their entitlement to Product calculated in accordance with the Third Party Distributor Agreements and all other quantities to Eisai. Compliance by Arena with this Section 8.3 shall not relieve Arena of any other obligation or liability under this Agreement.

*****Confidential Treatment Requested**

9. THIRD PARTY DISTRIBUTOR AGREEMENTS .

9.1 General . Notwithstanding assignment of a Third Party Distributor Agreement to Eisai, with respect to Product for sale to any Designated Distributor under the applicable Third Party Distributor Agreement, the provisions of this Article 9 following shall apply; provided that Arena's obligations under this Agreement with respect to the Designated Distributors will apply only to the extent that the applicable Designated Distributor complies with the applicable terms of this Agreement.

9.2 Forecasts, Orders and Delivery. With respect to each Designated Distributor, except to the extent otherwise instructed by Eisai in writing or set forth in this Agreement, Arena shall continue to adhere to the procedures for forecasting, ordering and delivery of Supplied Products set out in the applicable Third Party Distributor Agreement consistent with prior practices under such agreements. Arena shall on receipt of any rolling forecast, purchase order or other communication or notice from a Designated Distributor related to its forecasts and orders provide a copy of the same to Eisai and if requested by Eisai discuss and follow Eisai's instructions with respect to the same (and to the extent such instructions differ from Arena's obligations under this Agreement with respect to supply to a Designated Distributor, Arena shall be relieved of such obligations under this Agreement, notwithstanding anything to the contrary in this Agreement). In addition, Arena shall on sending any confirmation or other similar communications to a Designated Distributor provide a copy of the same to Eisai and in particular Arena shall (a) notify Eisai of all proposed delivery dates for Product to be delivered to Designated Distributors; (b) provide Eisai with copies of all documents provided to a Designated Distributor on delivery of Product; and provide to Eisai such other information as Eisai may reasonably request in connection with forecasts and ordering by, and deliveries of Products to, Designated Distributors.

9.3 Purchase Price. Notwithstanding Section 9.2, with respect to orders placed by Designated Distributors after the Effective Date, Eisai shall be invoiced for and responsible for payment of the Product Purchase Price in accordance with Section 11.4(a). Title in Product delivered to a Designated Distributor (or its carrier) shall pass to Eisai immediately prior to such delivery and the sale of Product to Designated Distributors shall be by Eisai.

9.4 Co-operation . Arena shall reasonably cooperate with any reasonable requests for assistance from Eisai with respect to the management of the Third Party Distributor Agreements and the supply of Product to the Designated Distributors. Unless expressly provided in this Agreement or Eisai otherwise instructs Arena in writing, in connection with Product to be supplied to the Designated Distributors, Arena will continue to operate in accordance with the applicable Third Party Distributor Agreement as in effect immediately prior to the Effective Date, including (to the extent not provided in this Agreement) by providing each Designated Distributors access to the Facility, documentation, records and information, as if Arena continued to be a party thereto.

10. COMMITMENT TO OPTIMIZE SUPPLY RELATIONSHIP

10.1 Key Goals; Procedures . The Parties acknowledge and agree that the key goals of this Agreement are (a) to effect a successful Technology Transfer in accordance with Article 3

and in any case within 24 months of the Effective Date and (b) to provide for the efficient ordering, manufacture and supply by Arena of the Products ordered by Eisai and the Designated Distributors on a timely basis and meeting all requirements of this Agreement and the Third Party Distributor Agreements. In support of achieving such goals, the Parties shall have reasonable procedures to facilitate regular and efficient communications and to keep appropriate records of their interactions and decisions. If any aspect of the forecasting, ordering, delivery or other supply related provisions of this Agreement is determined, based on experience in operating under such provisions, to impact negatively a Party in its efforts to achieve the goals set forth above, then at such Party's request the Parties shall meet and discuss reasonably and in good faith, and seek to agree on, appropriate modifications to such aspect of the provisions, and the Parties shall seek to agree on a written amendment to this Agreement modifying such provisions in a manner that better provides for the more efficient ordering, manufacture and supply of Product to Eisai by Arena.

11. PAYMENTS

11.1 Purchase, Storage and Use of Materials.

(a) Purchase of Materials . On the Effective Date, Eisai shall purchase all of Arena's inventory of Compound and precursor material for manufacturing Supplied Product that is in Arena's possession as of the Effective Date, including without limitation the quantities of materials specified in Exhibit A Part 1 (the " **Inventory** "), by making a one-time payment to Arena of US$10,000,000. Such payment is not refundable or creditable against any other payments owed or payable by Eisai to Arena under this Agreement or other written agreement between Arena or any of its Affiliates and Eisai. Title to such materials will pass to Eisai upon payment. Arena shall deliver the quantities of materials specified in Exhibit A Part 2 to a facility designated by Eisai and Arena shall retain possession of the remaining materials (the " **Eisai Materials** ") and shall use such materials to manufacture Product for supply to Eisai or the Designated Distributors under this Agreement and for no other purpose. The Eisai Materials are made available to Arena free of charge and without payment obligation from Arena to Eisai for their use under the preceding sentence. Notwithstanding anything to the contrary in this Agreement, Arena shall not be responsible for any Compound synthesis under this Agreement unless the Parties agree to the terms governing such synthesis, including allocation of costs and regulatory responsibilities.

(b) Storage . Arena shall at all times store all remaining Eisai Materials, all work in progress and Product at the Facility or at Arena's Third Party contractor's facility in a physically secure area under conditions that maintain its stability, integrity, and effectiveness and in accordance with the storage instructions and Material Data Safety Sheet therefor and in accordance with Arena's practice prior to the Effective Date. Arena shall store all Eisai Materials by lot number. From and after 90 days after the Effective Date, Eisai shall be solely responsible for all reasonable and documented out-of-pocket costs incurred by Arena to a Third Party to store the precursor material in the Eisai Materials. Arena shall be solely responsible for releasing Compound in the Eisai Materials for use in manufacturing Product for supply under this Agreement.

(c) Loss . Arena shall promptly notify Eisai in the event of any loss, damage or destruction of any Eisai Materials, work in progress or Product in its possession regardless of the cause of such loss, damage or destruction. In the event that any Eisai Material is damaged, contaminated, adulterated or stolen while in Arena's possession and due to Arena's failure to comply with Section 11.1(b) , Arena promptly shall pay to Eisai the lower of (i) the replacement cost of such Eisai Material or (ii) the cost determined on a per-kilogram basis of such Eisai Material as follows: 4CPE at US$ […***…] /kg; ZP3 at US$ […***…] /kg; and API at US$ […***…] /kg.

11.2 Manufacturing Support Payments.

(a) Initial Continuation Period.

(i) Exhibit C sets forth the Retention Bonus Schedule (the event specified therein, the " **Earned Retention Bonus Date** "). Within two Business Days of the Earned Retention Bonus Date, Arena shall provide to Eisai written notice setting forth (A) the number of employees actively employed as of the Retention Bonus Payment Date and eligible for payment of a retention bonus; (B) the amount of retention bonus due for each individual employee; and (C) the aggregate amount of retention bonus due. Within five Business Days of receipt of such notice from Arena, Eisai shall pay to Arena the aggregate amount of bonus due and, within five Business Days of receipt of such payment amount, Arena shall pay its employees the amount of retention bonus due for such employees in accordance with the written notices provided to Eisai; provided that, unless Eisai agrees in writing otherwise, in no event will Eisai be obligated to pay more than CHF […***…] under this Section 11.2(a)(i).

(ii) Subject to Section 11.3, on the Effective Date, and monthly thereafter for an additional 23 months (on the 10th Business Day of each such month), Eisai shall make a payment to Arena of CHF 541,667. Without prejudice to any remedies available to Eisai for breach of this Agreement, each such payment is not refundable or creditable against any other payments owed or payable by Eisai to Arena under this Agreement or other written agreement between Arena or any of its Affiliates and Eisai.

(b) Continuation Period Extension . If a Facility Acquisition has not then occurred and Eisai elects to extend the Continuation Period to include the Continuation Period Extension pursuant to Section 2.2, then subject to Section 11.3, Eisai shall pay Arena: (i) an extension fee of CHF […***…] within 10 Business Days of delivery of its notice of extension under Section 2.2; and (ii) on or before the 10th Business Day of the Continuation Period Extension and thereafter on or before the 10th Business Day of each of the next five months during the Continuation Period Extension, CHF […***…]. Without prejudice to any remedies available to Eisai for breach of this Agreement, each such payment is not refundable or creditable against any other payments owed or payable by Eisai to Arena under this Agreement or other written agreement between Arena or any of its Affiliates and Eisai.

(c) Force Majeure Event . Notwithstanding anything to the contrary in this Agreement, Eisai's obligation to make any payments pursuant to Sections 11.2(a)(ii) and 11.2(b) upon the times set forth herein shall be excused upon the occurrence of a Force Majeure Event preventing, restricting, interfering with or delaying Arena's performance of its obligations under this Agreement, and Eisai shall not be obligated to make any such payments until time upon which Arena's performance of its obligations in accordance with this Agreement is no longer affected by such Force Majeure Event.

11.3 Reduction for Supply Problems and Use of Payments.

(a) Reductions for Supply Problems. Arena acknowledges and agrees that Eisai is entering into this Agreement in reliance on Arena maintaining its current capacity to Manufacture the Supplied Products throughout the Continuation Period and in particular being able to Manufacture Product during the last three months of the Continuation Period. In the event Arena does not deliver at least […***…]% of Product ordered by Eisai under a Purchase Order complying with the terms of Section 4.4 or by any Designated Distributor under a Purchase Order complying with the terms of the applicable Third Party Distributor Agreement assigned to Eisai (other than amounts that are Excess Orders) by the date 90 days after the confirmed delivery date and such delay does not result from Eisai's breach of this Agreement (" **Supply Problem** "), and Arena has not delivered at least […***…]% of Product ordered in the Purchase Order that is the subject of the Supply Problem by the date on which the next payment is due under Section 11.2(a)(ii) or, if Eisai elects to extend the Continuation Period to include the Continuation Period Extension, 11.2(b)(ii), as applicable (the month in which such payment is due, " **Month A** "), the payment for Month A due under Section 11.2(a)(ii) or 11.2(b)(ii), as applicable, shall be reduced by […***…] (a "[…***…] **% Reduction** "). Upon Arena's delivery of at least […***…]% of Product ordered in the Purchase Order that is the subject of the Supply Problem that results in a […***…]% Reduction, Eisai shall pay to Arena the one-half of the applicable payment that was withheld pursuant to the preceding sentence, within five Business Days of such delivery. In the event (i) a Supply Problem giving rise to a […***…]% Reduction occurs and Arena has not delivered at least […***…]% of Product ordered in the Purchase Order that is the subject of the Supply Problem that results in a […***…]% Reduction, and (ii) a subsequent Supply Problem occurs and Arena has not delivered at least […***…]% of Product ordered in the Purchase Order that is the subject of the subsequent Supply Problem by the date on which the next payment following the […***…]% Reduction is due (the month in which such payment is due, " **Month B** "), the payment under Section 11.2(a)(ii) or, if Eisai elects to extend the Continuation Period to include the Continuation Period Extension, 11.2(b)(ii), as applicable, for Month B shall be reduced by […***…]% (a "[…***…] **% Reduction** "); provided however, that Eisai shall pay to Arena the amount of the payments that were withheld for Months A and B, each within five Business Days of Arena's delivery of at least […***…]% of Product ordered in the Purchase Orders that are the subject of the Supply Problem for Month A and Month B. For so long as Arena has not delivered at least […***…]% of Product ordered in the Purchase Orders that are the subject of the Supply Problem for Month A and Month B, further payments due under Section 11.2(a)(ii) or 11.2(b)(ii), as applicable, shall be reduced by […***…]%. Upon Arena's delivery of at least […***…]% of Product ordered in the Purchase Orders that are the subject of the Supply Problem for Month A and Month B, payments shall be made in accordance with Section 11.2(a)(ii) or 11.2(b)(ii), as applicable; provided that, if further Supply Problems occur, the reductions set forth above shall again be applied.

(b) Commitment to Hold Payments. Arena hereby commits to keep all payments made by Eisai under Sections 11.2(a)(ii) and 11.2(b)(ii) with Arena or use such payments for the purposes of maintaining its current capacity to Manufacture the Supplied Products throughout the Continuation Period, and Arena further agrees not to use such payments for any other purpose or to distribute such funds to Arena US or otherwise send such funds to another Affiliate prior to the end of the Continuation Period.

11.4 Product Purchase Price.

(a) Products Ordered after Specified Date. For Product ordered by Eisai (or any Designated Distributor) on or after the Specified Date (under the Existing Agreement, any Third Party Distributor Agreement or under this Agreement), Eisai shall pay Arena the applicable prices set forth on Exhibit D, subject to the adjustments described below. All orders placed by Designated Distributors prior to the Effective Date will remain subject to the payment provisions of the Third Party Distributor Agreements prior to their being assigned to Eisai, payments for such orders will be made by the Designated Distributors to Arena under the terms of the Third Party Distributor Agreements as in effect prior to the Effective Date, and Eisai will not be obligated to pay for such orders; provided, however, if a Designated Distributor pays Eisai and not Arena for orders placed prior to the Effective Date, Eisai will promptly pay any amounts received to Arena. Commencing January 1, 2018, the prices set forth on Exhibit D will increase annually by […***…]% effective only for Product delivered on or after January 1 of the applicable Calendar Year. All payments of the Product Purchase Price under this Section 11.4(a) will be in Swiss francs.

(b) Products Ordered before Specified Date. For each Batch of Finished Product ordered by Eisai under the Existing Agreement prior to the Specified Date, whether delivered before or after the Specified Date, that is not included in the calculation of Reconciliation Payment (as defined in the Existing Agreement) invoiced to Eisai as of the Specified Date, Eisai shall pay Arena the Product Purchase Price (as defined in the Existing Agreement) under Section 7.4(a) of the Existing Agreement; provided that such Product Purchase Price will not be subject to adjustment or reconciliation under Section 7.4(b), (c), (d) or (e) or Section 7.5 of the Existing Agreement.

(c) Invoices . Arena shall invoice Eisai for the aggregate Product Purchase Price of each shipment of Product to Eisai or any Designated Distributor at the time of such shipment. Eisai shall pay each such invoice within 30 days after receipt thereof, unless the applicable shipment contains Non-Conforming Product properly rejected by Eisai or the applicable Designated Distributor in accordance with Section 6.5. Without prejudice to any remedies available to Eisai for breach of this Agreement, such payments are not refundable or creditable against any other payments owed or payable by Eisai to Arena under this Agreement or other written agreement between Arena or any of its Affiliates and Eisai.

(d) Unpurchased Product Requirements . If Eisai fails to order in any Calendar Quarter during the Continuation Period (as measured by the number of tablets ordered by Eisai (or a Designated Distributor) during such Calendar Quarter) the number of tablets required under Section 2.1 , or, subject to the last sentence of Section 2.1, fails to order […***…] tablets of Product during the Continuation Period (as measured by the total number of tablets of Product ordered by Eisai (or a Designated Distributor) during the Continuation Period), then Eisai shall be obligated to pay Arena […***…] CHF (the " **Shortfall Price** ") for each tablet of Product that Eisai was obligated to but did not order during the applicable time period (the " **Shortfall** "). Accordingly, within 30 days after the end of each Calendar Quarter during the Continuation Period in which Eisai did not order the required number of tablets, Arena shall invoice Eisai for an amount equal to the product of the Shortfall Price multiplied by the Shortfall for such Calendar Quarter. Eisai shall pay each such invoice within 30 days after receipt thereof. Each Shortfall for a Calendar Quarter for which Eisai pays pursuant to the preceding sentence will be credited against the […***…] tablets of Product that Eisai is required to order during the Continuation Period. Within 30 days after the end of the Continuation Period, if Eisai failed to order […***…] tablets of Product during the Continuation Period, including any credits for Shortfalls for which Eisai has already paid, Arena shall invoice Eisai for an amount equal to the product of the Shortfall Price multiplied by the difference between (i) […***…] tablets of Product and (ii) (A) the aggregate number of tablets of Product ordered by Eisai plus (B) the number of Shortfalls for which Eisai has already paid, and Eisai shall pay such invoice within 30 days after receipt thereof. For clarity, after a Facility Acquisition, in no event shall any amount be payable by Eisai to Arena under this Section 11.4(d) once there have been […***…] Supply Problems in a 12-consecutive month period.

(e) Renegotiation of Price . The Parties agree that if a Facility Acquisition occurs, the purchase prices under Section 11.4(a) will remain in effect during the Initial Term; provided that if either Party desires to extend the Term after a Facility Acquisition, such Party shall notify the other Party no later than six months prior to the end of the then-current Term, and the Parties shall negotiate in good faith any revisions to the purchase prices to reflect changes in costs, inflation and other relevant factors.

11.5 Currency. All payments to the Payee Party under this Agreement shall be made by bank wire transfer in immediately available funds to an account in the name of the Payee Party designated in writing by the Payee Party. Payments hereunder shall be considered to be made as of the day on which they are received by the Payee Party's designated bank. Unless otherwise expressly stated in this Agreement, all amounts specified to be payable under this Agreement are in United States Dollars and shall be paid in United States Dollars.

11.6 Taxes . The amounts payable by one Party (the " **Paying Party** ") to the other Party (the " **Payee Party** ") pursuant to this Agreement (each, a " **Payment** ") shall not be reduced on account of any taxes except to the extent of amounts required to be withheld by the Paying Party by Applicable Laws, if any. The Payee Party alone shall be responsible for paying any and all taxes (other than withholding taxes required by Applicable Laws to be withheld from Payments and remitted by the Paying Party) levied on account of, or measured in whole or in part by reference to, any Payments it receives. Without limiting the above, the Paying Party shall not withhold from the Payments any taxes except to the extent that it is required to do so by Applicable Laws. Notwithstanding the foregoing, if the Payee Party is entitled under any applicable tax treaty to a reduction of rate of, or the elimination of, applicable withholding tax, it may deliver to the Paying Party or the appropriate governmental authority (with the assistance of the Paying Party to the extent that this is reasonably required and is expressly requested in writing) the prescribed forms necessary to reduce the applicable rate of withholding or to relieve the Paying Party of its obligation to withhold tax, and the Paying Party shall apply the reduced rate of withholding, or dispense with withholding, as the case may be; *provided* , that the Paying Party has received evidence, in a form reasonably satisfactory to the Paying Party, of the Payee Party's delivery of all applicable forms (and, if necessary, its receipt of appropriate governmental authorization) at least 15 days prior to the time that the applicable Payment is due. If, in accordance with the foregoing, the Paying Party withholds any amount, it shall pay to the Payee Party the balance when due, make timely payment to the proper taxing authority of the withheld amount and send to the Payee Party proof of such payment within 10 days following such payment. In the event any taxes are withheld on any Payment, the Paying Party shall promptly pay the Payee Party an amount equal to […***…] % of the withheld amount (less any additional required withholding). If and to the extent that a Payee Party reasonably believes (in good faith) that (a) it has actually realized a reduction in its current liability as a result of tax withholdings on any Payment and, as a result, it has actually paid a lesser amount to a tax authority or (b) it has actually received a refund of any taxes withheld on any Payment, the Payee Party shall promptly pay to the Paying Party an amount equal to the lesser of (i) […***…] % of such lesser amount paid as a result of the reduction in current tax liability or refund and (ii) the amount paid by the Paying Party to the Payee Party with respect to such taxes withheld on the applicable Payment pursuant to the preceding sentence. Notwithstanding the foregoing, (A) if as a result of any action by Arena or any of its Affiliates, including any assignment, sublicense, change of place of incorporation or failure to comply with Applicable Laws or filing or record retention requirements, a higher percentage is required to be withheld on Payments to Arena or its successor or assign than would have been withheld without such action, Eisai shall have no obligation to pay to Arena or its successor or assign any amounts in respect of withheld amounts above those which would have been withheld had such action not been taken and (B) if as a result of any action by Eisai or any of its Affiliates, including any assignment, sublicense, change of place of incorporation or failure to comply with Applicable Laws or filing or record retention requirements, a higher percentage is withheld on Payments to Arena than would have been withheld without such action, Eisai shall pay to Arena any withheld amounts above those which would have been withheld had such action not been taken.

11.7 Records .

(a) Eisai . Eisai shall keep, and cause the Eisai Related Parties to keep, complete, true and accurate books of accounts and records for the purpose of determining the amounts payable to Arena pursuant to this Agreement. Such books and records shall be kept for such period of time required by Applicable Laws, but no less than at least five years following the end of the Calendar Quarter to which they pertain. Such records shall be subject to inspection in accordance with Section 11.8.

(b) Arena . Arena shall keep, and cause its Affiliates to keep, complete, true and accurate books of accounts and records for the purpose of determining the technology transfer reimbursement payments pursuant to this Agreement. Such books and records shall be kept for such period of time required by Applicable Laws, but no less than at least five years following the end of the Calendar Quarter to which they pertain.

11.8 Audits .

(a) Audit of Eisai . Upon not less than 60 days' prior written notice, Eisai shall permit an independent, certified public accountant of international recognition (for the purposes of this Section 11.8, the " **Auditor** ") selected by Arena and reasonably acceptable to Eisai, which acceptance shall not be unreasonably conditioned, withheld or delayed, to audit or inspect those books and records of Eisai and the Eisai Related Parties that relate to the Product Purchase Price for the sole purpose of verifying the payments made to Arena under this Agreement.

(b) Audit of Arena . Upon not less than 60 days' prior written notice, Arena shall permit an Auditor selected by Eisai and reasonably acceptable to Arena, which acceptance shall not be unreasonably conditioned, withheld or delayed, to audit or inspect those books or records of Arena and its Affiliates that relate to the technology transfer reimbursement payments for the sole purpose of verifying the amounts invoiced by Arena pursuant to this Agreement.

(c) Audit Procedures . The audited Party shall not be obligated to provide the Auditor any records until the Auditor executes a confidentiality agreement in a form reasonably acceptable to the audited party. The Auditor shall disclose to the auditing Party only whether any reports made or amounts invoiced under this Agreement are correct and details concerning any discrepancies. The Auditor shall send a copy of the report to the other Party at the same time it is sent to the auditing Party. Such audits or inspections may be made no more than once each Calendar Year (unless an audit or inspection reveals a material inaccuracy in reports made or amounts invoiced under this Agreement, in which case it may be repeated within such Calendar Year), during normal business hours. If such report shows that the amounts paid by a Party for the period audited are less than the amounts actually payable by such Party to the other Party during the period audited, then (absent manifest error or fraud in such audit report) the underpaying Party shall pay to the other Party the amount of such underpayment plus interest under Section 11.9, from the date such amounts were originally owed until payment is made, within 30 days of receipt of such audit. If such report shows that the amounts paid by a Party for the period audited exceed the amounts actually owed by such Party to the other Party for the period audited, then (absent manifest error or fraud in such audit report) the overpaying Party

shall deliver to the other Party an invoice for such excess amount, and the other Party shall pay such invoiced excess amount within 30 days of receipt of such invoice. Such records for any particular Calendar Quarter shall be subject to no more than one audit or inspection and no audit or inspection with respect to any Calendar Quarter may be initiated later than five years after the end of such Calendar Quarter. Audits and inspections conducted under this Section 11.8 shall be at the expense of the auditing Party, unless a variation or error producing (i) with respect to an audit or inspection pursuant to subsection (a) , an underpayment in amounts payable exceeding an amount equal to 5% of the amount paid for a period covered by the audit or inspection is established, in which case all reasonable and verifiable costs relating to the audit or inspection for such period and any unpaid amounts that are discovered shall be paid by Eisai and (ii) with respect to an audit or inspection pursuant to subsection (b) , an overpayment in amounts payable by Eisai pursuant to this Agreement exceeding an amount equal to 5% of the amount paid for a period covered by the audit or inspection is established, in which case all reasonable and verifiable costs relating to the audit or inspection for such period and any unpaid amounts that are discovered shall be paid by Arena. The auditing Party shall endeavor in such audit not to unreasonably disrupt the normal business activities of the audited party.

11.9 Payment Due Dates; Late Payments. If any Payment is due on a day when banks in New York, New York are generally closed, then such Payment shall not be considered late if made on the next day on which such banks are generally open. In the event that any Payment due under this Agreement is not made when due, such Payment shall accrue interest from the date due at a rate per annum equal to 4% above the U.S. Prime Rate (as set forth in The Wall Street Journal, Eastern Edition) for the date on which payment was originally due until the date such Payment plus accrued interest hereunder is actually made, calculated daily on the basis of a 365-day year, or similar reputable data source; provided, that in no event shall such rate exceed the maximum legal annual interest rate. The payment of such interest shall not limit the Party entitled to receive such payment from exercising any other rights it may have as a consequence of the lateness of any Payment.

11.10 Currency Conversion. For the purpose of calculating any sums due under, or otherwise reimbursable pursuant to, this Agreement, such conversion shall be made by using the arithmetic mean of the exchange rates for the purchase of United States Dollars as published in The Wall Street Journal, Eastern Edition, on the last Business Day of each month in the Calendar Quarter(s) to which such payments relate.

12. Representations and Warranties

12.1 Mutual Representations, Warranties and Covenants. As of the Effective Date, each Party hereby represents and warrants to the other Party and covenants as follows:

(a) Duly Organized. Such Party (i) is a corporation or limited liability company, with restricted liability, duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and (ii) is qualified to do business and is in good standing as a foreign corporation or organization in each jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification and failure to have such qualification would prevent such Party from performing its obligations under this Agreement.

(b) Due Authorization; Binding Agreement. The execution, delivery and performance of this Agreement and the Related Documents by such Party have been duly authorized by all necessary corporate or organizational action. This Agreement and the Related Documents are legal and valid obligations binding on such Party and enforceable in accordance with their respective terms subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights and judicial principles affecting the availability of specific performance and general principles of equity, whether enforceability is considered in the proceeding at law or equity.

12.2 Product Warranty . Arena warrants that, at the time of delivery to Eisai or the Designated Distributor, all Product delivered under this Agreement: (a) will have been manufactured, tested, and packaged in accordance with the applicable Manufacturing SOPs, the applicable Quality Agreement, GMP and all other Applicable Laws; (b) will meet the applicable Specifications; (c) will not be adulterated or misbranded under the FFDCA or any similar law in the country in the Territory in which such Product will be sold or distributed; and (d) may be introduced into interstate commerce pursuant to the FFDCA or any similar law in the country in the Territory in which such Product will be sold or distributed. Arena warrants that, at the time of release by Arena, all Product for delivery under this Agreement will have a minimum remaining shelf life of at least 70% of the approved shelf life for such Product set forth in the applicable NDA (or other Regulatory Approval) therefor as of the date of release. Each of the foregoing warranties is subject to the limitation that Arena shall have no liability or responsibility under the foregoing for any defects, damage or harm to the Product resulting from improper storage, transportation, mishandling or any other cause occurring after delivery by Arena to Eisai.

12.3 Debarment. Arena hereby represents and warrants to Eisai that neither it nor its Affiliates is debarred under the FFDCA or listed on either Excluded List and it does not and its Affiliates do not, and shall not during the Term, employ or use the services of any Person who is debarred or listed on either Excluded List, in connection with the manufacture of Product. In the event that Arena becomes aware of the debarment or threatened debarment of, or listing or threatened listing on either Excluded List of, any Person providing services to Arena or any of its Affiliates, including its and its Affiliates', contractors, licensees, or distributors, that directly or indirectly relate to activities under this Agreement, Arena shall immediately notify Eisai in writing.

12.4 Disclaimer. EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS ARTICLE 12, NEITHER PARTY MAKES ANY REPRESENTATIONS OR EXTENDS ANY WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, AND EACH PARTY EXPRESSLY DISCLAIMS ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND OF FITNESS FOR A PARTICULAR PURPOSE OR USE, NON-INFRINGEMENT, VALIDITY AND ENFORCEABILITY OF PATENTS, OR THE PROSPECTS OR LIKELIHOOD OF DEVELOPMENT OR COMMERCIAL SUCCESS OF THE PRODUCT.

12.5 Limitation of Liability. EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 14, NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE

OTHER PARTY ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT; PROVIDED, THAT THIS SECTION 12.5 SHALL NOT BE CONSTRUED TO LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATIONS UNDER ARTICLE 13 . EXCEPT FOR DAMAGES AVAILABLE FOR ARENA'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, ARENA'S AGGREGATE LIABILITY UNDER THIS AGREEMENT WILL NOT EXCEED THE AGGREGATE OF ALL AMOUNTS PAID BY EISAI TO ARENA UNDER THIS AGREEMENT.

13. INDEMNIFICATION

13.1 Indemnification of Arena. Eisai shall defend, indemnify and hold harmless each of Arena, its Affiliates, and its and their respective directors, officers, stockholders and employees (collectively, the " **Arena Indemnitees** ") from and against any and all losses, liabilities, damages, penalties, fines, costs and expenses (including reasonable attorneys' fees and other expenses of litigation) (" **Losses** ") from any claims, actions, suits or proceedings brought by a Third Party (each, a " **Third Party Claim** ") against any Arena Indemnitee to the extent arising from, based on or occurring as a result of: (a) the actual or alleged (i) negligence or willful misconduct of or (ii) violation of Applicable Laws by, in each case ((i) and (ii)), Eisai or any Eisai Related Party or other subcontractors under this Agreement in performing any activity contemplated by this Agreement or the Quality Agreements; (b) any actual or alleged breach by Eisai (or any Eisai Related Party or other subcontractors under this Agreement) of this Agreement or the Quality Agreements; or (c) the handling, shipping, distribution, sale or use of Products by or on behalf of Eisai or any Eisai Related Party (provided that with respect to a Designated Distributor, Eisai shall only be responsible for Losses to the extent within the scope of the indemnification obligations of such Designated Distributor under the applicable Third Party Distributor Agreement as such obligations exist as of the Effective Date); except that the foregoing indemnification obligations shall not apply to the extent any such Third Party Claim is based on or results from matters within the scope of the indemnification obligations of Arena set forth in Section 13.2 below, as to which Third Party Claim each Party shall indemnify the other Party to the extent of its liability with respect to the Losses applicable to such Third Party Claim.

13.2 Indemnification of Eisai . Arena shall defend, indemnify and hold harmless each of Eisai, its Affiliates, and its and their respective directors, officers, stockholders and employees (collectively, the " **Eisai Indemnitees** ") from and against any and all Losses from any Third Party Claims against any Eisai Indemnitee to the extent arising from, based on or occurring as a result of: (a) the actual or alleged (i) negligence or willful misconduct of or (ii) violation of Applicable Laws by, in each case ((i) and (ii)), Arena or any of its Affiliates or subcontractors under this Agreement in performing any activity contemplated by this Agreement or the Quality Agreements; (b) any actual or alleged breach by Arena (or any of its Affiliates or subcontractors under this Agreement) of this Agreement or the Quality Agreements; or (c) any actual or alleged breach by Eisai of a Third Party Distributor Agreement to the extent resulting from an act or omission of Arena except to the extent Arena was acting in accordance with Eisai's written instructions or resulting from Eisai's failure to pay any amounts due under this Agreement for which Eisai does not have a right to withhold payment; except that the foregoing indemnification obligations shall not apply to the extent any such Third Party Claim is based on or results from matters within the scope of the indemnification obligations of Eisai set forth in Section 13.1 (a)

or (b) above, as to which Third Party Claim each Party shall indemnify the other Party to the extent of its liability with respect to the Losses applicable to such Third Party Claim.

13.3 Procedure.

(a) Notice and Right to Assume . A Party that intends to exercise its rights to defense, indemnity or hold harmless under this Article 13 (the " **Indemnitee** ") shall promptly notify the indemnifying Party (the " **Indemnitor** ") in writing of any Third Party Claim in respect of which the Indemnitee intends to exercise such rights. The failure to deliver written notice to the Indemnitor within a reasonable time after the commencement of any action with respect to a Third Party Claim shall only relieve the Indemnitor of its obligations under this Article 13 if and to the extent the Indemnitor is actually prejudiced thereby. The Indemnitee shall provide the Indemnitor with reasonable assistance, at the Indemnitor's expense, in connection with the defense of the Third Party Claim. The Indemnitor shall have the right to assume and conduct the defense of the Third Party Claim with counsel of its choice. The Indemnitee may participate in and monitor such defense with counsel of its choice, which shall be at its own expense. The Indemnitor shall not settle any Third Party Claim without the prior written consent of the Indemnitee, not to be unreasonably conditioned, withheld or delayed, unless the settlement involves only the payment of money by the Indemnitor and does not involve any admission of liability or wrongdoing on the part of any Arena Indemnitees or Eisai Indemnitees, as applicable. So long as the Indemnitor is defending the Third Party Claim, the Indemnitee shall not settle any such Third Party Claim without the prior written consent of the Indemnitor.

(b) Indemnitor Conducts Defense . The assumption of a defense by the Indemnitor shall not be deemed an admission that the Indemnitor has an obligation to defend, indemnify or hold harmless an Arena Indemnitee or Eisai Indemnitee, as applicable, from and against any Loss from a Third Party Claim. If the Indemnitor assumes and conducts the defense of a Third Party Claim as provided above, and if it is ultimately determined pursuant to Section 17.1 that the Indemnitor was not obligated to indemnify, defend, or hold harmless an Arena Indemnitee or Eisai Indemnitee, as applicable, from and against any Loss from such Third Party Claim, the Indemnitee shall reimburse the Indemnitor for any and all reasonable and verifiable costs and expenses (including attorneys' fees and costs of suit) and all other Losses incurred by the Indemnitor in connection with such Third Party Claim.

(c) Indemnitor Does Not Conduct Defense . If the Indemnitor does not assume and conduct the defense of a Third Party Claim as provided above, (i) the Indemnitee may defend against such Third Party Claim; provided, that the Indemnitee shall not settle any Third Party Claim without the prior written consent of the Indemnitor, not to be unreasonably conditioned, withheld or delayed and (ii) if it is ultimately determined pursuant to Section 17.1 that the Indemnitor was obligated to indemnify, defend, or hold harmless an Arena Indemnitee or Eisai Indemnitee, as applicable, from and against any Loss from such Third Party Claim, the Indemnitor shall reimburse the Indemnitee for any and all reasonable and verifiable costs and expenses (including attorneys' fees and costs of suit) and all other Losses incurred by the Indemnitee in connection with such Third Party Claim.

14. CONFIDENTIALITY AND INTELLECTUAL PROPERTY

14.1 Confidentiality .

(a) Confidential Information. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the Parties, the Parties agree that the receiving Party (the " **Receiving Party** ") shall keep confidential and not publish or otherwise disclose or use for any purpose other than as provided for in this Agreement any Know-How, information or materials, patentable or otherwise, in any form (written, oral, photographic, electronic, magnetic, or otherwise) that is disclosed to it by the other Party (the " **Disclosing Party** ") pursuant to this Agreement, including any information concerning a Product or any other technical or business information of whatever nature concerning the Disclosing Party or its technology or business (collectively " **Confidential Information** " of the Disclosing Party), except that the Receiving Party may disclose Confidential Information of the Disclosing Party to its Affiliates and its and its Affiliates' respective officers, directors, employees, agents, subcontractors (including, in the case of Eisai, Eisai Related Parties and Co-Promotion Partners) and consultants with a need to know such Confidential Information to assist the Receiving Party with the activities contemplated or required of it by this Agreement or, in the case of Eisai, the development (including regulatory activities), Commercialization or other exploitation of Products (and who shall be advised of the Receiving Party's obligations hereunder and who are bound by confidentiality obligations with respect to such Confidential Information no less onerous than those set forth in this Agreement) (each, a " **Recipient** "). For the purposes of this Section 14.1, the term "Disclosing Party" shall include each Party and its Affiliates and its and their respective officers, directors, employees, agents, subcontractors and consultants who are directed to disclose such Party's or its Affiliate's Confidential Information, and the term "Receiving Party" shall include each Party and its Affiliates. For clarity, (i) all Know-How in the Eisai Technology and all Agreement Know-How and (ii) any information disclosed by Arena or any of its Affiliates to its successor (or any of its Affiliates) in connection with an acquisition of the Facility and assignment of this Agreement that was disclosed by or on behalf of Eisai under this Agreement, or that was included in the Purchased Assets, as so identified by Arena, in either case ((i) or (ii)), is deemed to be the Confidential Information of Eisai and shall be deemed to have been disclosed by Eisai to Arena for purposes of Section 14.1.

(b) Exceptions. Notwithstanding Section 14.1(a), Confidential Information shall not include any information or materials that, in each case as demonstrated by competent evidence: (i) was already known to the Receiving Party or any of its Recipients, other than under an obligation of confidentiality, at the time of disclosure; (ii) was generally available to the public or was otherwise part of the public domain at the time of its disclosure to the Receiving Party; (iii) became generally available to the public or otherwise part of the public domain after its disclosure by the Disclosing Party and other than through any act or omission of the Receiving Party or any of its Recipients in breach of this Agreement; (iv) was subsequently lawfully disclosed to the Receiving Party or any of its Recipients by a Person other than the Disclosing Party, and who, to the knowledge of the Receiving Party or such Recipient, did not directly or indirectly receive such information from the Disclosing Party or any of its Affiliates under an obligation of confidence; or (v) was developed by the Receiving Party or any of its Recipients without use of or reference to any information or materials disclosed by the Disclosing Party. Information specific to the use of certain compounds, methods, conditions or

features shall not be deemed to be within the foregoing exceptions merely because such information is embraced by general disclosures in the public domain or in the possession of the Receiving Party or its Recipients. In addition, a combination of information will not be deemed to fall within the foregoing exceptions, even if all of the components fall within an exception, unless the combination itself and its significance are in the public domain or in the possession of the Receiving Party prior to the disclosures hereunder. Notwithstanding anything to the contrary herein, neither the act of using information in a clinical trial nor the filing of information with a governmental authority shall, for the purpose of this Section 14.1, in and of itself be deemed to place such information in the public domain.

(c) Permitted Disclosures. Notwithstanding the provisions of Section 14.1(a), the Receiving Party may disclose Confidential Information of the Disclosing Party, as expressly permitted by this Agreement or if and to the extent such disclosure is reasonably necessary or useful in the following instances: (i) the performance by the Receiving Party of its obligations or exercise of its rights as contemplated by this Agreement or, in the case of Eisai, the development (including regulatory activities), Commercialization or other exploitation of Products ; provided, that wherever reasonable and practicable in the circumstances the recipient of any such Confidential Information shall be subject to obligations of confidentiality and non-use with respect to such Confidential Information substantially similar to the obligations of confidentiality and non-use of the Receiving Party pursuant to this Section 14.1; (ii) prosecuting or defending litigation with respect to a Party or its Affiliates, and with respect to Eisai, Eisai Related Parties and Co-Promotion Partners; (iii) in the case of Eisai as the Receiving Party, seeking, obtaining or maintaining any Regulatory Approval; provided, that Eisai shall take reasonable measures to assure confidential treatment of such Confidential Information, to the extent such treatment is available; (iv) complying with Applicable Laws; and (v) disclosure to Third Parties in connection with due diligence or similar investigations by or on behalf of a Third Party in connection with a potential marketing, distribution or supply agreement with, or license to, or collaboration with such Third Party (including as to Eisai, a potential Eisai Related Party) or a potential merger or acquisition by such Third Party, or in connection with performance of any such license, collaboration or merger agreement, and disclosure to potential Third Party investors in confidential financing documents, provided, in each case, that any such Third Party agrees to be bound by obligations of confidentiality and non-use substantially similar to the obligations of confidentiality and non-use of the Receiving Party pursuant to this Section 14.1. Notwithstanding the foregoing, in the event the Receiving Party or a Recipient is required to make a disclosure of the Disclosing Party's Confidential Information pursuant to Section 14.1(c)(ii) or 14.1(c)(iv) to comply with a subpoena or other legal order, it shall, except where impracticable, give reasonable advance notice to the Disclosing Party of such disclosure and give the Disclosing Party a reasonable opportunity to quash such subpoena or order and to obtain a protective order requiring that the Confidential Information and documents that are the subject of such subpoena or order be held in confidence by such court or agency or, if disclosed, be used only for the purposes for which such subpoena or order was issued; and provided, further, that if such subpoena or order is not quashed or a protective order is not obtained, the Confidential Information disclosed in response to such subpoena or order shall be limited to the Disclosing Party's Confidential Information that is legally required to be disclosed in response to such subpoena or order and shall still be subject to the restrictions on use set forth in this Section 14.1.

(d) Confidentiality of Agreement and its Terms. Except as otherwise provided in this Section 14.1, each Party agrees not to disclose to any Third Party the existence of this Agreement or its terms and conditions without the prior written consent of the other Party, except that each Party may disclose the terms and conditions of any this Agreement that are not otherwise made public as contemplated by Section 14.1(e) as permitted under Section 14.1(c).

(e) Public Announcements . Except as required by Applicable Laws (including disclosure requirements of the U.S. Securities and Exchange Commission (including disclosure requirements of a Party's Affiliate), the NASDAQ stock exchange or any other stock exchange on which securities issued by a Party or any of its Affiliates are traded), neither Party shall make any other public announcement concerning this Agreement or the subject matter hereof without the prior written consent of the other Party, which shall not be unreasonably conditioned, withheld or delayed; provided, that it shall not be unreasonable for a Party to withhold consent with respect to any public announcement containing any of such Party's Confidential Information. In the event of a public announcement required under Applicable Laws, to the extent practicable under the circumstances, the Party making such announcement shall provide the other Party with a copy of the proposed text of such announcement sufficiently in advance of the scheduled release to afford such other Party a reasonable opportunity to review and comment upon the proposed text.

(f) Use of Name. Neither Party shall use the name, insignia, symbol, trademark, trade name or logotype of the other Party (or any abbreviation or adaptation thereof) in any publication, press release or marketing and promotional material or other form of publicity without the prior written approval of such other Party in each instance, which approval shall not be unreasonably conditioned, withheld or delayed, or except as expressly permitted in this Agreement. The restrictions imposed by this Section 14.1 shall not prohibit either Party from making any disclosure (i) identifying the other Party as a counterparty to this Agreement to its investors, (ii) that is required by Applicable Laws or the requirements of a national securities exchange or another similar regulatory body (provided, that any such disclosure shall be governed by this Section 14.1), (iii) that is necessary for the performance by Eisai or Arena of its obligations or exercise of its rights as contemplated by this Agreement or, in the case of Eisai, the development (including regulatory activities, Commercialization or other exploitation of Products or (iv) with respect to which written consent has previously been obtained. Further, the restrictions imposed on each Party under this Section 14.1 are not intended, and shall not be construed, to prohibit a Party from identifying the other Party in its internal business communications; provided, that any Confidential Information in such communications remains subject to this Section 14.1.

14.2 Intellectual Property .

(a) Eisai shall have and own the entire right, title and interest in and to all Know-How discovered, identified, conceived, reduced to practice or otherwise made in the course of or as a result of activities under this Agreement after a Facility Acquisition (" **Agreement Know-How** ") and any Patents that claim or cover any invention within the Agreement Know (" **Agreement Patents** ") and shall have and retain the right to use, disclose and exploit the Agreement Know-How and Agreement Patents for any and all purposes, including the right to disclose the Agreement Know-How to its Affiliates. Arena shall disclose to Eisai in

writing the discovery, identification, conception, reduction to practice or other making of any Agreement Know-How or Agreement Patents from and after the Facility Acquisition.

(b) Arena shall, and hereby does, assign, and shall cause its Affiliates to so assign, to Eisai or an Affiliate of Eisai designated by Eisai in writing, without additional compensation, all of its right, title and interest in and to any Agreement Know-How and Agreement Patents as well as any intellectual property rights with respect thereto to fully effect the ownership by Eisai provided for in this Section 14.2(b). Arena and its Affiliates shall execute all documents and take all actions reasonably requested by Eisai to fully effect the ownership by Eisai provided for in this Section 14.2(b). Eisai shall have the sole right, but not obligation, to prosecute, maintain, enforce and defense the Agreement Patents.

(c) Arena shall, and shall cause its Affiliates to, assist and cooperate with Eisai, as Eisai may reasonably request from time to time, in the preparation, filing, prosecution and maintenance of the Agreement Patents, including that Arena shall, and shall cause its Affiliates to, provide access to relevant documents and other evidence and make its employees available at reasonable business hours.

15. TERM AND TERMINATION

15.1 Term. The term of this Agreement (the " **Term** ") shall commence on the Effective Date and continue until (a) if a Facility Acquisition has not occurred prior to the expiration of the Continuation Period, the expiration of the Continuation Period or, if Eisai requests the Run-off Period, the Run-off Period, unless terminated earlier pursuant to Section 15.2, or (b) if a Facility Acquisition occurs during the Continuation Period, five years after the Effective Date (the " **Initial Term** "), unless terminated earlier under Section 15.2 or extended by mutual written agreement of the Parties.

15.2 Early Termination.

(a) By Mutual Agreement. The Parties may terminate this Agreement in its entirety before the end of the Term by mutual written agreement.

(b) Automatically on Termination of the Transaction Agreement. This Agreement will terminate automatically upon Arena's receipt of written notice from a Party to the Transaction Agreement of the termination of the Transaction Agreement in its entirety.

(c) Material Breach . After the Continuation Period, each Party will have the right to terminate this Agreement upon written notice to the other Party if such other Party materially breaches this Agreement and fails to cure such breach within sixty (60) days following written notice from the non-breaching Party specifying such breach. The Parties acknowledge and agree that two or more Supply Problems during any 12-consecutive month period shall constitute a material breach.

15.3 Effects of Expiration or Termination; Surviving Obligations.

(a) Effects of Expiration or Termination. Upon expiration or termination of this Agreement, all rights and obligations of the Parties under this Agreement shall terminate, except as set forth in Sections 15.3(b) and 15.3(c).

(b) Shipment of Inventory . Following expiration or termination of this Agreement, Arena shall ship to Eisai or its designee all remaining inventory (if any) of Eisai Materials purchased by Eisai under Section 11.1 and, upon receipt of payment therefor from Eisai, any work in progress or Product then held by Arena, in each case at Eisai's expense.

(c) Surviving Obligations. Expiration or termination of this Agreement shall not (i) relieve the Parties of any obligation accruing prior to such expiration or termination or (ii) relieve Eisai of its obligation to pay to Arena sums due in respect of Product ordered prior to termination or expiration of this Agreement and delivered in accordance with Section 5.1. In addition, Articles 1, 13, 14 and 17 and Sections 12.4, 12.5 and 15.3 will survive termination or expiration of this Agreement, Article 3 will survive termination by Eisai pursuant to Section 15.2(c) if and for so long as the Technology Transfer is not completed by the effective date of termination, such completion deemed to have occurred upon Eisai's manufacture of three process validation Batches for each of the Initial Product and the Once-Daily Product at the Eisai Facility meeting the release testing parameters in the applicable Specifications, and Sections 3.7, 3.8 and 3.9 will survive termination or expiration of this Agreement until the termination of the Transaction Agreement in its entirety.

16. FORCE MAJEURE

16.1 If the performance of any part of this Agreement by a Party (other than making payment when due) is prevented, restricted, interfered with or delayed by any reason or cause beyond the reasonable control of such Party (including: fire, flood, volcano, embargo, power shortage or failure, acts of war, insurrection, riot, terrorism, strike, lockout or other labor disturbance, shortage of raw materials, epidemic, failure or default of public utilities or common carriers, destruction of product facilities or materials by fire, earthquake or storm or like catastrophe, acts of God or any acts, omissions or delays in acting of the other Party) or by compliance with any injunction, law, order, proclamation, regulation, ordinance, demand or requirement of any government or of any subdivision, authority or representative of any such government (including changes in the requirements of a Regulatory Authority), whether or not it is later held to be invalid, except to the extent any such injunction, law, order, proclamation, regulation, ordinance, demand or requirement operates to delay or prevent the non-performing Party's performance as a result of any breach by such Party or any of its Affiliates of any term or condition of this Agreement (a " **Force Majeure Event** "), the Party so affected shall, upon giving written notice to the other Party, be excused from such performance to the extent of such Force Majeure Event; provided that the affected Party shall use its substantial, good faith efforts to avoid or remove such causes of non-performance and shall continue performance with the utmost dispatch whenever such causes are removed or it is otherwise able (with Commercially Reasonable Efforts) to perform its obligations.

16.2 If either Party becomes aware that such an event of Force Majeure Event has occurred, or is imminent or likely, it shall immediately notify the other Party.

16.3 The Party subject to a Force Majeure Event shall keep the other Party informed as to the progress of overcoming or avoiding the effects of such Force Majeure Event and of recommencing performing the affected obligation.

17. General Provisions

17.1 Dispute Resolution Process. The Parties recognize that disputes as to certain matters may from time to time arise during the Term that relate to interpretation of a Party's rights or obligations hereunder or any alleged breach of this Agreement. If the Parties cannot resolve any such dispute within 30 days after written notice of a dispute from one Party to the other, either Party may, by written notice to the other Party, have such dispute referred to the Senior Executives. The Senior Executives shall negotiate in good faith to resolve the dispute within 30 days. During such period of negotiations, any applicable time periods under this Agreement shall be tolled. If the Senior Executives are unable to resolve the dispute within such time period, either Party may pursue any remedy available to such Party at law or in equity, subject to the terms and conditions of this Agreement and the other agreements expressly contemplated hereunder. Notwithstanding anything in this Section 17.1 to the contrary, Arena and Eisai shall each have the right to apply to any court of competent jurisdiction for appropriate injunctive or provisional relief, as necessary to protect its rights or property.

17.2 Entire Agreement. This Agreement (including the Exhibits attached hereto) constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes and cancels all previous express or implied agreements and understandings, negotiations, writings and commitments, either oral or written, in respect to the subject matter hereof. Each of the Parties acknowledges and agrees that in entering into this Agreement, and the documents referred to in it, it does not rely on, and shall have no remedy in respect of, any statement, representation, warranty or understanding (whether negligently or innocently made) of any Person (whether party to this Agreement or not) other than as expressly set out in this Agreement. Nothing in this clause shall, however, operate to limit or exclude any liability for fraud.

17.3 Assignment. This Agreement shall not be assignable or otherwise transferred, nor may any right or obligations hereunder be assigned or transferred (except as otherwise expressly stated in this Agreement), by either Party to any Third Party without the prior written consent of the other Party, such consent not to be unreasonably withheld, conditioned or delayed; except that either Party may assign or otherwise transfer this Agreement without the consent of the other Party to a successor in interest that acquires all or substantially all of the business or assets of the assigning Party to which this Agreement relates, whether by merger, acquisition or otherwise; provided, that the successor in interest assumes this Agreement in writing or by operation of law; provided, that Eisai shall not have the right to assign this Agreement under the preceding clause prior to the expiration of the first 18 months after the Effective Date without Arena's prior written consent, which may be granted or withheld in Arena's sole discretion, and Arena shall not have the right to assign this Agreement under the preceding clause after a Facility Acquisition without Eisai's prior written consent, which may be granted or withheld in Eisai's sole discretion. In

addition, either Party shall have the right to assign, sublicense, subcontract or delegate this Agreement or any or all of its obligations or rights hereunder to an Affiliate upon written notice to the other Party; provided, that the assigning, sublicensing, subcontracting or delegating Party hereby guarantees and shall remain fully and unconditionally obligated and responsible for the full and complete performance of this Agreement by such Affiliate and in no event such assignment, sublicensing, subcontracting or delegation be deemed to relieve such Party's liabilities or obligations to the other Party under this Agreement. The other Party shall, at the request and expense of the assigning, sublicensing, subcontracting or delegating Party, enter into such supplemental agreements with the applicable Affiliates as may be necessary or advisable to permit such Affiliates to avail itself of any rights or perform any obligations of the assigning, subcontracting or delegating Party hereunder. Subject to the foregoing, this Agreement shall inure to the benefit of each Party, its successors and permitted assigns. Any assignment of this Agreement in contravention of this Section 17.3 shall be null and void.

17.4 Governing Law; Litigation; Exclusive Venue and Service. This Agreement and all questions regarding its existence, validity, interpretation, breach or performance, shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, United States, without reference to its conflicts of law principles with the exception of sections 5-1401 and 5-1402 of New York General Obligations Law. The Parties hereby irrevocably and unconditionally consent to the exclusive jurisdiction of the courts of the State of New York and the United States District Court for the Southern District of New York for any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this Agreement, and agree not to commence any action, suit or proceeding (other than appeals therefrom) related thereto except in such courts. The Parties irrevocably and unconditionally waive their right to a jury trial. The Parties further hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this Agreement in the courts of the State of New York or in the United States District Court for the Southern District of New York, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. Each Party further agrees that service of any process, summons, notice or document by registered mail to its address set forth in Section 17.10 shall be effective service of process for any action, suit or proceeding brought against it under this Agreement in any such court.

17.5 Waiver of Breach. Any condition or term of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof. No such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the waiving Party. No delay or waiver by either Party of any condition or term of this Agreement in any one or more instances shall be construed as a further or continuing waiver of such condition or term or of another condition or term of this Agreement.

17.6 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and to perform all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

17.7 Modification. No amendment or modification of any provision of this Agreement shall be effective unless in a prior writing signed by authorized officers of both

Parties. No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance, or any other matter not set forth in an agreement in writing and signed by authorized officers of both Parties.

17.8 Severability. In the event any provision of this Agreement is held invalid, illegal or unenforceable in any jurisdiction, to the fullest extent permitted by Applicable Laws, (a) the Parties shall negotiate, in good faith and enter into a valid, legal and enforceable substitute provision that most nearly reflects the original intent of the Parties and (b) if the rights and obligations of either Party will not be materially and adversely affected, all other provisions of this Agreement shall remain in full force and effect in such jurisdiction. Such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction.

17.9 Language. The language of this Agreement is English. Any translation of this Agreement in another language shall be deemed for convenience only and shall never prevail over the original English version.

17.10 Notices. Any notice or communication required or permitted under this Agreement shall be in writing in the English language, delivered personally, sent by facsimile or sent by internationally-recognized overnight courier to the following addresses of the Parties (or such other address for a Party as may be at any time thereafter specified by like notice):

To Arena:

Arena Pharmaceuticals GmbH
Untere Brühlstrasse 4
4800 Zofingen
Switzerland
Facsimile: 41 62 746 7505
Attention: General Manager

To Eisai:

Eisai Inc.
100 Tice Blvd.
Woodcliff Lake, New Jersey 07677
Facsimile: (201) 746-3204
Attention: General Counsel

with a copy to:

Arena Pharmaceuticals, Inc.
6154 Nancy Ridge Drive
San Diego, CA 92121
USA
Facsimile: (858) 677-0065
Attention: General Counsel

with a copy to:

Eisai Inc.
4130 Parklake Avenue, Suite 500
Raleigh NC 27612
Facsimile: (732) 791-1347
Attention: President, PM CFU and Raleigh Site Head

Any such notice shall be deemed to have been given: (a) when delivered if personally delivered, (b) on the third day after dispatch if sent by confirmed facsimile, or (c) on the sixth day after dispatch if sent by internationally-recognized overnight courier. This Section 17.10 is not intended to govern the day-to-day business communications necessary between the Parties in performing their obligations under this Agreement.

17.11 No Partnership or Joint Venture. Each Party is an independent contractor under this Agreement. Nothing contained herein shall be deemed to create an employment, agency, joint venture or partnership relationship between the Parties or any of their agents or employees, or any other legal arrangement that would impose liability upon one Party for the act or failure to act of the other Party. The Parties shall operate their own businesses separately and independently and they shall hold themselves out as, act as, and constitute independent contractors in all respects and not as principal and agent, partners or joint venturers. The Parties shall each be responsible for fulfilling their own obligations under this Agreement, and they shall not have control or responsibility over the actions of the other Party. The Parties shall make and receive only such payments as are required under this Agreement, and shall not share in, or participate in, the business operations of the other Party. Neither Party shall have any express or implied power to enter into any contracts or commitments or to incur any liabilities in the name of, or on behalf of, the other Party, or to bind the other Party in any respect whatsoever.

17.12 Interpretation. The captions to the several Articles and Sections of this Agreement are not a part of this Agreement but are included for convenience of reference and shall not affect its meaning or interpretation. In this Agreement: (a) the word "including" shall be deemed to be followed by the phrase "without limitation" or like expression; (b) "hereof", "hereto", "hereby", "herein" and "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement; (c) "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends, and such phrase does not mean simply "if"; (d) the singular shall include the plural and vice versa; (e) references to a Person are also to its permitted successors and assigns; (f) masculine, feminine and neuter pronouns and expressions shall be interchangeable; (g) except where the context requires otherwise, "or" has the inclusive meaning represented by the phrase "and/or"; (h) references to an Applicable Law include any amendment or modification to such Applicable Law and any rules or regulations issued thereunder, whether such amendment or modification is made, or issuance of such rules or regulations occurs, before or after the Effective Date; and (i) a reference to any agreement includes any supplements and amendments to such agreement. Each accounting term used herein that is not specifically defined herein has the meaning given to it under GAAP consistently applied, but only to the extent consistent with its usage and the other definitions in this Agreement. The language of this Agreement shall be deemed to be the language mutually chosen by the Parties and no rule of strict construction shall be applied against either Party.

17.13 References. Unless otherwise specified, (a) references in this Agreement to any Article, Section or Exhibit means references to such Article, Section or Exhibit of this Agreement and (b) references in any section to any clause are references to such clause of such section.

17.14 Counterparts; Electronic Signature Pages. This Agreement may be executed in any number of counterparts each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile or other electronic signatures and such signatures shall be deemed to bind each Party as if they were original signatures.

17.15 No Benefit to Third Parties. Except as provided in Article 13, the representations, warranties, covenants and agreements set forth in this Agreement are forth the sole benefit of the Parties and their successors and permitted assigns, and they shall not be construed as conferring any rights on any other Persons.

17.16 Expenses . Except as otherwise specified herein or in any Related Document, each Party shall bear any costs and expenses incurred by it with respect to the transactions contemplated herein.

[Signature Page Follows]

IN WITNESS WHEREOF , the Parties hereto have executed this Supply Agreement as of the Effective Date.

ARENA PHARMACEUTICALS GmbH

By: /s/ Joachim Fries

Name: Joachim Fries

Title: Co-General Manager

By: /s/ Matthias Korbl

Name Matthias Korbl

Title: Co-General Manager

EISAI INC.

By:/s/ Shaji Procida

Name: Shaji Procida

Title: President and COO

EISAI CO., LTD.

By: /s/ Ivan Cheung

Name: Ivan Cheung

Title: Corporate Officer and Senior Vice President

EXHIBIT A

Materials

Part 1

Materials to be acquired by Eisai

Part 2

Materials to be delivered to Eisai following the Effective Date

Part 1

Material	Material Number	Batch #	Total	
	[…***…]			

***Confidential Treatment Requested

	[…***…]			

Conversion factors and lead times

Starting Material	Quantity		Output	Quantity
[…***…]				

***Confidential Treatment Requested

Part 2

Material	Material Number	Batch #	Total	
	[...***...]			

The materials set forth on this Part 2 of Exhibit A, shall be transferred to a location of Eisai's choosing within 60 days of the Effective Date.

*****Confidential Treatment Requested**

EXHIBIT B

Run-off Period: Arena Employees

Functional Area	**Requirement**
[...***...]	

***Confidential Treatment Requested

EXHIBIT C

Retention Bonus Schedule

Salary	# of Employees	Midpoint of Salary Range	Bonus as % Annual Salary up to	Total (CHF) up to
[…***…]				

The above are general guidelines and individual awards may vary. To be eligible for an award, the employee must agree to the terms of a written bonus plan or agreement to be provided by Arena. The bonus is intended for selected individuals who stay in good-standing with Arena through at least until the earlier of: (1) […***…] following the Effective Date, or (2) delivery of at least […***…] lorcaserin tablets as ordered by Eisai. […***…]. The aggregate amount of bonuses offered to selected employees will not exceed CHF […***…] without the agreement of the Parties.

The bonus does not replace or diminish existing retention plans or mandatory separation payments that the employees are already entitled to under Swiss law or pursuant to a prior agreement with Arena.

EXHIBIT D

Product Purchase Prices

Drug Product Configuration	Pricing	Supply Channel	Lorcaserin 10 mg (IR)	Lorcaserin 20 mg (XR)
[…***…]				

[…***…]

***Confidential Treatment Requested

General remarks:

- All prices are calculated with Incoterm “Ex works Zofingen”
- Active and placebo material will follow the same price scheme
- All prices excl. VAT
- Yearly price adjustments according to contract by Jan. 1 st (price date = requested delivery date in sales order)

SCHEDULE 1.94

PURCHASED TRADEMARKS (AS OF 12/21/2016)

[Pages 1 through 132 of this exhibit have been redacted and omitted pursuant to a confidential treatment request filed with the Securities and Exchange Commission.]

December 12, 2016

Craig M. Audet
14926 Vista Del Oceano
Del Mar, CA 92014

Dear Craig,

This confirms Arena agrees, subject to your providing an effective general release in accordance with the Amended and Restated Severance Benefit Plan (the "Plan"), to offer to amend your severance benefits as follows:

1. You will have an extension of time from 12 months to up to 24 months from your employment termination date of October 14, 2016 (but not beyond the original contractual life of the options) to exercise outstanding vested and previously unexercised stock options granted to you by Arena; and

2. Arena will pay you a lump sum of $33,156 less applicable federal and state income and employment taxes, in lieu of paying for 12 months of COBRA benefits as provided in the Plan. Such payment would be paid when the cash severance benefits are paid under the Plan.

Except as provided above, you remain eligible to receive the other benefits provided to you in the Plan. You understand and agree that an extension of the post-termination exercise period for your stock options may disqualify, immediately, any stock options that were previously considered "incentive stock options" under Section 422 of the Internal Revenue Code of 1986, as amended, under the rules of such code. You also understand and agree this letter does not change the vesting of your stock options.

If the foregoing is acceptable, please execute and return a copy of this letter. We wish you the best in your next endeavor.

Very truly yours,

/s/ *Amit Munshi*

Amit Munshi
President & CEO
Arena Pharmaceuticals, Inc.

ACCEPTED AND AGREED:

/s/ Craig M. Audet Date:*December 13, 2016*
Craig M. Audet

USA ▪ 6154 Nancy Ridge Dr. ▪ San Diego, CA 92121 ▪ Tel: +1.858.453.7200 www.arenapharm.com Switzerland ▪ Gotthardstrasse 3 ▪ 6300 Zug ▪ Tel: +41 62 746 76 21

Exhibit 21.1

Subsidiaries of Arena Pharmaceuticals, Inc.
As of December 31, 2016

356 Royalty, Inc., a Delaware corporation

Arena Pharmaceuticals Development GmbH, a limited liability company organized under the laws of Switzerland and having its domicile in Zug

Arena Pharmaceuticals GmbH, a limited liability company organized under the laws of Switzerland and having its domicile in Zofingen

API Development LTD, a company incorporated in the Cayman Islands with limited liability

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Arena Pharmaceuticals, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-45332, 333-45330, 333-62894, 333-86350, 333-135398, 333-160329, 333-182238, 333-189213, 333-204999, 333-212012, and 333-214529) on Form S-8 and (Nos. 333-112542, 333-136023, 333-160983, 333-167498, and 333-212011) on Form S-3 of Arena Pharmaceuticals, Inc. of our reports dated March 15, 2017, with respect to the consolidated balance sheets of Arena Pharmaceuticals, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive loss, equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and the effectiveness of internal control over financial reporting as of December 31, 2016, which reports appear in the December 31, 2016 annual report on Form 10-K of Arena Pharmaceuticals, Inc.

/s/ KPMG LLP

San Diego, California
March 15, 2017

Exhibit 31.1

CERTIFICATION

I, Amit Munshi, certify that:

1. I have reviewed this annual report on Form 10-K of Arena Pharmaceuticals, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

d) Disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2017

/s/ Amit Munshi

Amit Munshi, President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Kevin Lind, certify that:

1. I have reviewed this annual report on Form 10-K of Arena Pharmaceuticals, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

d) Disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2017

/s/ Kevin Lind

Kevin Lind, Executive Vice President and Chief Financial Officer
(principal financial and accounting officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Arena Pharmaceuticals, Inc. ("the Company") for the period ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Amit Munshi, as President and Chief Executive Officer (principal and financial officer) of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Amit Munshi
Amit Munshi
President and Chief Executive Officer
(principal executive officer)

Date: March 15, 2017

In connection with the Annual Report on Form 10-K of Arena Pharmaceuticals, Inc. ("the Company") for the period ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kevin Lind, as Executive Vice President and Chief Financial Officer (principal financial and accounting officer) of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin Lind
Kevin Lind
Executive Vice President and Chief Financial Officer
(principal financial and accounting officer)

Date: March 15, 2017