

ARENA PHARMACEUTICALS, INC.

CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

A. Composition

The Compensation Committee (the “**Committee**”) of the Board of Directors of Arena Pharmaceuticals, Inc., a Delaware corporation (the “**Company**”), shall consist of at least three (3) directors, each of whom must be independent, as determined by the Board, in accordance with the applicable rules and regulations of the Securities and Exchange Commission (the “**SEC**”) and The NASDAQ Stock Market (“**NASDAQ**”). At least two of the members of the Committee shall satisfy the “non-employee director” standard within the meaning of Section 16b-3 of the Securities Exchange Act of 1934, as amended from time to time and the “outside director standard” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. The Board of Directors of the Company (the “**Board**”) shall appoint the members of the Committee, and may, upon recommendation of the Committee, remove any Committee member at any time. The Committee chairperson shall be appointed by the Board or, if it does not do so, the Committee.

B. Purpose

The primary purpose of the Committee shall be to do the following:

1. Act on behalf of the Board in fulfilling the Board’s responsibilities to oversee the Company’s compensation policies, plans and programs.
2. Review and determine the compensation to be paid to the Company’s executive officers and directors.
3. Prepare and review the Committee report included in the Company’s annual proxy statement in accordance with applicable rules and regulations of the Securities and Exchange Commission (the “**SEC**”) in effect from time to time.

The term “compensation” shall include all salary, long-term incentives, bonuses, perquisites, equity incentives, severance arrangements, retirement benefits and other related benefits.

C. Authority

In fulfilling its functions and responsibilities, the Committee shall have the following authority:

1. Powers – The Committee shall have such powers as may be necessary or appropriate in the efficient and lawful discharge of its responsibilities hereunder.
2. Operation – The operation of the Committee will be subject to the provisions of the Company’s Bylaws and the Delaware General Corporation Law. The approval of this

charter by the Board shall be construed as a delegation of authority to the Committee with respect to the responsibilities set forth herein.

3. Access and Resources – The Committee shall be authorized to access such internal and external resources (including records and personnel) as the Committee deems necessary or appropriate to fulfill its defined responsibilities, including compensation consultants, independent legal counsel and other professional advisors. The Committee shall have sole authority to approve fees, costs and other terms of engagement of such outside resources
4. Committee Meeting Attendees – The Committee shall have authority to require Company employees, including senior management, and to request that any of the Company’s counsel, auditors, investment bankers, consultants or advisors attend any meeting of the Committee.
5. Delegation to Subcommittees – The Committee may form and delegate authority to subcommittees as appropriate or permitted by applicable laws or regulation.

D. Functions

The Committee may exercise its authority to carry out the following primary functions. The Committee may supplement and, except as otherwise required by applicable law or the requirements of NASDAQ, deviate from these activities as appropriate under the circumstances:

1. Overall Compensation Strategy – Review, modify (as needed) and approve the overall compensation strategy and policies for the Company, including:
 - a. reviewing and approving corporate performance goals and objectives relevant to the compensation of the Company’s executive officers;
 - b. evaluating and recommending to the Board the compensation plans and programs advisable for the Company, as well as modification or termination of existing plans and programs;
 - c. establishing policies with respect to equity compensation arrangements; and
 - d. reviewing and approving the terms of any employment agreements, severance arrangements, change-of-control protections and any other compensatory arrangements for the Company’s executive officers.
2. Compensation of Chief Executive Officer – Meeting in executive session, determine, in its sole discretion, the compensation and other terms of employment of the Company’s Chief Executive Officer and shall evaluate the Chief Executive Officer’s performance in light of relevant corporate performance goals and objectives.

In determining the long-term incentive component of the Chief Executive Officer’s compensation, the Committee should consider the Company’s performance and relative stockholder return, the potential benefits and costs to the Company of the award, the

value of similar incentive awards given to chief executive officers of comparable companies, the awards given to the Company's Chief Executive Officer in past years, and such other criteria as the Committee deems advisable.

3. Compensation of Other Executive Officers – Review and approve the individual and corporate performance goals and objectives of the Company's other executive officers that are periodically established. The Committee shall determine the compensation and other terms of employment of these executive officers, taking into consideration the executive officer's success in achieving his or her individual performance goals and objectives and the corporate performance goals and objectives deemed relevant to the officer as established by the Committee. The Chief Executive Officer may be present during these deliberations, but may not vote.
4. Compensation of Directors – Recommend to the Board or, if appropriate, approve, the type and amount of compensation to be paid or awarded to Board members, including retainer, Board meeting, committee and committee chairman fees and stock option grants or awards.
5. Administration of Benefit Plans – Recommend to the Board the adoption, amendment and termination of the Company's benefit plans, which may include stock option plans, stock appreciation rights plans, pension and profit sharing plans, incentive plans, stock bonus plans, stock purchase plans, bonus plans, deferred compensation plans and similar programs. The Committee shall have full power and authority to administer these plans, establish guidelines, interpret plan documents, select participants, approve grants and awards, and exercise such other power and authority as may be permitted or required under such plans.
6. Insurance Coverage – Review and establish insurance coverage for the Company's directors, officers, and, as appropriate, employees.
7. Committee Report – Prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.

E. Meetings

The Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company. Meetings may be called by the Committee chairperson, the Board chairperson, if any, or the Chief Executive Officer. Unless otherwise designated, the Company's Secretary shall act as the secretary for the Committee.