UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

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 1-4801

BARNES GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware	**06-0247840**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

123 Main Street, Bristol, Connecticut	**06010**
(Address of Principal Executive Offices)	**(Zip Code)**

(860) 583-7070

Registrant s telephone number, including area code

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 x 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 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. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The registrant had outstanding 54,713,313 shares of common stock as of October 28, 2009.

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For the Quarterly Period Ended September 30, 2009

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BARNES GROUP INC.

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)

(Unaudited)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Net sales	$ 260,339	$ 333,811	$ 777,690	$ 1,096,720
Cost of sales	170,491	208,068	503,369	677,618
Selling and administrative expenses	75,291	83,130	225,161	273,887
	245,782	291,198	728,530	951,505
Operating income	14,557	42,613	49,160	145,215
Other income	1,545	138	4,205	440
Interest expense	5,293	6,481	17,234	20,331
Other expenses	293	(45)	1,558	2,141
Income from continuing operations before income taxes	10,516	36,315	34,573	123,183
Income taxes (benefit)	(373)	7,079	1,778	24,962
Income from continuing operations	10,889	29,236	32,795	98,221
Loss from discontinued operations, net of income tax benefit of $303 and $970, respectively		(1,413)		(4,513)
Net income	$ 10,889	$ 27,823	$ 32,795	$ 93,708
Per common share:				
Basic:				
Income from continuing operations	$ .20	$ .54	$ .61	$ 1.81
Loss from discontinued operations, net of income taxes		(.03)		(.08)
Net income	$ .20	$ .51	$ .61	$ 1.73
Diluted:				
Income from continuing operations	$ .20	$ .52	$ .61	$ 1.73
Loss from discontinued operations, net of income taxes		(.03)		(.08)

Net income	$ .20	$ .49	$ .61	$ 1.65
Dividends	.08	.16	.40	.46
Weighted average common shares outstanding:				
Basic	54,257,791	54,491,638	53,462,672	54,305,152
Diluted	54,563,199	56,336,095	53,710,453	56,659,318

See accompanying notes.

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BARNES GROUP INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

	September 30, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 14,221	$ 20,958
Accounts receivable, less allowances (2009 - $6,316; 2008 - $6,174)	164,850	173,215
Inventories	193,533	240,805
Deferred income taxes	25,804	27,650
Prepaid expenses and other current assets	13,336	14,881
Total current assets	411,744	477,509
Deferred income taxes	35,472	31,133
Property, plant and equipment	652,006	625,997
Less accumulated depreciation	(417,186)	(390,962)
	234,820	235,035
Goodwill	375,383	361,930
Other intangible assets, net	307,384	316,817
Other assets	13,685	12,931
Total assets	$ 1,378,488	$ 1,435,355
Liabilities and Stockholders Equity		
Current liabilities		
Notes and overdrafts payable	$ 4,212	$ 8,905
Accounts payable	85,980	80,495
Accrued liabilities	79,828	84,372
Long-term debt current	19,181	15,386
Total current liabilities	189,201	189,158
Long-term debt	337,334	441,670
Accrued retirement benefits	140,403	164,796
Other liabilities	41,525	41,156
Commitments and contingencies (Note 15)		
Stockholders equity		
Common stock - par value $0.01 per share		
Authorized: 150,000,000 shares		
Issued: at par value (2009 55,877,545 shares; 2008 55,229,926 shares)	559	552
Additional paid-in capital	268,824	269,215
Treasury stock, at cost (2009 1,180,841 shares; 2008 3,006,379 shares)	(15,826)	(46,705)

Retained earnings	476,834	465,429
Accumulated other comprehensive income (loss)	(60,366)	(89,916)
Total stockholders equity	670,025	598,575
Total liabilities and stockholders equity	$ 1,378,488	$ 1,435,355

See accompanying notes.

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BARNES GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Nine months ended September 30, 2009	2008
Operating activities:		
Net income	$ 32,795	$ 93,708
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	38,558	39,675
Loss (gain) on disposition of property, plant and equipment	813	(218)
Gain on repurchases of convertible notes	(3,773)	
Non-cash stock compensation expense	3,279	5,218
Withholding taxes paid on stock issuances	(610)	(2,568)
Loss on the sale of Spectrum Plastics		846
Changes in assets and liabilities, net of the effects of acquisitions:		
Accounts receivable	14,260	(10,448)
Inventories	50,757	(254)
Prepaid expenses	4,378	(2,853)
Accounts payable	4,615	(27,023)
Accrued liabilities	(3,054)	(19,586)
Deferred income taxes	(2,741)	9,167
Long-term retirement benefits	(16,503)	(6,800)
Other	2,962	4,322
Net cash provided by operating activities	125,736	83,186
Investing activities:		
Proceeds from disposition of property, plant and equipment	981	703
Proceeds from the sale of Spectrum Plastics, net		5,127
Capital expenditures	(24,847)	(41,982)
Business acquisitions, net of cash acquired		47
Revenue Sharing Program payments		(57,500)
Other	(1,737)	9.9 %

Lonnel Coats	6,799	103,918	*
Jeffrey L. Wade	39,393	337,820	*
Pablo Lapuerta, M.D.	15,766	135,648	*
Alan J. Main, Ph.D.	35,200	290,532	*
James F. Tessmer	15,946	85,505	*
John P. Northcott	1,176	17,591	*
Raymond Debbane [4]	4,328,839	21,425	4.2%
Philippe J. Amouyal	7,625	21,425	*
Samuel L. Barker, Ph.D.	21,910	28,567	*
Robert J. Lefkowitz, M.D.	7,625	19,996	*
Alan S. Nies, M.D.	8,339	19,996	*
Frank P. Palantoni	7,625	19,996	*
Christopher J. Sobecki	7,767	21,425	*

Judith L. Swain, M.D.	7,625	21,425	*
All current directors and executive officers as a group [4] (13 persons)	4,510,459	1,127,678	5.4%

* Represents beneficial ownership of less than 1 percent.

(1) Based upon a Schedule 13D/A filed with the SEC on November 26, 2014 and a Form 4 filed with the SEC on December 12, 2014, reflecting the beneficial ownership of our common stock by Invus, L.P., Invus Public Equities, L.P., Invus C.V., Artal International S.C.A. and related parties and adjusted to give effect to a one-for-seven reverse split of our common stock in May 2015. Invus, L.P. and related parties may be deemed to have sole investment and voting

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power with respect to 35,402,689 of such shares and shared voting power with respect to 793,327 of such shares. Invus Public Equities, L.P. and related parties may be deemed to have sole investment and shared voting power with respect to 793,327 of such shares. Invus C.V. and related parties may be deemed to have sole investment and voting power with respect to 4,321,214 of such shares. Artal International S.C.A. and related parties may be deemed to have sole investment and voting power with respect to 21,321,961 of such shares. The address for Invus, L.P. and Invus Public Equities, L.P. is Clarendon House, 2 Church Street, Hamilton HM II, Bermuda. The address for Invus C.V. is Marten Meesweg 25, Rotterdam 3068 AV, Netherlands. The address for Artal International S.C.A. is 10-12 avenue Pasteur, L-2310, Luxembourg, Luxembourg.

(2) Based upon a Schedule 13G/A filed with the SEC on February 12, 2016, reflecting the beneficial ownership of our common stock by FMR LLC and related parties. FMR LLC has sole investment power with respect to all of such shares and sole voting power with respect to 1,914,641 of such shares. The address for FMR LLC is 245 Summer Street, Boston, Massachusetts 02210.

(3) Based upon a Schedule 13G/A filed with the SEC on February 16, 2016 and certain representations made to us by UBS Group AG. The number of shares beneficially owned by UBS Group AG includes 1,303,008 shares issuable upon conversion of our 5.25% Convertible Senior Notes due 2021. UBS Group AG has shared investment power with respect to all of such shares and sole voting power with respect to 9,606,066 of such shares. UBS Group AG disclaims beneficial ownership of all of such shares. The address for UBS Group AG is Bahnhofstrasse 45, Zurich, Switzerland.

(4) The number of shares beneficially owned by Mr. Debbane includes 4,321,214 shares beneficially owned by Invus C.V. and related parties. Mr. Debbane disclaims beneficial ownership of these shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of our common stock, to file initial reports of ownership and reports of changes in ownership of our common stock with the Securities and Exchange Commission. Directors, executive officers and greater than 10% stockholders are required by Securities and Exchange Commission regulations to furnish us with copies of all such forms that they file. To our knowledge, based solely on our review of the copies of such reports received by us and on written representations by certain reporting persons that no reports on Form 5 were required, we believe that during the fiscal year ended December 31, 2015, all Section 16(a) filing requirements applicable to our executive officers, directors and 10% stockholders were complied with in a timely manner.

EQUITY COMPENSATION PLAN INFORMATION

The following table presents aggregate summary information as of December 31, 2015 regarding the common stock that may be issued upon exercise of options, warrants and rights under all of our existing equity compensation plans, including our Equity Incentive Plan and Non-Employee Directors' Equity Incentive Plan.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price per share of outstanding options, warrants and rights [2]	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders [1]	4,853,635	$12.3531	3,842,861
Equity compensation plans not approved by security holders	—	—	—
Total	4,853,635	$12.3531	3,842,861

(1) Consists of shares of our common stock issuable upon the exercise of outstanding stock options or vesting of outstanding restricted stock units granted under our Equity Incentive Plan and Non-Employee Directors' Equity Incentive Plan or remaining available for issuance under those plans.

(2) Reflects only the weighted-average exercise price per share of outstanding stock options granted under our Equity Incentive Plan and Non-Employee Directors' Equity Incentive Plan and excludes from such calculation 636,906

restricted stock units granted under our Equity Incentive Plan pursuant to which shares of our common stock may be issued for no additional consideration.

CORPORATE GOVERNANCE

Independence of the Board of Directors

After reviewing all relevant transactions and relationships involving each member of the board of directors (and his or her family), the board of directors has affirmatively determined that Raymond Debbane, Philippe J. Amouyal, Samuel L. Barker, Ph.D., Robert J. Lefkowitz, M.D., Alan S. Nies, M.D., Frank P. Palantoni, Christopher J. Sobecki and Judith L. Swain, M.D., which members constitute a majority of the board of directors, are "independent" in accordance with the applicable listing standards of The Nasdaq Stock Market, Inc.

In making such determinations, the board of directors considered our consulting agreements with Robert J. Lefkowitz, M.D., under which Dr. Lefkowitz serves as a consultant to us on matters relating to our drug discovery and development efforts, and with Alan S. Nies, M.D., under which Dr. Nies serves as chairman of our medical advisory board. With respect to Raymond Debbane, Philippe J. Amouyal and Christopher J. Sobecki, the board of directors also considered the percentage of our outstanding common stock owned by Invus and its affiliates.

Board Committees

Audit Committee. Our audit committee has been established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 to oversee our accounting and financial reporting processes and the audits of our financial statements. In that regard, the audit committee assists our board of directors in monitoring the integrity of our financial statements, the qualifications, independence and performance of our independent auditors and our compliance with legal and regulatory requirements. The audit committee operates pursuant to a charter that was last amended and restated by the board of directors on February 7, 2013, a copy of which appears on our website at www.lexpharma.com under the caption "Investors - Corporate Governance."

The current members of our audit committee are Samuel L. Barker, Ph.D. (chair), Frank P. Palantoni and Judith L. Swain, M.D. The board of directors, in its business judgment, has determined that Dr. Barker, Mr. Palantoni and Dr. Swain are "independent" in accordance with the applicable listing standards of The Nasdaq Stock Market, Inc. The board of directors, in its business judgment, has also determined that Samuel L. Barker, Ph.D. is an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K.

Compensation Committee. Our compensation committee has been established to oversee the compensation of our employees, including our chief executive officer and other officers. The compensation committee also has responsibility for the evaluation and approval of all compensation plans, policies and programs, including the issuance of stock options, restricted stock units and other awards under our Equity Incentive Plan. The compensation committee operates pursuant to a charter that was last amended and restated by the board of directors on February 7, 2013, a copy of which appears on our website at www.lexpharma.com under the caption "Investors - Corporate Governance."

The compensation committee may delegate any of its authority to subcommittees consisting of one or more compensation committee members, with all subcommittee decisions being presented to the full compensation committee at its next scheduled meeting. The compensation committee did not delegate any such authority with respect to 2015 compensation matters.

The compensation committee may retain compensation consultants, legal counsel or other advisors when it deems appropriate to assist in its evaluation of executive compensation. The compensation committee has engaged Hay Group, Inc. as an independent compensation consultant as described under the heading "Executive and Director Compensation - Compensation Discussion and Analysis."

The compensation committee meets in connection with most regularly scheduled meetings of the board of directors, and holds meetings after the commencement of each year specifically devoted to evaluating corporate and individual performance during the prior year and making compensation decisions on such basis. In preparation for such decisions, our president and chief executive officer generally reviews the performance of officers other than himself and, in consultation with the compensation committee and at its direction, makes certain recommendations to the compensation committee relating to their compensation. The compensation committee reviews such recommendations and makes changes to such recommendations as it deems appropriate. All executive compensation determinations are made by the compensation committee in the absence of management.

The current members of our compensation committee are Mr. Palantoni (chair), Philippe J. Amouyal and Samuel L. Barker, Ph.D. The board of directors, in its business judgment, has determined that Mr. Palantoni, Mr. Amouyal and

Dr. Barker are “independent” in accordance with the applicable listing standards of The Nasdaq Stock Market, Inc. In making such determinations, the board of directors considered the matters relating to Mr. Amouyal described under the heading “Corporate Governance - Independence of the Board of Directors.”

Corporate Governance Committee. Our corporate governance committee has been established to oversee all aspects of our corporate governance functions. In that regard, the corporate governance committee makes recommendations to the board of directors regarding the identification, evaluation and selection of candidates to serve on the board of directors, the composition of board committees and the development of other corporate governance functions. The corporate governance committee operates pursuant to a charter that was last amended and restated by the board of directors on February 7, 2013, a copy of which appears on our website at www.lexpharma.com under the caption "Investors - Corporate Governance."

The corporate governance committee has not established any specific minimum qualifications for membership on our board of directors. Rather, the committee will generally consider all relevant factors, which may include independence, experience, diversity, leadership qualities and strength of character. As the corporate governance committee does not uniquely consider diversity relative to the other factors, the committee has not established a policy with regard to the consideration of diversity in identifying potential director candidates. The corporate governance committee uses its available network of contacts when compiling a list of potential director candidates and may also engage outside consultants when appropriate. The committee also considers potential director candidates recommended by stockholders and other parties and all potential director candidates are evaluated based on the above criteria. Because the corporate governance committee makes no distinction in its evaluation of candidates based on whether such candidates are recommended by stockholders or other parties, no formal policy or procedure has been established for the consideration of director candidates recommended by stockholders.

Any stockholder wishing to propose a potential director candidate may submit a recommendation in writing within the time frame specified in our bylaws. All such communications should be sent to 8800 Technology Forest Place, The Woodlands, Texas 77381, Attn: Corporate Governance Committee. Submissions should include the full name of the proposed candidate and a detailed description of the candidate's qualifications, business experience and other relevant biographical information.

The current members of our corporate governance committee are Raymond Debbane (chair), Robert J. Lefkowitz, M.D. and Judith L. Swain, M.D. The board of directors, in its business judgment, has determined that Mr. Debbane, Dr. Lefkowitz and Dr. Swain are "independent" in accordance with the applicable listing standards of The Nasdaq Stock Market, Inc. In making such determinations, the board of directors considered the matters relating to Mr. Debbane and Dr. Lefkowitz described under the heading "Corporate Governance - Independence of the Board of Directors."

Board Leadership Structure and Role in Risk Oversight

The current leadership structure of our board of directors reflects a separation of the roles of chairman and principal executive officer. This leadership structure is intended to provide our board of directors with an appropriate level of independence from management and encourage a high degree of autonomy within our board of directors.

Our board of directors administers its risk oversight responsibilities by evaluating the material risks, including operational risks and liquidity risks, facing our company or inherent in our corporate strategy. This is accomplished through regular discussions with management and by reference to the independent understanding and knowledge of many such risks possessed by members of our board of directors. Our board of directors regularly reviews the viability and prudence of our corporate strategy in light of the evolving nature of such risks and makes adjustments to that strategy when appropriate. Our board of directors oversees management's implementation of our corporate strategy, remains alert for excessive risk-taking in such implementation and provides timely input to management regarding any critical risk issues. The efforts of our board of directors to oversee any risks relating to our financial reporting or internal accounting procedures are supplemented by the regular interactions of our audit committee with the individuals with day-to-day responsibilities for such functions.

Board and Committee Meetings and Attendance in 2015

The board of directors met seven times in 2015 and took certain additional actions by unanimous written consent. In 2015, the audit committee met five times, the compensation committee met four times and took certain additional actions by unanimous written consent, and the corporate governance committee met two times. During 2015, none of our incumbent directors attended fewer than 75 percent of the aggregate number of meetings of the board of directors and committees during the period served.

It is our policy to encourage the members of our board of directors to attend all annual meetings of stockholders. All nine members of our board of directors attended our 2015 annual meeting of stockholders.

Code of Business Conduct and Ethics

We have adopted a code of business conduct and ethics that applies to all of our directors, officers and employees, the text of which appears on our website at www.lexpharma.com under the caption “Investors - Corporate Governance.” We intend to disclose on our website the nature of any amendment to or waiver from our code of business conduct and ethics that applies to

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our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions within four business days following the date of such amendment or waiver. In the case of any such waiver, including an implicit waiver, we also intend to disclose the name of the person to whom the waiver was granted and the date of the waiver. To date, we have not granted any waivers under our code of business conduct and ethics.

Corporate Governance Guidelines

We have adopted corporate governance guidelines, including, among other things, guidelines with respect to the structure of our board of directors, director selection and qualifications, and non-employee director compensation. The text of our corporate governance guidelines appears on our website at www.lexpharma.com under the caption “Investors - Corporate Governance.”

Stockholder Communications with the Board of Directors

We believe that our stockholders are currently provided a reasonable means to communicate with our board of directors and individual directors. As a result, our board of directors has not established a formal process for stockholders to send communications to the board of directors or individual directors. However, the corporate governance committee will consider, from time to time, whether adoption of a formal process for such stockholder communications has become necessary or appropriate. Stockholders may send communications to the board of directors or individual directors by mail at 8800 Technology Forest Place, The Woodlands, Texas 77381, Attn: Board of Directors or any individual director.

Compensation Committee Interlocks and Insider Participation

During 2015, Frank P. Palantoni, Philippe J. Amouyal and Samuel L. Barker, Ph.D. served as members of the compensation committee of our board of directors. Mr. Amouyal is a designee of Invus pursuant to our stockholders’ agreement with Invus, L.P. described under the heading “Transactions with Related Persons - Arrangements with Invus.” During 2015, none of our executive officers served as a member of the board of directors or compensation committee of another entity, one of whose executive officers served as a member of our board of directors or compensation committee.

TRANSACTIONS WITH RELATED PERSONS

Arrangements with Invus

In June 2007, we entered into a securities purchase agreement with Invus, L.P., under which Invus, L.P. made an initial investment in our common stock in August 2007. Invus, L.P. and its affiliates have subsequently made additional investments in our common stock and currently own approximately 59.6% of our outstanding common stock.

Board of Directors. Concurrently with the execution of the securities purchase agreement, we entered into a stockholders’ agreement with Invus, L.P. under which Invus, L.P. and Invus C.V., which we collectively refer to as Invus, have the right to designate a number of directors equal to the percentage of all the outstanding shares of our common stock owned by Invus and its affiliates, rounded up to the nearest whole number of directors. Invus has designated three of the nine current members of our board of directors. While Invus has not presently exercised its director designation rights in full, it may exercise them at any time in the future in its sole discretion. To facilitate the exercise of such rights, we have agreed, upon written request from Invus, to take all necessary steps in accordance with our obligations under the stockholders’ agreement to (1) increase the number of directors to the number specified by Invus (which number shall be no greater than reasonably necessary for the exercise of Invus’ director designation rights under the stockholders’ agreement) and (2) cause the appointment to the newly created directorships of directors so designated by Invus pursuant to its rights under the stockholders’ agreement.

Invus also has the right to require proportionate representation of Invus-appointed directors on the audit, compensation and corporate governance committees of our board of directors, subject to certain restrictions. Invus-designated directors currently serve as one of the three members of each of the compensation committee and corporate governance committee of our board of directors. No Invus-designated directors currently serve on the audit committee of our board of directors.

The provisions of the stockholders’ agreement relating to Invus’ rights to designate members of our board of directors and its audit, compensation and corporate governance committees will terminate if the percentage of all the outstanding shares of our common stock owned by Invus and its affiliates falls below 10%. Invus also has the right to terminate these provisions at any time in its discretion.

Preemptive Rights. Invus has preemptive rights under the stockholders' agreement to participate in future equity issuances by us, subject to certain exceptions, so as to maintain its then-current percentage ownership of our capital stock. Subject to certain limitations, Invus will be required to exercise its preemptive rights in advance with respect to certain marketed offerings, in which case it will be obligated to buy its pro rata share of the number of shares being offered in such marketed offering, including any overallotment (or such lesser amount specified in its exercise of such rights), so long as the sale of the shares were priced within a range within 10% above or below the market price on the date we notified Invus of the offering and we met certain other conditions.

The provisions of the stockholders' agreement relating to preemptive rights will terminate on the earlier to occur of August 28, 2017 and the date on which the percentage of all the outstanding shares of our common stock owned by Invus and its affiliates falls below 10%.

Consent Rights. Invus is entitled to certain consent rights under the stockholders' agreement, including with respect to (a) the creation or issuance of any new class or series of shares of our capital stock (or securities convertible into or exercisable for shares of our capital stock) having rights, preferences or privileges senior to or on parity with our common stock, (b) any amendment to our certificate of incorporation or bylaws, or amendment to the certificate of incorporation or bylaws of any of our subsidiaries, in a manner adversely affecting Invus' rights under the securities purchase agreement and the related agreements, (c) the repurchase, retirement, redemption or other acquisition of our or our subsidiaries' capital stock (or securities convertible into or exercisable for shares of our or our subsidiaries' capital stock), (d) any increase in the size of our board of directors to more than 12 members and (e) the adoption or proposed adoption of any stockholders' rights plan, "poison pill" or other similar plan or agreement, unless Invus is exempt from the provisions of such plan or agreement.

The provisions of the stockholders' agreement relating to those consent rights will terminate on the earlier to occur of August 28, 2017 and the date on which Invus and its affiliates hold less than 15% of the total number of outstanding shares of our common stock.

Registration Rights. Concurrently with the execution of the securities purchase agreement, we also entered into a registration rights agreement with Invus, L.P., pursuant to which Invus and its affiliates have certain demand and piggyback registration rights with respect to shares of our common stock held by them.

Related Party Transaction Policies

We have adopted written policies and procedures for the review, approval and ratification of interested transactions with related parties. Subject to certain exceptions provided in Item 404(a) of Regulation S-K, an "interested transaction" means any transaction, arrangement or relationship in which we are a participant and the amount involved will or may be expected to exceed $120,000 in any calendar year, and in which any related party has or will have a direct or indirect material interest. A "related party" means (a) any executive officer, director, nominee for election as a director or any person beneficially owning five percent or more of our common stock and (b) any immediate family member of such parties.

All interested transactions are subject to the review and approval of our audit committee and if advance audit committee approval is not feasible, then the interested transaction will be considered for ratification at the audit committee's next regularly scheduled meeting. In determining whether to approve or ratify any interested transaction, the audit committee will consider, among other factors it may deem appropriate, whether the interested transaction is on terms no less favorable than terms generally available to an unaffiliated third party under similar circumstances and the extent of the related party's interest in the transaction. No director participates in any discussion or approval of an interested transaction for which he or she is a related party. On at least an annual basis, the audit committee reviews and assesses any ongoing interested transactions to ensure that the transaction remains appropriate.

EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

We have developed a compensation policy that is designed to attract and retain key executives responsible for our success and motivate management to enhance long-term stockholder value. All compensation decisions are made by our compensation committee pursuant to authority delegated by our board of directors. The annual compensation package for executive and other officers typically consists primarily of three elements:

- a base salary, which reflects the responsibilities relating to the position and individual performance;
- variable annual cash bonus awards, determined relative to pre-established bonus targets expressed as a percentage of base salary; and
- long-term stock-based incentive awards, designed to provide a continuing proprietary interest in our success.

We generally seek to set targeted total cash compensation, consisting of base salaries and annual cash bonus award targets, and total direct compensation, consisting of targeted total cash compensation and long-term stock-based incentive awards, at or near the median of a peer group of biopharmaceutical companies if such compensation level is justified by company performance, individual performance and prevailing financial conditions.

In determining peer group compensation, we use available survey data from several sources, relying principally on data from a comprehensive survey of the compensation practices of several hundred companies in the biopharmaceutical industry. We expand on this survey data with reviews of the publicly-disclosed compensation practices of a group of biopharmaceutical companies selected for comparison purposes based on one or more factors, including market capitalization, revenues and stage of development.

For compensation decisions made in February 2013, this group of companies consisted of:

Affymax, Inc.	Idenix Pharmaceuticals, Inc.	Neurocrine Biosciences, Inc.
Alnylam Pharmaceuticals, Inc.	ImmunoGen, Inc.	NPS Pharmaceuticals, Inc.
Ardea Biosciences, Inc.	Immunomedics, Inc.	QLT Inc.
Arena Pharmaceuticals, Inc.	Incyte Corporation	Rigel Pharmaceuticals Inc
Ariad Pharmaceuticals, Inc.	Infinity Pharmaceuticals, Inc.	Sangamo Biosciences, Inc.
Arqule, Inc.	InterMune, Inc.	Seattle Genetics, Inc.
Array Biopharma Inc.	Ironwood Pharmaceuticals, Inc.	Synageva BioPharma Corp.
Cell Therapeutics, Inc.	Isis Pharmaceuticals, Inc.	Synta Pharmaceuticals Corp.
Dyax Corp.	MannKind Corporation	Targacept, Inc.
Dynavax Technologies Corporation	Medivation, Inc.	Xenoport, Inc.
Exelixis, Inc.	Micromet, Inc.	

For compensation decisions made in February 2014, this group of companies consisted of:

Acadia Pharmaceuticals Inc.	ImmunoGen, Inc.	Neurocrine Biosciences, Inc.
Aegerion Pharmaceuticals, Inc.	Infinity Pharmaceuticals, Inc.	NPS Pharmaceuticals, Inc.
Arena Pharmaceuticals, Inc.	Intercept Pharmaceuticals, Inc.	Puma Biotechnology, Inc.
Array Biopharma Inc.	InterMune, Inc.	Synageva BioPharma Corp.
Clovis Oncology, Inc.	Ironwood Pharmaceuticals, Inc.	Tesaro, Inc.
Exelixis, Inc.	MannKind Corporation	Vivus, Inc.
Idenix Pharmaceuticals, Inc.		

For compensation decisions made in February 2015, this group of companies consisted of:

Acceleron Pharma Inc.	Idenix Pharmaceuticals Inc.	OncoMed Pharmaceuticals, Inc.
Anacor Pharmaceuticals, Inc.	ImmunoGen, Inc.	Orexigen Therapeutics, Inc.
Arena Pharmaceuticals, Inc.	Infinity Pharmaceuticals, Inc.	Portola Pharmaceuticals, Inc.
Ariad Pharmaceuticals, Inc.	Insmed Incorporated	Raptor Pharmaceuticals Corp.
Array Biopharma Inc.	Intercept Pharmaceuticals, Inc.	Receptos, Inc.
Avanir Pharmaceuticals, Inc.	InterMune, Inc.	Sangamo BioSciences, Inc.
Dyax Corp.	Ironwood Pharmaceuticals, Inc.	Sarepta Therapeutics, Inc.
Dynavax Technologies Corporation	Keryx Biopharmaceuticals, Inc.	Synergy Pharmaceuticals Inc.
Exelixis, Inc.	MacroGenics, Inc.	Tesaro, Inc.
Galena Biopharma, Inc.	Merrimack Pharmaceuticals, Inc.	Vivus, Inc.
Geron Corporation	Neurocrine Biosciences, Inc.	
Halozyme Therapeutics, Inc.	NewLink Genetics Corporation	

For compensation decisions made in February 2016, this group of companies consisted of:

Acceleron Pharma Inc.	Exelixis, Inc.	Orexigen Therapeutics, Inc.
Anacor Pharmaceuticals, Inc.	Keryx Biopharmaceuticals, Inc.	Portola Pharmaceuticals, Inc.
Arena Pharmaceuticals, Inc.	MacroGenics, Inc.	Sangamo BioSciences, Inc.
Array Biopharma Inc.	OncoMed Pharmaceuticals, Inc.	Sarepta Therapeutics, Inc.
Dynavax Technologies Corporation		

The peer group of biopharmaceutical companies for which we obtained survey data and the additional groups of companies listed above do not necessarily coincide with the companies comprising the Nasdaq Biotechnology Index. Although we acknowledge the inherent limitations in comparing our compensation practices with the compensation practices of these companies, we believe that these comparisons are useful and important points of reference in making compensation determinations.

In making compensation determinations and reviewing comparative data, the compensation committee reviews total direct compensation in its totality, assigning dollar values to each of the elements of such compensation, including base salary, annual cash bonus award targets and long-term stock-based incentive awards. The committee generally allocates a greater percentage of total direct compensation to long-term stock-based incentive awards in acknowledgment of the unique challenges present in the biopharmaceutical industry and in order to reinforce the alignment of interests between our executive and other officers and our stockholders.

In determining the level and composition of compensation of each of our executive and other officers, we take into account various qualitative and quantitative indicators of corporate and individual performance. Among the challenges faced by us and other companies in the biopharmaceutical industry is the unique combination of the relatively long time period typically necessary to discover, develop and commercialize drugs and the historically low success rate in doing so. As a result, in evaluating the performance of management, the compensation committee takes into consideration such factors as the progress exhibited by our drug candidates in human clinical trials, the number and quality of drug candidates in clinical trials, the number and quality of nonclinical drug candidates, the value and scope of strategic collaborations and alliances with leading pharmaceutical companies, and the ability to otherwise finance our operations from external sources. In addition, the compensation committee recognizes performance and achievements that are more difficult to quantify, such as the successful supervision of major corporate projects and demonstrated leadership ability.

The compensation committee generally makes executive compensation determinations in February of each year, taking into account both company and individual performance over the preceding year, as well as prevailing financial conditions. The compensation committee meets at least once in advance of the meeting in which executive compensation determinations are actually made to discuss considerations relating to those determinations.

The compensation committee may also retain compensation consultants, legal counsel or other advisors when it deems appropriate to assist in its evaluation of executive compensation. In May 2015, the compensation committee engaged Hay Group, Inc. as an independent compensation consultant to assess the market competitiveness of our executive compensation and provide the compensation committee with recommendations based on such assessment. At the compensation committee's request, Hay Group produced and reviewed market executive compensation data, conducted interviews of certain officers, participated in certain compensation committee meetings, and prepared an assessment of and recommendations with respect to our executive compensation. In May 2015, the committee assessed the independence of Hay Group and concluded that no conflict of interest exists that would prevent Hay Group from providing the services performed for the compensation committee under such engagement. The compensation committee did not engage any other consultants with respect to 2015 compensation matters.

We received a favorable advisory vote on the compensation of our named executive officers at our 2015 annual meeting of stockholders, with over 95% of the votes cast with respect to such matter voting in favor of such compensation. The compensation committee believes those voting results affirm our stockholders' support of our approach to executive compensation and did not make any material changes to its approach. The compensation committee will continue to consider the outcome of our advisory votes on executive compensation when making future decisions with respect to the compensation paid to our named executive officers.

Corporate and Individual Performance Criteria

February 2013 Compensation Determinations

In February 2013, the compensation committee made determinations regarding 2012 cash bonus awards and 2013 base salaries, bonus targets and long-term stock-based incentive awards, taking into account the following factors in its evaluation of corporate performance in 2012:

- the completion of a Phase 2b clinical trial of sotagliflozin, or LX4211, in patients with type 2 diabetes, with positive results; the initiation of and progression of enrollment for a clinical trial of sotagliflozin in type 2 diabetes patients with renal impairment; and the progression of preparations for pivotal Phase 3 clinical trials of sotagliflozin in patients with type 2 diabetes;
- the initiation of a pivotal Phase 3 clinical trial of a second drug candidate, telotristat etiprate, or LX1032, in patients with carcinoid syndrome; the completion of an open-label Phase 2 clinical trial of telotristat etiprate in patients with carcinoid syndrome, with positive results; and the progression of enrollment for a Phase 2 clinical study of telotristat etiprate in patients with ulcerative colitis;
- the initiation of and progression of enrollment for a Phase 2 clinical trial of a third drug candidate, LX1033, in patients with irritable bowel syndrome;
- the completion of a dose escalation clinical study of a fourth drug candidate, LX2931, in patients with rheumatoid arthritis;
- the completion of an initial Phase 1 clinical trial of a fifth drug candidate, LX7101, in patients with glaucoma;
- our progress relative to our objectives in advancing our other drug discovery and development programs; and
- our performance relative to our objectives for financial performance, specifically relating to year-end cash and investments and business development.

The committee's compensation determinations in February 2013 reflected its assessment that we largely achieved our objectives relating to our drug discovery and development programs and partially achieved our objectives relating to our financial performance. Taking into account the balance of factors described above, it was the committee's assessment that our overall corporate objectives were largely achieved.

The compensation committee also took into account individual goals, which consisted principally of the expected individual contributions of each named executive officer towards the achievement of the year's corporate goals, together with our former chief executive officer's and the committee's independent assessment of each named executive officer's overall performance and contributions to the company during the year, in the course of making subjective judgments about individual performance in connection with compensation determinations.

The committee's determinations for our named executive officers were principally based upon its determination of achievement of the year's corporate goals, but also took into account, to a lesser extent, each named executive officer's individual goals. In the case of Mr. Wade, the compensation committee took into account his contributions toward our financial management and our business development and alliance management activities, as well as his strategic and operational leadership. In the case of Dr. Lapuerta, the compensation committee took into account his contributions toward the advancement of our drug candidates in clinical development, with favorable results in clinical trials of sotagliflozin and telotristat etiprate, as well as his strategic and operational leadership and participation in business development activities. In the case of Dr. Main, the compensation committee

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took into account his contributions toward the progress in our drug discovery programs, as well as his strategic and operational leadership.

February 2014 Compensation Determinations

In February 2014, the compensation committee made determinations regarding 2013 cash bonus awards and 2014 base salaries, bonus targets and long-term stock-based incentive awards, taking into account the following factors in its evaluation of corporate performance in 2013:

- the completion of a clinical trial of sotagliflozin in type 2 diabetes patients with renal impairment, with positive results, and the progression of enrollment for a Phase 2 clinical trial of sotagliflozin in type 1 diabetes patients;
- the progression of enrollment for a pivotal Phase 3 clinical trial of a second drug candidate, telotristat etiprate, in patients with carcinoid syndrome and the completion of a Phase 2 clinical trial of telotristat etiprate in patients with ulcerative colitis;
- the completion of a Phase 2 clinical trial of a third drug candidate, LX1033, in patients with irritable bowel syndrome;
- our progress relative to our objectives in advancing our other drug discovery and development programs; and
- our performance relative to our objectives for financial performance, specifically relating to year-end cash and investments and business development.

The committee's compensation determinations in February 2014 reflected its assessment that our objectives relating to our drug discovery and development programs and financial performance were largely unachieved. Taking into account the balance of factors described above, it was the committee's assessment that our overall corporate objectives were largely unachieved.

The committee's determinations for our named executive officers were based entirely upon its determination of achievement of the year's corporate goals.

February 2015 Compensation Determinations

In February 2015, the compensation committee made determinations regarding 2014 cash bonus awards and 2015 base salaries, bonus targets and long-term stock-based incentive awards, taking into account the following factors in its evaluation of corporate performance in 2014:

- the completion of a Phase 2 clinical trial of sotagliflozin in patients with type 1 diabetes, with positive results, and the progression of preparations for pivotal Phase 3 clinical trials of sotagliflozin in patients with type 1 diabetes;
- the progression of enrollment for a pivotal Phase 3 clinical trial of a second drug candidate, telotristat etiprate, in patients with carcinoid syndrome;
- our entry into a strategic partnership with Ipsen Pharma SAS for the commercialization of telotristat etiprate outside of the United States, Canada and Japan;
- our progress relative to our objectives in advancing our other nonclinical drug development programs; and
- our performance relative to our objectives for financial performance, specifically relating to year-end cash and investments and business development.

The committee's compensation determinations in February 2015 reflected its assessment that we largely achieved our objectives relating to our drug development programs and partially achieved our objectives relating to our financial performance. Taking into account the balance of factors described above, it was the committee's assessment that our overall corporate objectives were largely achieved.

For named executive officers other than Mr. Coats, the compensation committee also took into account individual goals, which consisted principally of the expected individual contributions of each named executive officer towards the achievement of the year's corporate goals, together with Mr. Coats' and the committee's independent assessment of each named executive officer's overall performance and contributions to the company during the year, in the course of making subjective judgments about

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individual performance in connection with compensation determinations. Mr. Coats had no individual goals for 2014 apart from the corporate goals.

The committee's determinations for Mr. Coats were based entirely upon its determination of achievement of the year's corporate goals, together with the compensation committee's assessment of his strategic and operational leadership, as well as the terms of Mr. Coats' offer letter. For other named executive officers, the compensation committee based its determinations principally upon its determination of achievement of the year's corporate goals, but also took into account, to a lesser extent, each named executive officer's individual goals. In the case of Mr. Wade, the compensation committee took into account his contributions toward our financial management and our business development and alliance management activities, including our strategic collaboration with Ipsen, as well as his strategic and operational leadership. In the case of Dr. Lapuerta, the compensation committee took into account his contributions toward the progress in our drug development programs and commercialization preparations, as well as his strategic and operational leadership and participation in business development activities. In the case of Dr. Main, the compensation committee took into account his contributions toward the progress in our drug discovery programs and commercialization preparations, as well as his strategic and operational leadership and participation in business development activities. In the case of Mr. Tessmer, the compensation committee took into account his management of finance and accounting functions and his operational leadership. In the case of Mr. Northcott, the compensation committee took into account his contributions toward our commercialization preparations, as well as his strategic and operational leadership and participation in business development activities.

February 2016 Compensation Determinations

In February 2016, the compensation committee made determinations regarding 2015 cash bonus awards and 2016 base salaries, bonus targets and long-term stock-based incentive awards, taking into account the following factors in its evaluation of corporate performance in 2015:

- our entry into a strategic partnership with Sanofi for the worldwide development and commercialization of sotagliflozin;
- the expansion of our strategic partnership with Ipsen Pharma SAS for the commercialization of telotristat etiprate in Canada;
- the completion of a pivotal Phase 3 clinical trial and a second companion Phase 3 clinical trial of telotristat etiprate in patients with carcinoid syndrome, with positive results;
- our progress relative to our objectives in preparing for the filing of a new drug application and the commercial launch of telotristat etiprate in the United States;
- the initiation of and progression of enrollment for Phase 3 clinical trials of sotagliflozin in patients with type 1 diabetes;
- our progress relative to our objectives in advancing our other nonclinical drug development programs; and
- our performance relative to our objectives for financial performance, specifically relating to year-end cash and investments and management of our financial resources.

The committee's compensation determinations in February 2016 reflected its assessment that we largely achieved our objectives relating to our drug development programs and achieved our objectives relating to our financial performance. Taking into account the balance of factors described above, it was the committee's assessment that our overall corporate objectives were achieved.

For named executive officers other than Mr. Coats, the compensation committee also took into account individual goals, which consisted principally of the expected individual contributions of each named executive officer towards the achievement of the year's corporate goals, together with Mr. Coats' and the committee's independent assessment of each named executive officer's overall performance and contributions to the company during the year, in the course of making subjective judgments about individual performance in connection with compensation determinations. Mr. Coats had no individual goals for 2015 apart from the corporate goals.

The committee’s determinations for Mr. Coats were based entirely upon its determination of achievement of the year’s corporate goals, together with the compensation committee’s assessment of his strategic and operational leadership. For other named executive officers, the compensation committee based its determinations principally upon its determination of achievement of the year's corporate goals, but also took into account, to a lesser extent, each named executive officer's individual goals. In the case of Mr. Wade, the compensation committee took into account his contributions toward the establishment of our strategic collaboration with Sanofi, our financial management and our other business development and alliance management activities, as well as his strategic and operational leadership. In the case of Dr. Lapuerta, the compensation committee took into account his contributions toward the progress in our drug development programs, with favorable results in two Phase 3 clinical trials of telotristat etiprate, and commercialization preparations, as well as his strategic and operational leadership and participation in business development activities. In the case of Dr. Main, the compensation committee took into account his contributions toward the progress in our preclinical development programs and commercialization preparations, as well as his strategic and operational leadership and participation in business development activities. In the case of Mr. Tessmer, the compensation committee took into account his management of finance and accounting functions and his operational leadership.

Compensation Elements

Base Salary

Base salary of executive and other officers is established through negotiation between the company and the officer at the time he or she is hired, and then subsequently adjusted when the officer's base compensation is subject to review or reconsideration. While we have entered into employment agreements with certain of our executive officers, these agreements provide that base salaries after the initial year will be reviewed and determined by the compensation committee. When establishing base salary levels for executive and other officers, the compensation committee, in accordance with its general compensation policy, considers numerous factors, including the responsibilities relating to the position, the qualifications of the executive and the relevant experience the individual brings to the company, strategic goals for which the executive has responsibility, and compensation levels of companies at a comparable stage of development who compete with us for business, scientific and executive talents. When considering increases to base salary levels for officers, which typically occurs each February, we consider corporate and individual performance in addition to the foregoing factors. No pre-determined weights are given to any one of these factors.

In February 2013, we increased base salaries for each of our named executive officers. In February 2014, we left base salaries unchanged from the previous year for each of our named executive officers. In February 2015 and February 2016, we increased base salaries for each of our named executive officers. The base salaries of our named executive officers are generally competitive with those paid by our peer group companies, with most falling near the median for such peer group companies. In establishing base salaries for 2013, 2014, 2015 and 2016, we considered the competitiveness of our cash compensation arrangements for executive officers and our cash position and needs for the applicable year.

Cash Bonus Awards

In addition to base salary, we may award variable annual cash bonus awards to executive and other officers with reference to certain predefined corporate and personal performance goals. These performance goals include those discussed generally above, as well as strategic and operational goals for the company as a whole. We typically consider the award of cash bonuses each February relating to performance for the preceding year. For each of our officers, the compensation committee establishes a bonus target, expressed as a percentage of base salary, which is used to determine the cash bonus amount, assuming that corporate and individual goals are fully achieved. The compensation committee retains broad discretion over the amount and payment of such awards and is not bound by any pre-determined agreement, formula or other standard with respect to such decisions.

In determining the cash bonus awards paid in February 2014 with respect to 2013 performance, the compensation committee included the relevant factors described above under "- Corporate and Individual Performance Criteria - February 2014 Compensation Determinations" in its evaluation of corporate and individual performance. After taking into account these factors, the compensation committee determined that our objectives for the year were largely unachieved and declined to award bonuses for 2013 performance to our named executive officers.

In determining the cash bonus awards paid in February 2015 with respect to 2014 performance, the compensation committee included the relevant factors described above under "- Corporate and Individual Performance Criteria - February 2015 Compensation Determinations" in its evaluation of corporate and individual performance. After taking into account these factors, the compensation committee determined that our objectives for the year had been largely

achieved, and awarded bonuses for 2014 performance to our named executive officers in amounts reflecting such level of achievement.
In determining the cash bonus awards paid in February 2016 with respect to 2015 performance, the compensation committee included the relevant factors described above under "- Corporate and Individual Performance Criteria - February 2016 Compensation Determinations" in its evaluation of corporate and individual performance. After taking into account these factors, the compensation committee determined that our objectives for the year had been achieved, and awarded bonuses for 2015 performance to our named executive officers in amounts reflecting such level of achievement.

Long-Term Stock-Based Incentive Awards

All of our employees, including our named executive officers, are eligible to receive long-term stock-based incentive awards under our Equity Incentive Plan as a means of providing such individuals with a continuing proprietary interest in our success. These grants are typically awarded each February and align the interests of our employees and our stockholders by providing significant incentives for our employees to achieve and maintain high levels of performance. Our Equity Incentive Plan enhances our ability to attract and retain the services of qualified individuals. Factors considered in determining whether, in what form and in what amounts such awards are granted to an employee include the employee’s position, his or her performance and responsibilities, the amount of stock options, restricted stock units and other stock awards currently held by the employee, the vesting schedules of any such stock options, restricted stock units and stock awards and the employee’s other compensation. While we do not adhere to any firmly established formulas or schedules for the issuance of long-term stock-based incentive awards, we take into account, in making award decisions, the total direct compensation objectives described above. In addition, we will generally tailor the terms of any such grant to achieve its goal as a long-term incentive award by providing for a vesting schedule encompassing several years.

In February 2013, 2014, 2015 and 2016, the compensation committee approved a mix of annual stock option grants and restricted stock unit awards under our Equity Incentive Plan to eligible employees, with stock options comprising a larger portion of such mix for executive and other officers. In making such grants, the compensation committee considered corporate and individual performance in the prior year, total direct compensation objectives for individual officers, and information regarding stock incentive award grants made by other companies in the biotechnology industry.

Summary Compensation Table for 2015

The following table presents summary information regarding the compensation of each of Lonnel Coats, our principal executive officer, Jeffrey L. Wade, our principal financial officer, and our three other most highly compensated executive officers who were serving as executive officers as of December 31, 2015. The table also includes summary information regarding the compensation of John P. Northcott, our executive vice president and chief commercial officer until his resignation in December 2015. We have entered into employment arrangements with certain of our named executive officers, the material terms of each of which are described below.

Based on the summary compensation information provided below, “Salary” accounted for approximately 34.3%, 30.0% and 39.0% of the total compensation paid to our named executive officers in 2015, 2014 and 2013, respectively, and “Bonus” accounted for approximately 15.0%, 10.3% and 0.0% of the total compensation paid to our named executive officers for 2015, 2014 and 2013, respectively.

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Name and Position	Year	Salary	Bonus	Stock Awards (1)	Option Awards (2)	All Other Compensation (3)		Total
Lonnel Coats	2015	$561,835	$439,912	$270,021	$826,945	$720		$2,099,433
President, Chief Executive Officer and Director	2014	$266,901	$165,006	$—	$1,099,223	$300		$1,531,430
Jeffrey L. Wade	2015	$401,227	$238,108	$144,710	$443,181	$7,205		$1,234,431
Executive Vice President,	2014	$393,000	$141,480	$141,040	$432,763	$7,066		$1,115,349
Corporate and Administrative	2013	$391,667	$—	$142,120	$432,915	$6,938		$973,640
Affairs and Chief Financial Officer								
Pablo Lapuerta, M.D.	2015	$377,963	$125,606	$113,386	$347,237	$7,172		$971,364
Executive Vice President,	2014	$375,000	$70,350	$135,880	$416,930	$7,040		$1,005,200
and Chief Medical Officer	2013	$370,000	$—	$146,300	$445,648	$6,904		$968,852
Alan J. Main, Ph.D.	2015	$360,967	$121,344	$131,360	$402,294	$7,152		$1,023,117
Executive Vice President, CMC	2014	$357,000	$99,960	$129,000	$395,820	$7,014		$988,794
and Supply Operations	2013	$355,833	$—	$137,940	$420,182	$6,887		$920,842
James F. Tessmer Vice President of Finance and Accounting	2015	$252,197	$63,911	$66,480	$118,763	$6,991		$508,342
John P. Northcott Former Executive Vice President and Chief Commercial Offer	2015	$312,383	$—	$107,330	$328,701	$26,071	(4)	$774,485

(1) Reflects the aggregate grant date fair value, computed in accordance with FASB ASC Topic 718, of stock awards granted in 2015, 2014 and 2013, in each case based on the market price of our common stock on the date of grant, calculated in accordance with the process for determination of fair market value under our Equity Incentive Plan.

(2) Reflects the aggregate grant date fair value, computed in accordance with FASB ASC Topic 718, of stock options granted in 2015, 2014 and 2013. See the information appearing under the heading entitled “Stock-Based Compensation” in footnote 2 to our consolidated financial statements included as part of our Annual Report on Form 10-K for the year ended December 31, 2015 for certain assumptions made in the valuation of such stock options.

(3) Includes the following amounts in respect of company matching contributions under our 401(k) plan and company-paid premiums for group term life insurance. The company-paid life insurance premiums reflect payments for group term life policies maintained for the benefit of all employees.

	Year	Company 401(k) Matching Contribution	Company-Paid Group Term Life Insurance Premiums
Lonnel Coats	2015	$—	$720

	2014	$—	$300
Jeffrey L. Wade	2015	$6,625	$580
	2014	$6,500	$566
	2013	$6,375	$563
Pablo Lapuerta, M.D.	2015	$6,625	$547
	2014	$6,500	$540
	2013	$6,375	$529
Alan J. Main, Ph.D.	2015	$6,625	$527
	2014	$6,500	$514
	2013	$6,375	$512
James F. Tessmer	2015	$6,625	$366
John P. Northcott	2015	$6,625	$398

(4) Includes $19,048 paid to Mr. Northcott as compensation for his unused paid time off which had accrued at the time of his resignation, which amount was calculated in accordance with our policies applicable to all employees.

Employment Arrangements

Lonnel Coats. In July 2014, we entered into an offer letter with Lonnel Coats to serve as our president and chief executive officer. Under the offer letter, Mr. Coats receives a base salary, currently $605,000 a year, subject to adjustment, with an annual discretionary bonus based upon specific objectives to be determined by the compensation committee. The compensation committee has established a current bonus target for Mr. Coats of 70% of his base salary, subject to adjustment. The offer letter provides for certain severance payments upon the termination of Mr. Coats' employment, as described below under the heading "Executive and Director Compensation - Potential Payments upon Termination or Change in Control."

Jeffrey L. Wade. In December 1998, we entered into an employment agreement with Jeffrey L. Wade to serve as our senior vice president and chief financial officer starting in January 1999. Mr. Wade was named executive vice president and general counsel in February 2000, executive vice president, corporate development and chief financial officer in May 2010 and executive vice president, corporate and administrative affairs and chief financial officer in February 2015. Under the agreement, Mr. Wade receives a base salary, currently $420,982 a year, subject to adjustment, with an annual discretionary bonus based upon specific objectives to be determined by the compensation committee. The compensation committee has established a current bonus target for Mr. Wade of 40% of his base salary, subject to adjustment. The employment agreement is at-will and contains a non-competition agreement. The agreement also provides for certain severance payments upon the termination of Mr. Wade's employment, as described below under the heading "Executive and Director Compensation - Potential Payments upon Termination or Change in Control."

Pablo Lapuerta, M.D. In March 2011, we entered into an offer letter with Pablo Lapuerta, M.D. to serve as our senior vice president, clinical development and chief medical officer. Dr. Lapuerta was named executive vice president, clinical development and chief medical officer in February 2013, executive vice president, safety, pharmacovigilance and medical affairs and chief medical officer in August 2014 and executive vice president and chief medical officer in February 2015. Under the offer letter, Dr. Lapuerta receives a base salary, currently $388,999 a year, subject to adjustment, with an annual discretionary bonus based upon specific objectives to be determined by the compensation committee. The compensation committee has established a current bonus target for Dr. Lapuerta of 35% of his base salary, subject to adjustment. The offer letter provides for certain severance payments upon the termination of Dr. Lapuerta's employment, as described below under the heading "Executive and Director Compensation - Potential Payments upon Termination or Change in Control."

Alan J. Main, Ph.D. In July 2001, we entered into an employment agreement with Alan J. Main, Ph.D., to serve as our senior vice president, Lexicon Pharmaceuticals. Dr. Main was named executive vice president of pharmaceutical research in February 2007 and executive vice president, CMC and supply operations in February 2015. Under the agreement, Dr. Main receives a base salary, currently $375,800 a year, subject to adjustment, with an annual discretionary bonus based upon specific objectives to be determined by the compensation committee. The compensation committee has established a current bonus target for Dr. Main of 35% of his base salary, subject to adjustment. The employment agreement is at-will and contains a non-competition agreement. The agreement also provides for certain severance payments upon the termination of Dr. Main's employment, as described below under the heading "Executive and Director Compensation - Potential Payments upon Termination or Change in Control."

James F. Tessmer. In April 2001, we entered into an at-will employment arrangement with James F. Tessmer to serve as our director of finance. Mr. Tessmer was named senior director of finance in February 2004 and vice president, finance and accounting in October 2007. Under the arrangement, Mr. Tessmer receives a base salary, currently $263,314 a year, subject to adjustment, with an annual discretionary bonus based upon specific objectives to be determined by the compensation committee. The compensation committee has established a current bonus target for Mr. Tessmer of 25% of his base salary, subject to adjustment.

John P. Northcott. In April 2013, we entered into an offer letter with John P. Northcott to serve as our vice president of marketing and commercial strategy and operations. Mr. Northcott was named executive vice president and chief commercial officer in October 2015. Under the offer letter, Mr. Northcott received a base salary with an annual discretionary bonus based upon specific objectives to be determined by the compensation committee. The offer letter provided for certain severance payments upon the termination of Mr. Northcott's employment, as described below under the heading "Executive and Director Compensation - Potential Payments upon Termination or Change in

Control.” Mr. Northcott resigned from such position in December 2015 and no severance payments were payable under the offer letter in connection with his resignation.

Grants of Plan-Based Awards in 2015

The following table presents each grant of restricted stock units and stock options in 2015 to the individuals named in the summary compensation table, adjusted in each case to give effect to a one-for-seven reverse split of our common stock in May 2015.

Name	Grant Date	Number of Restricted Stock Units	Number of Securities Underlying Options	Exercise Price of Option Awards	Closing Market Price on the Grant Date of Option Awards	Grant Date Fair Value of Stock and Option Awards
Lonnel Coats	2/5/2015	43,342				$270,021
	2/5/2015		173,371	$6.23	$6.51	
Jeffrey L. Wade	2/5/2015	23,228				$144,710
	2/5/2015		92,914	$6.23	$6.51	
Pablo Lapuerta, M.D.	2/5/2015	18,200				$113,386
	2/5/2015		72,799	$6.23	$6.51	
Alan J. Main, Ph.D.	2/5/2015	21,085				$131,360
	2/5/2015		84,342	$6.23	$6.51	
James F. Tessmer	2/5/2015	10,671				$66,480
	2/5/2015		24,899	$6.23	$6.51	
John P. Northcott	2/5/2015	17,228				$107,330
	2/5/2015		68,913	$6.23	$6.51	

Each of the restricted stock units in the foregoing table was granted under our Equity Incentive Plan. Each restricted stock unit vested with respect to 25% of the shares underlying the restricted stock unit on February 28, 2016 and with respect to an additional 25% of the shares underlying the restricted stock unit on February 28 of each of the three following years. Each restricted stock unit becomes fully vested upon the termination of the named executive officer’s employment by us without cause or by the named executive officer for good reason following a change in control of our company.

Each of the stock options in the foregoing table was granted under our Equity Incentive Plan and expires on the tenth anniversary of the grant date. Each option vests with respect to 25% of the shares underlying the option on the first anniversary of the grant date and 1/48th per month for each month of service thereafter. Each option becomes fully vested with respect to all remaining unvested shares upon a change in control of our company. In accordance with the process for determination of fair market value under the plan, the exercise price for each stock option is equal to the closing price of our common stock, as quoted on the Nasdaq Global Select Market, on the last trading day prior to the grant date. The exercise price for each stock option may be paid in cash or in shares of our common stock valued at fair market value on the exercise date or through a cashless exercise procedure involving a same-day sale of the purchased shares.

Outstanding Equity Awards at December 31, 2015

The following table presents information about unexercised stock options and unvested restricted stock units that were held by each of the individuals listed in the summary compensation table as of December 31, 2015, adjusted in each case to give effect to a one-for-seven reverse split of our common stock in May 2015.

Option Awards	Stock Awards

	Number of Securities Underlying Unexercised Options		Option Exercise	Option Expiration	Number of Restricted Stock Units That Have	Market Value of Restricted Stock Units That Have
	Exercisable	Unexercisable (1)	Price	Date	Not Vested (2)	Not Vested (3)
Lonnel Coats	43,186	78,742	$ 11.76	7/7/2024		
	—	173,371	$ 6.23	2/5/2025		
					43,342	$ 576,882

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	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options		Option Exercise Price	Option Expiration Date	Number of Restricted Stock Units That Have Not Vested (2)	Market Value of Restricted Stock Units That Have Not Vested (3)
	Exercisable	Unexercisable (1)				
Jeffrey L. Wade	17,142	—	$ 28.00	2/1/2016		
	17,142	—	$ 27.58	2/13/2017		
	28,571	—	$ 14.49	2/7/2018		
	53,571	—	$ 10.15	2/12/2019		
	53,570	—	$ 13.30	2/15/2020		
	14,285	—	$ 10.64	5/17/2020		
	42,857	—	$ 12.67	2/23/2021		
	42,723	1,847	$ 12.60	2/15/2022		
	27,529	11,327	$ 14.63	2/8/2023		
	21,479	25,377	$ 12.04	2/6/2024		
	—	92,914	$ 6.23	2/5/2025		
					2,785	$ 37,068
					4,857	$ 64,647
					8,786	$ 116,942
					23,228	$ 309,165
Pablo Lapuerta, M.D.	28,571	—	$ 12.04	3/23/2021		
	28,482	1,232	$ 12.60	2/15/2022		
	28,339	11,660	$ 14.63	2/8/2023		
	20,693	24,449	$ 12.04	2/6/2024		
	—	72,799	$ 6.23	2/5/2025		
					1,857	$ 24,717
					5,000	$ 66,550
					8,464	$ 112,656
					18,200	$ 242,242
Alan J. Main, Ph.D.	9,285	—	$ 28.00	2/1/2016		
	14,285	—	$ 27.58	2/13/2017		
	28,570	—	$ 14.49	2/7/2018		
	46,427	—	$ 10.15	2/12/2019		
	46,428	—	$ 13.30	2/15/2020		
	37,142	—	$ 12.67	2/23/2021		
	38,341	1,658	$ 12.60	2/15/2022		
	26,719	10,994	$ 14.63	2/8/2023		
	19,645	23,211	$ 12.04	2/6/2024		
	—	84,342	$ 6.23	2/5/2025		
					2,500	$ 33,275
					4,714	$ 62,743
					8,036	$ 106,959

					21,085	$ 280,641
James F. Tessmer	942	—	$ 28.00	2/1/2016		
	1,428	—	$ 27.58	2/13/2017		
	3,571	—	$ 24.92	10/23/2017		
	5,714	—	$ 14.49	2/7/2018		
	21,428	—	$ 10.15	2/12/2019		
	14,284	—	$ 13.30	2/15/2020		
	10,000	—	$ 12.67	2/23/2021		
	8,353	361	$ 12.60	2/15/2022		
	5,666	2,333	$ 14.63	2/8/2023		
	5,729	6,770	$ 12.04	2/6/2024		
	—	24,899	$ 6.23	2/5/2025		
					965	$ 12,844
					1,714	$ 22,813
					4,018	$ 53,480
					10,671	$ 142,031

	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options		Option Exercise Price	Option Expiration Date	Number of Restricted Stock Units That Have Not Vested (2)	Market Value of Restricted Stock Units That Have Not Vested (3)
	Exercisable	Unexercisable (1)				
John P. Northcott	10,716	—	$ 16.45	3/19/2016		
	6,875	—	$ 12.04	3/19/2016		

(1) Each stock option vests with respect to 25% of the shares underlying the stock option on the first anniversary of the grant date and 1/48th per month for each month of service thereafter.

(2) Each restricted stock unit vests with respect to 25% of the shares underlying the restricted stock unit on February 28 of each of the four years following the year of grant.

(3) Based on the closing price of our common stock on the Nasdaq Global Select Market of $13.31 per share on December 31, 2015.

Option Exercises and Stock Vested in 2015

The following table presents information about stock option exercises and the vesting of restricted stock units in 2015 for each of the individuals listed in the summary compensation table, adjusted in each case to give effect to a one-for-seven reverse split of our common stock in May 2015. Amounts shown under the columns “Value Realized on Exercise” and “Value Realized on Vesting” are based on the market price of our common stock on the date of exercise or vesting, as applicable, calculated in accordance with the process for determination of fair market value under our Equity Incentive Plan, without taking into account any taxes that may be payable in connection with the exercise or vesting event, subsequent sale of shares or any shares retained by us in satisfaction of any withholding obligations relating to such taxes.

Name	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting (1)
Lonnel Coats	—	$—	—	$—
Jeffrey L. Wade	—	$—	10,821	$71,202
Pablo Lapuerta, M.D.	—	$—	7,178	$47,231
Alan J. Main, Ph.D.	—	$—	9,857	$64,859
James F. Tessmer	—	$—	4,232	$27,847
John P. Northcott	—	$—	1,607	$10,574

(1) Based on the closing price of our common stock on the Nasdaq Global Select Market of $6.58 per share on February 27, 2015, the last trading day prior to the date of vesting.

Potential Payments upon Termination or Change in Control

Offer Letters

Lonnel Coats. Our offer letter with Mr. Coats provides that if we terminate his employment without “cause,” we would pay Mr. Coats his then-current salary for twelve months pursuant to our normal payroll procedures. If such termination is in connection with a “change in control,” we will pay Mr. Coats an additional one-time payment equal to his bonus target for the year of termination.

Pablo Lapuerta, M.D. Our offer letter with Dr. Lapuerta provides that if we terminate his employment without “cause,” we would pay Dr. Lapuerta his then-current salary for six months pursuant to our normal payroll procedures. Such payments would be extended to twelve months if Dr. Lapuerta’s employment were terminated without “cause” in connection with a “change in control.”

John P. Northcott. Our offer letter with Mr. Northcott provided that if we terminated his employment without "cause" in connection with a "change in control," we would pay Mr. Northcott his then-current salary for six months pursuant to our normal payroll procedures. Mr. Northcott's resignation in December 2015 did not trigger any such salary continuation payments.

Under each of our offer letters with Mr. Coats, Dr. Lapuerta and Mr. Northcott, "cause" means any of the following:

- the individual having engaged in intentional misconduct causing our material violation of any state or federal laws;

- the individual having engaged in a theft of corporate funds or corporate assets or in a material act of fraud upon us;
- an act of personal dishonesty taken by the individual that was intended to result in personal enrichment of the individual at our expense; or
- the individual's conviction of a felony.

Under each of our offer letters with Mr. Coats, Dr. Lapuerta and Mr. Northcott, a "change in control" shall have occurred upon any of the following events:

- any person becomes the beneficial owner of securities representing 50% or more of the combined voting power of our outstanding voting securities;
- the approval by our stockholders of a reorganization, merger, or consolidation pursuant to which our stockholders immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own or control more than 50% of the combined voting power of the surviving entity's outstanding voting securities in substantially the same proportions as prior to such reorganization, merger or consolidation; or
- our liquidation or dissolution or the sale of all or substantially all of our assets.

Under our offer letter with Mr. Coats, a "change in control" shall not occur solely as a result of the majority ownership of our outstanding voting securities by Invus, L.P. or any future reduction in the percentage of our outstanding voting securities owned by Invus, L.P. below a majority level. Under our offer letter with Mr. Northcott, a "change in control" shall not have occurred solely as a result of the majority ownership of our outstanding voting securities by Invus, L.P. or its affiliates.

Employment Agreements

Jeffrey L. Wade. Our employment agreement with Mr. Wade provides that if we terminate his employment without "cause" or if Mr. Wade terminates his employment for "good reason," we will pay Mr. Wade his then-current salary for twelve months pursuant to our normal payroll procedures, plus an additional single sum payment equal to 50% of his target bonus for the year in which the termination occurred, provided that if such termination occurs within 120 days following a reduction in his salary, the salary continuation payments shall be based on Mr. Wade's salary prior to such reduction. If his employment is terminated at the end of any renewal term through notice of non-renewal, we will pay Mr. Wade his then-current salary for six months pursuant to our normal payroll procedures.

Alan J. Main, Ph.D. Our employment agreement with Dr. Main provides that if we terminate his employment without "cause" or if Dr. Main terminates his employment for "good reason," we will pay Dr. Main his then-current salary for twelve months pursuant to our normal payroll procedures, plus an additional single sum payment equal to 50% of his target bonus for the year in which the termination occurred. If his employment is terminated at the end of any renewal term through notice of non-renewal, we will pay Dr. Main his then-current salary for six months pursuant to our normal payroll procedures.

Under each of our employment agreements with Mr. Wade and Dr. Main, "cause" means any of the following:

- the individual having engaged in intentional misconduct causing our material violation of any state or federal laws;
- the individual having engaged in a theft of corporate funds or corporate assets or in a material act of fraud upon us;
- an act of personal dishonesty taken by the individual that was intended to result in personal enrichment of the individual at our expense;
- the individual's final conviction in a court of competent jurisdiction of a felony; or
- a breach by the individual during his or her employment of the conflict of interest, confidential information and non-competition covenants under the agreement, if such breach results in a material injury to our company.

Under each of our employment agreements with Mr. Wade and Dr. Main, "good reason" means any of the following, without the individual's prior written consent:

- any material diminution in the individual's base compensation, followed by the individual terminating his employment for "good reason" within 120 days after receiving notice of such diminution;

- any material diminution in the individual's authority, duties or responsibilities, followed by the individual terminating his employment for "good reason" within 120 days after receiving notice of such diminution; or
- any material breach by our company of the agreement, followed by the individual terminating his employment for "good reason" within 120 days after receiving notice of such breach.

Stock Option Agreements

Our stock option agreements with the individuals named in the summary compensation table provide that all remaining unvested stock options shall become fully vested upon a change in control of our company. Under the stock option agreements, a "change in control" shall have occurred upon any of the following events:

- any person other than Invus, L.P. and its affiliates becomes the beneficial owner of securities representing 35% or more of the combined voting power of our outstanding voting securities;
- the approval by our stockholders of a reorganization, merger, or consolidation pursuant to which our stockholders immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own or control more than 50% of the combined voting power of the surviving entity's outstanding voting securities in substantially the same proportions as prior to such reorganization, merger or consolidation;
- our liquidation or dissolution or the sale of all or substantially all of our assets;
- the election by our stockholders of any person to our board of directors who has not been nominated for election by a majority of the board of directors or any duly appointed committee thereof;
- following the election or removal of directors, a majority of the board of directors consists of individuals who were not members of the board of directors two years before such election or removal, unless the election of such individuals to the board of directors has been approved in advance by directors representing a majority of the directors then in office who were directors at the beginning of the two-year period; or
- any other corporate event affecting the company deemed to be a "change in control" by the compensation committee.

Under the stock option agreements, a change in control shall also have occurred if Invus, L.P. and its affiliates become the beneficial owner of securities representing 50% or more of the combined voting power of our outstanding voting securities other than as a result of the consummation of any of the transactions contemplated by our securities purchase agreement and stockholders' agreement with Invus, L.P. The pro rata rights offering to our stockholders which we completed in December 2011 and which resulted in Invus and its affiliates becoming the beneficial owner of more than 50% of the outstanding shares of our common stock did not constitute a change in control under the stock option agreements as it was contemplated by our securities purchase agreement with Invus, L.P.

Restricted Stock Unit Agreements

Our restricted stock unit agreements with the individuals named in the summary compensation table provide that the interest of each named executive officer in the shares subject to the restricted stock unit shall become fully vested upon the termination of the named executive officer's employment by us without cause or by the named executive officer for good reason, in either case following a change in control of our company, or as a result of the named executive officer's death or disability. Under the restricted stock unit agreements, a "change in control" shall have occurred upon any of the following events:

- any person other than Invus, L.P. and its affiliates becomes the beneficial owner of securities representing 35% or more of the combined voting power of our outstanding voting securities;
- the consummation of a reorganization, merger, or consolidation pursuant to which our stockholders immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own or control more than 50% of the combined voting power of the surviving entity's outstanding voting securities in substantially the same proportions as prior to such reorganization, merger or consolidation;
- our liquidation or dissolution or the sale of all or substantially all of our assets;
- following the election or removal of directors, a majority of the board of directors consists of individuals who were not members of the board of directors two years before such election or removal, unless the election of such individuals to the board of directors has been approved in advance by directors representing a majority of the directors then in office who were directors at the beginning of the two-year period; or

- any other corporate event affecting the company deemed to be a “change in control” by the compensation committee.

Under the restricted stock unit agreements, a change in control shall also have occurred if Invus, L.P. and its affiliates become the beneficial owner of securities representing 50% or more of the combined voting power of our outstanding voting securities other than as a result of the consummation of any of the transactions contemplated by our securities purchase agreement and stockholders’ agreement with Invus, L.P. The pro rata rights offering to our stockholders which we completed in December 2011 and which resulted in Invus and its affiliates becoming the beneficial owner of more than 50% of the outstanding shares of our common stock did not constitute a change in control under the restricted stock unit agreements as it was contemplated by our securities purchase agreement with Invus, L.P.

Under the restricted stock unit agreements, “cause” means any of the following:

- the individual having engaged in intentional misconduct causing our material violation of any state or federal laws;
- the individual having engaged in a theft of corporate funds or corporate assets or in a material act of fraud upon us;
- an act of personal dishonesty taken by the individual that was intended to result in personal enrichment of the individual at our expense;
- the individual’s final conviction, or entry of any plea other than “not guilty,” in a court of competent jurisdiction of a felony; or
- a breach by the individual of any contractual or fiduciary obligation to us, if such breach results in a material injury to us.

Under the restricted stock unit agreements, “good reason” means any of the following, without the individual’s prior written consent:

- any material diminution in the individual’s base salary;
- any material diminution in the individual’s authority, duties or responsibilities; or
- any material breach by our company of any contractual obligation to the individual.

The following table reflects the amounts Mr. Coats, Mr. Wade, Dr. Lapuerta, Dr. Main and Mr. Tessmer would have been entitled to receive if the foregoing termination or change-in-control events had occurred on December 31, 2015. Mr. Northcott was not entitled to receive any amounts in connection with his resignation in December 2015. The table does not take into account any taxes that may have been payable in connection with any of those payments:

Name	Aggregate Salary Continuation		Bonus	Other Compensation	Accelerated Portion of Stock Options (4)	Accelerated Portion of Restricted Stock Units (5)
Lonnel Coats	$566,520		$339,912	$—	$ 1,349,517	$567,882
Jeffrey L. Wade	$404,790	(1)	$80,958	$—	$ 691,371	$527,821
Pablo Lapuerta, M.D.	$380,625	(2)	$—	$—	$ 547,342	$446,165
Alan J. Main, Ph.D.	$367,710	(3)	$64,349	$—	$ 627,797	$483,619
James F. Tessmer	$—		$—	$—	$ 185,139	$231,168
John P. Northcott	$—		$—	$—	$ —	$—

(1) Reflects aggregate salary continuation payments due as a result of our termination of Mr. Wade’s employment without “cause” or Mr. Wade’s termination of his employment for “good reason.” If Mr. Wade’s employment had been terminated at the end of a renewal term through notice of non-renewal, the aggregate salary continuation payment for Mr. Wade would have been $202,395.

(2) Reflects aggregate salary continuation payments due as a result of our termination of Dr. Lapuerta’s employment without “cause” in connection with a “change in control.” If Dr. Lapuerta’s employment had been terminated without “cause” other than in connection with a “change in control,” the aggregate salary continuation payment for Dr. Lapuerta would have been $190,313.

(3) Reflects aggregate salary continuation payments due as a result of our termination of Dr. Main’s employment without “cause” or Dr. Main’s termination of his employment for “good reason.” If Dr. Main’s employment had been terminated at the end of a renewal term through notice of non-renewal, the aggregate salary continuation payment for Dr. Main would have been $183,855.

(4) Based on the closing price of our common stock on the Nasdaq Global Select Market on December 31, 2015 of $13.31 per share, less the exercise price payable with respect to the stock options for which vesting would have been accelerated.

(5) Based on the closing price of our common stock on the Nasdaq Global Select Market on December 31, 2015 of $13.31 per share.

Director Compensation in 2015

Each non-employee member of our board of directors currently receives the following cash compensation:

- an annual retainer of $15,000 for service on the board of directors ($30,000 for service as non-executive chairman of the board of directors), prorated for any partial year of service;
- an annual retainer of $2,500 for service on each committee of the board of directors of which he or she is a member ($5,000 for service as chairman of any such committee), prorated for any partial year of service;
- a fee of $2,500 for each meeting of the board of directors that he or she attends in person ($500 for each telephonic meeting of the board of directors in which he or she participates); and
- a fee of $1,000 for each committee meeting that he or she attends in person other than in connection with a meeting of the full board of directors ($500 for each telephonic committee meeting in which he or she participates).

Lonnel Coats, our president and chief executive officer, does not receive additional compensation for his service as a director. We make additional cash payments to Dr. Lefkowitz for his consulting services and to Dr. Nies for his consulting services as chairman of our medical advisory board.

Our Non-Employee Directors' Equity Incentive Plan provides for the grant of stock options to our non-employee directors. All non-employee directors receive an initial option to purchase 4,285 shares of common stock, which vests with respect to 1/60th of such shares each month after grant for a period of five years after the date of grant. In addition, all non-employee directors who have served in such capacity for six months receive an annual stock option to purchase 2,857 shares of common stock, which vests with respect to 1/12th of such shares each month after grant for twelve months after the date of grant. In accordance with the process for determination of fair market value under the plan, the exercise price for each stock option is equal to the closing price of our common stock, as quoted on the Nasdaq Global Select Market, on the last trading day prior to the grant date.

Our Non-Employee Directors' Equity Incentive Plan also provides for the grant of annual restricted stock awards to our non-employee directors. All non-employee directors who have served in such capacity for six months receive an annual restricted stock award of the number of shares of common stock having a fair market value on the date of grant of $20,000, rounded down to the nearest whole share number. All of the shares subject to restricted stock awards are fully vested on the date of grant, but are subject to certain restrictions on sale prohibiting any non-employee director from selling such shares while a member of our board of directors.

The following table presents summary information for the year ended December 31, 2015 regarding the compensation of the non-employee members of our board of directors, adjusted where appropriate to give effect to a one-for-seven reverse split of our common stock in May 2015.

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Name	Fees Earned or Paid in Cash	Option Awards (1) (2) (3)	Restricted Stock Awards (1) (4)	All Other Compensation		Total
Raymond Debbane	$46,500	$16,365	$19,998	—		$82,863
Philippe J. Amouyal	$30,500	$16,365	$19,998	—		$66,863
Samuel L. Barker, Ph.D.	$33,500	$16,365	$19,998	—		$69,863
Robert J. Lefkowitz, M.D.	$27,000	$16,365	$19,998	$50,000	(5)	$113,363
Alan S. Nies, M.D.	$26,000	$16,365	$19,998	$115,000	(6)	$177,363
Frank P. Palantoni	$36,000	$16,365	$19,998	—		$72,363
Christopher J. Sobecki	$26,500	$16,365	$19,998	—		$62,863
Judith L. Swain, M.D.	$32,000	$16,365	$19,998	—		$68,363

(1)

Reflects the aggregate grant date fair value, computed in accordance with FASB ASC Topic 718, of stock options and restricted stock awards granted in 2015. See the information appearing under the heading entitled “Stock-Based Compensation” in footnote 2 to our consolidated financial statements included as part of our Annual Report on Form 10-K for the year ended December 31, 2015 for certain assumptions made in the valuation of such stock options and restricted stock awards.

(2) The non-employee members of our board of directors held the following aggregate number of unexercised options as of such date:

Name	Number of Securities Underlying Unexercised Options
Raymond Debbane	21,425
Philippe J. Amouyal	21,425
Samuel L. Barker, Ph.D.	29,995
Robert J. Lefkowitz, M.D.	19,996
Alan S. Nies, M.D.	19,996
Frank P. Palantoni	19,996
Christopher J. Sobecki	21,425
Judith L. Swain, M.D.	21,425

(3) The following table presents the fair value of each grant of stock options in 2015 to non-employee members of our board of directors, computed in accordance with FASB ASC Topic 718:

Name	Grant Date	Number of Securities Underlying Options	Exercise Price of Option Awards	Closing Market Price on the Grant Date of Option Awards	Grant Date Fair Value of Options
Raymond Debbane	4/24/2015	2,857	$7.49	$7.70	$16,365
Philippe Amouyal	4/24/2015	2,857	$7.49	$7.70	$16,365
Samuel L. Barker, Ph.D.	4/24/2015	2,857	$7.49	$7.70	$16,365
Robert J. Lefkowitz, M.D.	4/24/2015	2,857	$7.49	$7.70	$16,365
Alan S. Nies, M.D.	4/24/2015	2,857	$7.49	$7.70	$16,365
Frank P. Palantoni	4/24/2015	2,857	$7.49	$7.70	$16,365
Christopher J. Sobecki	4/24/2015	2,857	$7.49	$7.70	$16,365
Judith L. Swain, M.D.	4/24/2015	2,857	$7.49	$7.70	$16,365

(4) The following table presents the fair value of each grant of restricted stock awards in 2015 to non-employee members of our board of directors, computed in accordance with FASB ASC Topic 718:

Name	Grant Date	Number of Restricted Stock Awards	Per Share Grant Date Fair Value	Grant Date Fair Value of Restricted Stock Awards
Raymond Debbane	4/24/2015	2,670	$7.49	$19,998
Philippe Amouyal	4/24/2015	2,670	$7.49	$19,998
Samuel L. Barker, Ph.D.	4/24/2015	2,670	$7.49	$19,998
Robert J. Lefkowitz, M.D.	4/24/2015	2,670	$7.49	$19,998
Alan S. Nies, M.D.	4/24/2015	2,670	$7.49	$19,998
Frank P. Palantoni	4/24/2015	2,670	$7.49	$19,998
Christopher J. Sobecki	4/24/2015	2,670	$7.49	$19,998
Judith L. Swain, M.D.	4/24/2015	2,670	$7.49	$19,998

(5) Consists of amounts paid to Dr. Lefkowitz for his consulting services.

(6) Consists of amounts paid to Dr. Nies for his consulting services as chairman of our medical advisory board.

Compensation Committee Report

The compensation committee of our board of directors has been established to oversee the compensation of our employees, including our chief executive officer and other officers. The compensation committee also has responsibility for the evaluation and approval of all compensation plans, policies and programs, including the issuance of stock options, restricted stock units and other awards under our Equity Incentive Plan.

In performing these functions, the compensation committee has reviewed and discussed with the management of our company the information set forth above under the heading “Executive and Director Compensation - Compensation

Discussion and Analysis." Based upon that review and discussion, the compensation committee has recommended to the board of directors that the information set forth above under the heading "Executive and Director Compensation - Compensation Discussion and Analysis" be included in this proxy statement and incorporated by reference into our annual report on Form 10-K for the year ended December 31, 2015.

Compensation Committee
Frank P. Palantoni (chair)
Philippe J. Amouyal
Samuel L. Barker, Ph.D.

The foregoing compensation committee report shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this compensation committee report by reference.

PROPOSALS OF STOCKHOLDERS

In order for a stockholder proposal to be considered for inclusion in our proxy statement for next year's annual meeting, we must receive the written proposal at our principal executive offices no later than November 18, 2016. Any such proposal must also comply with Securities and Exchange Commission regulations regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Similarly, in order for any stockholder proposal to be otherwise raised during next year's annual meeting, we must receive written notice of the proposal, containing the information required by our bylaws, at our principal executive offices no later than November 18, 2016. You may contact our corporate secretary at our principal executive offices for a copy of the relevant bylaw provisions for making stockholder proposals.

FINANCIAL INFORMATION

Our annual report to stockholders, including financial statements, accompanies this proxy statement but does not constitute a part of the proxy solicitation materials. You may obtain, without charge, a copy of our annual report on Form 10-K, including the financial statements and exhibits thereto, by written request to Corporate Communications, Lexicon Pharmaceuticals, Inc., 8800 Technology Forest Place, The Woodlands, Texas 77381.

By order of the board of directors,

/s/ Brian T. Crum

Brian T. Crum
Secretary

March 18, 2016
The Woodlands, Texas

LEXICON PHARMACEUTICALS, INC.
8800 TECHNOLOGY FOREST PLACE
THE WOODLANDS, TX 77381

VOTE BY INTERNET - www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

Electronic Delivery of Future PROXY MATERIALS
If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting isntructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: x

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED

	For All	Withhold ALL	For All Except	To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below
	o	o	o	
The Board of Directors recommends you vote FOR the following				
1. Election of Directors Nominees				

01	Raymond Debbane	02 Robert Lefkowitz, M.D.	03 Alan S. Nies, M.D.

	For	Against	Abstain
The Board of Directors recommend you vote FOR proposals 2 through 6:			

2.	Advisory vote to approve the compensation paid to the Company's named executive officers	o	o	o
3.	Ratification and approval of the appointment of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2016	o	o	o

Note: In their discretion, upon such other matters that may properly come before the meeting or any adjournment or adjournments thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders much sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature (PLEASE SIGN WITHIN BOX)	Date	Signature (Joint Owners)	Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice & Proxy Statement, Annual Report is/are available at www.proxyvote.com.

Lexicon Pharmaceuticals, Inc.
Annual Meeting of Stockholders
April 28, 2016
This Proxy is solicited by the Board of Directors

The stockholder(s) hereby appoint(s) Lonnel Coats and Jeffrey L. Wade, or either of them, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of Lexicon Pharmaceuticals, Inc. that the stockholder(s) is/are entitled to vote at the Annual Meeting of Stockholders to be held at 8:00 a.m. CDT, on April 28, 2016 at the offices of the company, 8800 Technology Forest Place, The Woodlands, Texas, and any adjournment or postponement thereof.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED BY THE STOCKHOLDER(S). IF NO SUCH DIRECTIONS ARE MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES LISTED ON THE REVERSE SIDE FOR THE BOARD OF DIRECTORS AND FOR EACH PROPOSAL

Continued and to be signed on reverse side