

ARENA PHARMACEUTICALS, INC.

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

A. Composition

The Audit Committee (the “**Committee**”) of the Board of Directors of Arena Pharmaceuticals, Inc., a Delaware corporation (the “**Company**”), shall consist of at least three (3) directors, each of whom must satisfy the independence and financial literacy requirements of The Nasdaq Stock Market (“**Nasdaq**”), as determined by the Board of Directors of the Company (the “**Board**”). At least one of them shall satisfy the applicable Nasdaq and Securities and Exchange Commission (the “**SEC**”) financial sophistication and/or financial expert requirements, as also determined by the Board. The Board shall appoint the members of the Committee, and may remove any Committee member at any time. The Committee chairperson (the “**Chairperson**”) shall be appointed by the Board or, if it does not do so, the Committee. No member may accept any compensatory fees from the Company other than for Board or committee service.

B. Purpose

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

1. Act on behalf of the Board in fulfilling the Board’s oversight responsibilities with respect to the Company’s corporate accounting and financial reporting practices, systems of internal control over financial reporting, audits of financial statements and the quality and integrity of the Company’s financial statements and reports, as well as the qualifications, independence and performance of the Company’s independent outside auditors for the purpose of preparing or issuing an audit report or performing audit services (the “**Auditors**”).
2. Provide oversight assistance in connection with the Company’s compliance with legal and regulatory requirements.

The policy of the Committee, in discharging these obligations, shall be to maintain and foster an open channel of communication among the Committee, the Auditors and the Company’s financial management.

C. Authority

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

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

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

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

D. Functions and Responsibilities

The Committee shall oversee the Company’s financial reporting process on behalf of the Board, and shall have direct responsibility for the oversight of the Auditors, including their appointment, compensation, retention and termination, and the resolution of disagreements between management and the Auditors regarding financial reporting. The Auditors shall report directly and be accountable to the Committee. The Committee shall report the results of its activities to the Board as necessary to keep the Board informed. To implement the Committee’s purpose and policy, the Committee will have the full power and authority to carry out the following primary responsibilities. The Committee may supplement and, except as otherwise required by applicable law or the requirements of Nasdaq, deviate from these activities as appropriate under the circumstances.

1. Evaluation of Auditors – Evaluate the performance of the Auditors, to assess their qualifications (including their internal quality-control procedures and any material issues raised by that firm’s most recent internal quality-control or peer review or any investigations by regulatory authorities).
2. Engagement of Auditors and Preapproval – Determine whether to retain or to terminate the existing Auditors or to appoint and engage new Auditors for the ensuing year. The selection of the Auditors shall be annually presented to the Company’s stockholders for a non-binding vote to ratify such selection. If applicable, the process for selecting new Auditors must be based on proposals with detailed terms and conditions following a good faith effort by the Company to solicit such proposals.

Approve any engagement of the Auditors, prior to commencement of such engagement, to perform either of the following (including pursuant to the delegation of preapproval authority to one or more Committee members, so long as any such preapproval decisions are presented to the full Committee at the next scheduled meeting):

- a. all proposed audit, review and attest services, including the scope of and plans for the audit, the adequacy of staffing (including the rotation of the lead audit partner as required by applicable laws and rules), and the compensation to be paid to the Auditors.
 - b. any proposed permissible non-audit services (unless in compliance with exceptions available under applicable laws and rules), including the scope of the service and the compensation to be paid.
3. Auditor Independence – At least annually and prior to engagement of any prospective Auditors, to receive and review written statements from the Auditors delineating all relationships between the Auditors, or their affiliates, and the Company, or persons in financial oversight roles at the Company, that may reasonably be thought to bear on independence and a statement from the Auditors affirming their independence, to consider and discuss with the Auditors any disclosed relationships or services that could affect the Auditors’ objectivity and independence, and to assess and otherwise take appropriate action to oversee the independence of the Auditors.
4. Proposed Annual Financial Statements – Review, upon completion of the audit, the financial statements proposed to be included in the Company’s Annual Report on Form 10-K and recommend whether or not such financial statements should be so included.
5. Annual Audit and Related Disclosure – Discuss with the Auditors and management results of the annual audit, including the Auditors’ assessment of the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments and estimates (including material changes in estimates), any material audit adjustments proposed by the Auditors and immaterial adjustments proposed but not recorded, the adequacy of the disclosures in the financial statements and any other matters required to be communicated to the Committee by the Auditors under the standards of the Public Company Accounting Oversight Board (United States), as appropriate.
6. Proposed Quarterly Financial Statements – Discuss with management and the Auditors the results of the Auditors’ review of the quarterly financial statements and any other matters required to be communicated to the Audit Committee by the Auditors under the standards of the Public Company Accounting Oversight Board (United States), as appropriate.
7. Management’s Discussion and Analysis; Approval of Periodic Reports – Review and discuss with management and the Auditors, as appropriate, the Company’s disclosures contained under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in its periodic reports to be filed with the SEC. The Chairperson may represent the entire Committee for purposes of this discussion. The Committee, or, if the full Committee is not available, a member of the Committee designated by the Chairperson, shall review and approve a draft of the Company’s Form 10-K or 10-Q, as applicable, prior to public dissemination.

8. Earnings Press Releases and Guidance – Review and discuss with management and the Auditors, as appropriate, earnings press releases, as well as the substance of financial information and earnings guidance provided to analysts and ratings agencies, which discussions may be general discussions of the type of information to be disclosed or the type of presentation to be made. The Chairperson may represent the entire Committee for purposes of this discussion. The Committee, or, if the full Committee is not available, a member of the Committee designated by the Chairperson, shall review and approve a draft of the Company’s earnings releases prior to public dissemination.
9. Auditor Reports – Review and discuss at least quarterly, and before any audit report is filed with the SEC pursuant to applicable securities laws, reports from the Auditors on:
 - a. all critical accounting policies and practices used by the Company;
 - b. all alternative accounting treatments of financial information within GAAP related to material items that have been discussed with management and any other significant reporting issues and judgments; and
 - c. other material communications between the Auditors and management.
10. Auditor Letters – Review with the Auditors any management or internal control letter issued or, to the extent practicable, proposed to be issued by the Auditors and management’s response, if any, to such letter.
11. Committee Report – Prepare the report required by the rules of the SEC to be included in the Company’s annual proxy statement.
12. Related Party Transactions – Review and approve all related party transactions as required by Nasdaq rules.
13. Risk Assessment and Management and Insurance – Review with management and the Auditors, as appropriate, the Company’s guidelines and policies with respect to risk assessment and risk management, including the Company’s major financial risk exposures and the steps taken by management to monitor and control these exposures, including the Company’s insurance programs.
14. Communications and Conflicts Between the Company and Auditors
 - a. Evaluate the cooperation received by the Auditors during their audit examination;
 - b. Review with the Auditors communications between the audit team and the Company; and
 - c. Review with the Auditors and management any conflicts or disagreements between management and the Auditors regarding financial reporting, accounting practices or policies or other matters that, individually or in the aggregate could be significant to the Company’s financial statements or the Auditors’ report, and resolve any such conflicts or disagreements regarding financial reporting.

15. Internal Control Over Financial Reporting – Confer with the Auditors and with the senior management of the Company regarding the scope, adequacy and effectiveness of internal control over financial reporting, including, if applicable, any special audit steps taken in the event of material control deficiencies.
16. Disclosure Controls; Public Disclosure – Periodically meet with the Company’s Chief Executive Officer and/or Chief Financial Officer to discuss and review management’s assessment of the Company’s compliance with its disclosure controls and procedures. Periodically review, discuss and approve the Company’s public disclosure policies and procedures.
17. Committee Discussions with Others – Periodically, meet in separate sessions with the Committee members only, Auditors and senior management to discuss any matters that the Committee, the Auditors or senior management believes should be discussed privately with the Committee, provided that the Committee shall meet in separate sessions with the Auditors during at least one of the Committee’s regularly scheduled meetings each quarter.
18. Correspondence Regarding the Financial Statements or Accounting Policies – Review with management, the Auditors, outside counsel, as appropriate, and, in the judgment of the Committee, such special counsel, separate accounting firm and other consultants and advisors as the Committee deems appropriate, any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company’s financial statements or accounting policies and, as desired, reports or articles which comment on the Company’s or the industry’s accounting or financial reporting.
19. Tax Strategy – Review the Company’s tax strategy and the Company’s compliance with such strategy.
20. Complaint Policy – Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters or other matters covered under the Company’s Policy on Filing, Receipt and Treatment of Complaints, and the confidential and anonymous submission by employees of concerns regarding such matters.
21. Code of Conduct and Compliance with Laws and Regulations – Review the results of management’s efforts to monitor compliance with the Company’s Code of Business Conduct and Ethics and other policies and procedures designed to ensure adherence to applicable laws and regulations.
22. Hiring Policy – Establish and monitor the Company’s hiring policies prohibiting the hiring of employees or former employees of the Auditors earlier than three years from the date they were last employed by the Auditors without the approval of the Committee or the Chairperson.
23. Investment Policy – Review the Company’s investment policy and the Company’s compliance with such policy.

24. Proposed Regulations and Standards; Recent Developments – Review with counsel, the Auditors and management, as appropriate, any significant regulatory or other legal or accounting initiatives or matters that may have a material impact on the Company’s financial statements, compliance programs and policies if, in the judgment of the Committee, such review is necessary or appropriate. Review recent developments affecting the Committee’s responsibilities as an agenda item for a majority of the Committee’s regularly scheduled meetings.
25. Litigation – Review threatened or pending litigation matters that could significantly impact the Company’s financial statements.
26. Investigations – Investigate any matter brought to the attention of the Committee within the scope of its duties if, in the judgment of the Committee, such investigation is necessary or appropriate.
27. Self-Assessment – Periodically review, discuss and assess its performance. The Committee shall also periodically review and assess the adequacy of this charter, including the Committee’s role and responsibilities as outlined in this charter, and shall recommend any proposed changes to the Board for its consideration.
28. Report to Board – Report to or otherwise inform the Board with respect to material issues that arise regarding the quality or integrity of the Company’s financial statements, the Company’s compliance with legal or regulatory requirements, the performance or independence of the Company’s Auditors or such other matters as the Committee deems appropriate. Also report to the Board all material activities of the Committee from time to time or whenever so requested by the Board.

It shall be the responsibility of management to prepare the Company’s financial statements and periodic reports and the responsibility of the Auditors to audit those financial statements. These functions shall not be the responsibility of the Committee, nor shall it be the Committee’s responsibility to ensure that the financial statements or periodic reports are complete and accurate, conform to GAAP or otherwise comply with applicable laws.

E. Meetings

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

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