

HORIZON PHARMA, INC.
Form DEF 14A
June 02, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

Horizon Pharma, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box)

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

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

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3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

5. Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

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HORIZON PHARMA, INC.
ANNUAL MEETING OF STOCKHOLDERS
June 27, 2014

NOTICE AND PROXY STATEMENT

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June 2, 2014

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders on Friday, June 27, 2014. The Annual Meeting will begin at 8:00 a.m., Central Time, at our corporate office, located at 520 Lake Cook Road, Suite 520, Deerfield, IL 60015.

The attached Notice of Annual Meeting and Proxy Statement describes how our Board of Directors operates, provides biographical information on our director nominees, gives information for the voting matters to be acted upon at the Annual Meeting and explains the proxy voting process.

Our Board of Directors urges you to read the accompanying Proxy Statement and recommends that you vote FOR all of the proposed nominees for election to the Board of Directors, FOR the approval of an amendment to the Company's 2011 Equity Incentive Plan, FOR the approval, pursuant to NASDAQ Listing Rule 5635, of the issuance of shares of our common stock in excess of 13,164,951 shares upon conversion of our 5.00% Convertible Senior Notes due 2018, FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2014 and FOR the approval, on an advisory basis, of the compensation of our named executive officers, as disclosed in this Proxy Statement.

Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented and voted. Please take a moment now to vote your shares by internet, by toll-free telephone call or by signing and dating the enclosed proxy card and returning it in the pre-addressed, postage-paid envelope provided.

We look forward to seeing you on June 27, 2014, and urge you to vote as soon as possible.

Sincerely,

Timothy P. Walbert

Chairman of the Board, President and Chief Executive Officer

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON JUNE 27, 2014

Dear Stockholder:

We will be holding the Annual Meeting of Stockholders of Horizon Pharma, Inc., on Friday, June 27, 2014, beginning promptly at 8:00 a.m., Central Time, at our corporate office, located at 520 Lake Cook Road, Suite 520, Deerfield, IL 60015. You are being asked to vote on the following matters:

1. To elect the two nominees for Class III Directors named herein to hold office until the 2017 Annual Meeting of Stockholders.
2. To approve an amendment to our 2011 Equity Incentive Plan.
3. To approve, pursuant to NASDAQ Listing Rule 5635, the issuance of shares of our common stock in excess of 13,164,951 shares upon conversion of our 5.00% Convertible Senior Notes due 2018.
4. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2014.
5. To approve, on an advisory basis, the compensation of our named executive officers, as disclosed in this Proxy Statement.
6. To conduct any other business properly brought before the meeting.

Only stockholders of record at the close of business on May 20, 2014, the record date for the Annual Meeting, are entitled to notice of the Annual Meeting and to vote at the Annual Meeting or any adjournment or postponement thereof. On or about June 2, 2014, we will mail to our common stockholders proxy materials. We ask that you review the Proxy Statement carefully and complete, sign, date and return the enclosed proxy card in the envelope provided or vote over the internet or by telephone as instructed in these materials, as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) has been provided for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting

**to Be Held on Friday, June 27, 2014, at 8:00 a.m., Central Time,
at 520 Lake Cook Road, Suite 520, Deerfield, IL 60015.**

The Proxy Statement and Annual Report to stockholders

are available at www.edocumentview.com/hznp.

By Order of the Board of Directors

Robert J. De Vaere

Secretary

Deerfield, Illinois

June 2, 2014

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HORIZON PHARMA, INC.
ANNUAL MEETING OF STOCKHOLDERS

JUNE 27, 2014

PROXY STATEMENT

INTRODUCTION

Your proxy is solicited by the Board of Directors (the Board or Board of Directors) of Horizon Pharma, Inc., a Delaware corporation (Horizon, the Company, we, our or us), for the Annual Meeting of Stockholders (the Annual Meeting) to be held at 8:00 a.m., Central Time, on Friday, June 27, 2014, at the Company's corporate office, located at 520 Lake Cook Road, Suite 520, Deerfield, Illinois 60015, for the purposes set forth in the Notice of Annual Meeting of Stockholders, and at any adjournment or postponement thereof. The mailing address of the principal executive office of the Company is 520 Lake Cook Road, Suite 520, Deerfield, Illinois 60015. The Company expects that this Proxy Statement, the related proxy and Notice of Annual Meeting of Stockholders will first be mailed to stockholders on or about June 2, 2014.

QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING

Why am I receiving these materials?

We have sent you these proxy materials because our Board of Directors is soliciting your proxy to vote at the Annual Meeting, including at any adjournments or postponements of the meeting. You are invited to attend the Annual Meeting to vote on the proposals described in this Proxy Statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, or follow the instructions below to submit your proxy over the telephone or through the internet.

How do I attend the Annual Meeting?

The meeting will be held on Friday, June 27, 2014, at 8:00 a.m., Central Time, at our corporate office, located at 520 Lake Cook Road, Suite 520, Deerfield, IL 60015. Information on how to vote in person at the Annual Meeting is provided below.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on May 20, 2014 will be entitled to vote at the Annual Meeting. On this record date, there were 73,734,569 shares of our common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on May 20, 2014, your shares were registered directly in your name with Horizon's transfer agent, Computershare Shareowner Services LLC, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card or vote by proxy over the telephone or on the internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

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If on May 20, 2014, your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in street name and

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these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

What am I voting on?

There are five matters scheduled for a vote:

Election of two Class III Directors;

Approval of an amendment to our 2011 Equity Incentive Plan;

Approval, pursuant to NASDAQ Listing Rule 5635, of the issuance of shares of our common stock in excess of 13,164,951 shares upon conversion of our 5.00% Convertible Senior Notes due 2018;

Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2014; and

Advisory approval of the compensation of our named executive officers, as disclosed in this Proxy Statement, in accordance with Securities and Exchange Commission (SEC) rules.

What if another matter is properly brought before the meeting?

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on those matters in accordance with their best judgment.

How do I vote?

You may either vote For all the Class III nominees to the Board of Directors or you may Withhold your vote for any nominee you specify. For each of the other matters to be voted on, you may vote For or Against or abstain from voting.

The procedures for voting are fairly simple:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the Annual Meeting, vote by proxy using the enclosed proxy card, vote by proxy over the telephone, or vote by proxy through the internet. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person even if you have already voted by proxy.

To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive.

To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.

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To vote over the telephone, dial toll-free 1-800-652-VOTE (8683) using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m., Eastern Time on June 26, 2014, to be counted.

To vote through the internet, go to <http://www.envisionreports.com/hznp> to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m. Eastern Time on June 26, 2014, to be counted.

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Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a voting instruction form with these proxy materials from that organization rather than from Horizon. Simply complete and mail the voting instruction form to ensure that your vote is counted. Alternatively, you may vote by telephone or through the internet as instructed by your broker or bank. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

Internet proxy voting is being provided to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your internet access, such as usage charges from internet access providers and telephone companies.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of May 20, 2014.

What happens if I do not vote?

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record and do not vote by completing your proxy card, by telephone, through the internet or in person at the Annual Meeting, your shares will not be voted.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner and do not instruct your broker, bank, or other agent how to vote your shares, the question of whether your broker or nominee will still be able to vote your shares depends on whether the New York Stock Exchange (NYSE) deems the particular proposal to be a routine matter. Brokers and nominees can use their discretion to vote uninstructed shares with respect to matters that are considered to be routine, but not with respect to non-routine matters. Under the rules and interpretations of the NYSE, non-routine matters are matters that may substantially affect the rights or privileges of stockholders, such as mergers, stockholder proposals, elections of directors (even if not contested), executive compensation (including any advisory stockholder votes on executive compensation) and certain corporate governance proposals, even if management-supported. Accordingly, your broker or nominee may not vote your shares on Proposals 1 through 3 or 5 without your instructions, but may vote your shares on Proposal 4.

What if I return a proxy card or otherwise vote but do not make specific choices?

If you return a signed and dated proxy card or otherwise vote without marking voting selections, your shares will be voted, as applicable, For Proposal 1, the election of all nominees for Class III directors, For Proposal 2, the approval of an amendment to the Company's 2011 Equity Incentive Plan, For Proposal 3, the approval, pursuant to NASDAQ Listing Rule 5635, of the issuance of shares of the Company's common stock in excess of 13,164,951 shares upon conversion of the Company's 5.00% Convertible Senior Notes due 2018, For Proposal 4, to ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2014 and For Proposal 5, the advisory approval of executive compensation. If any other matter is properly presented at the meeting, your proxy holder (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

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Who is paying for this proxy solicitation?

We have retained MacKenzie Partners, Inc. (MacKenzie), a proxy solicitation firm, to solicit proxies in connection with the Annual Meeting at a cost of approximately \$20,000 plus expenses. The cost of soliciting proxies incurred by the Company and MacKenzie, including the preparation, assembly and mailing of the proxies and soliciting material, as well as the cost of forwarding such material to beneficial owners of the Company's common stock, will be borne by the Company. Directors, officers and regular employees of the Company may, without compensation other than their regular remuneration, solicit proxies personally or by telephone.

What does it mean if I receive more than one set of proxy materials?

If you receive more than one set of proxy materials, your shares may be registered in more than one name or in different accounts. Please follow the voting instructions on the proxy cards in the proxy materials to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Stockholder of Record: Shares Registered in Your Name

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of the following ways:

You may submit another properly completed proxy card with a later date.

You may grant a subsequent proxy by telephone or through the internet.

You may send a timely written notice that you are revoking your proxy to Horizon's Secretary at 520 Lake Cook Road, Suite 520, Deerfield, IL 60015.

You may attend the Annual Meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy. Your most current proxy card or telephone or internet proxy is the one that is counted.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count, with respect to the proposal to elect directors, votes For, Withhold and broker non-votes, and with respect to other proposals, votes For and Against, abstentions and broker non-votes. Abstentions will be counted towards the vote total for Proposals 2 through 5, and will have the same effect as Against votes. Broker non-votes will have no effect and will not be counted towards the vote total for any proposal.

What are broker non-votes ?

As discussed above, when a beneficial owner of shares held in street name does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed by the NYSE to be non-routine, the broker or nominee cannot vote the shares. These un-voted shares are counted as broker non-votes.

How many votes are needed to approve each proposal?

For the election of Class III Directors, the two nominees named in this Proxy Statement receiving the most For votes from the holders of shares present in person or represented by proxy and entitled to vote on the election of directors will be elected. Only votes For or Withheld will affect the outcome.

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Proposal 2, the approval of an amendment to the Company's 2011 Equity Incentive Plan, will be approved if it receives For votes from the holders of a majority of shares present in person or by proxy and entitled to vote. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect.

Proposal 3, the approval, pursuant to NASDAQ Listing Rule 5635, of the issuance of shares of the Company's common stock in excess of 13,164,951 shares upon conversion of the Company's 5.00% Convertible Senior Notes due 2018, will be approved if it receives For votes from the holders of a majority of shares present in person or by proxy and entitled to vote. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect.

Proposal 4, the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2014, will be approved if it receives For votes from the holders of a majority of shares present in person or by proxy and entitled to vote. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect.

Proposal 5, the advisory approval of the compensation of the Company's named executive officers, will be considered to be approved if it receives For votes from the holders of a majority of shares either present in person or represented by proxy and entitled to vote. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if stockholders holding at least a majority of the outstanding shares entitled to vote are present at the meeting in person or represented by proxy. On the record date, there were 73,734,569 shares outstanding and entitled to vote. Thus, the holders of 36,867,285 shares must be present in person or represented by proxy at the meeting to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the meeting in person or represented by proxy may adjourn the meeting to another date.

How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four business days after the Annual Meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after the meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional Form 8-K to publish the final results.

What proxy materials are available on the internet?

The Proxy Statement and the Annual Report to stockholders are available at www.edocumentview.com/hznp.

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The following table sets forth certain information regarding the ownership of the Company's common stock as of April 30, 2014 by: (i) each director and nominee for director; (ii) each of the named executive officers in the Summary Compensation Table; (iii) all executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than five percent of its common stock.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to the securities. Except as indicated by footnote, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. The number of shares of common stock used to calculate the percentage ownership of each listed person includes the shares of common stock underlying options, warrants or other rights held by such persons that are exercisable as of June 29, 2014, which is 60 days after April 30, 2014.

Percentage of beneficial ownership is based on 73,247,110 shares of common stock outstanding as of April 30, 2014. Unless otherwise indicated, the address for the following stockholders is c/o Horizon Pharma, Inc., 520 Lake Cook Road, Suite 520, Deerfield, IL 60015.

Name and Address of Beneficial Owner or Identity of Group	Number and Percentage of Shares Beneficially Owned	
	Shares	Percentage
5% or greater stockholders:		
Fidelity and its affiliates ⁽¹⁾ 82 Devonshire St. Boston, Massachusetts 02109	6,698,856	8.8%
Essex Woodlands Health Ventures Fund VII, LP ⁽²⁾ 335 Bryant St., 3rd Floor Palo Alto, CA 94301	5,815,940	7.9%
Deerfield Management, L.P. ⁽³⁾ 780 Third Avenue, 37th Floor New York, NY 10017	4,638,888	6.3%
Broadfin Capital, LLC ⁽⁴⁾ 237 Park Avenue, Suite 900 New York, NY 10017	4,257,469	5.8%
Quaker Bioventures Capital II, LLC ⁽⁵⁾ 2929 Arch St., 3rd Floor, the Cira Centre Philadelphia, PA 19104-2857	4,206,378	5.7%
CD-Venture and its affiliates ⁽⁶⁾ Bergheimer St. 89/1 69115 Heidelberg, Germany	4,157,575	5.6%
Atlas Venture Fund VI, L.P. and its affiliates ⁽⁷⁾ 25 First Street, Suite 303 Cambridge, MA 02141	3,895,404	5.3%
Directors and named executive officers:		
Jeff Himawan, Ph.D. ⁽⁸⁾	5,815,940	7.9%
Jeffrey W. Bird, M.D., Ph.D. ⁽⁹⁾	3,531,819	4.8%
Michael Grey ⁽¹⁰⁾	34,917	*
Ronald Pauli ⁽¹¹⁾	34,917	*
Gino Santini ⁽¹²⁾	33,162	*
H. Thomas Watkins ⁽¹³⁾	6,666	*
Timothy P. Walbert ⁽¹⁴⁾	754,984	1.0%
Robert J. De Vaere ⁽¹⁵⁾	296,644	*
Jeffrey W. Sherman, M.D., FACP ⁽¹⁶⁾	297,746	*

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Todd N. Smith ⁽¹⁷⁾	114,656	*
All executive officers and directors as a group (11 persons) ⁽¹⁸⁾	10,946,451	14.5%

* Represents beneficial ownership of less than one percent.

(1) Includes (a) 3,915,400 shares and (b) 2,783,456 shares issuable upon exercise of warrants. This information is based on the Schedule 13G filed with the SEC on January 10, 2014 by FMR LLC, which reflects beneficial ownership as of December 31,

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2013. FMR LLC reported that it had beneficial ownership of, and sole dispositive power with respect to, 3,915,400 shares of our common stock, including 2,783,456 shares issuable upon exercise of warrants. The Schedule 13G includes shares beneficially owned by Edward C. Johnson, III and family members, Fidelity Management & Research Company (Fidelity), Fidelity SelectCo, LLC (SelectCo), and Strategic Advisers, Inc. (Strategic Advisers). Fidelity, SelectCo and Strategic Advisers are all wholly-owned subsidiaries of FMR LLC and are beneficial owners as a result of acting as investment advisers to various registered investment companies (the Fidelity funds). Mr. Johnson is Chairman of FMR LLC. The Schedule 13G states that Mr. Johnson and various family members, through their ownership of FMR LLC common stock and the execution of a stockholders voting agreement, may be deemed a controlling group with respect to FMR LLC. The Schedule 13G also states that neither FMR LLC nor Mr. Johnson has the sole power to vote or direct the voting of the shares owned directly by the Fidelity funds, which power resides with the Fidelity funds boards of trustees pursuant to established guidelines.
- (2) Includes (a) 5,064,731 shares and (b) 751,209 shares issuable upon exercise of warrants. James L. Currie, Jeff Himawan, Martin Sutter, Immanuel Thangaraj and Petri Vainio share voting and investment power over the shares held by Essex Woodlands Health Ventures Fund VII, L.P. and each disclaim beneficial ownership of such shares except to the extent of any pecuniary interest therein.
 - (3) Includes (a) 4,488,888 shares and (b) 150,000 shares issuable upon exercise of warrants. This information is based on the Schedule 13G filed with the SEC on February 14, 2014. The shares are beneficially owned by Deerfield Partners, L.P., Deerfield International Master Fund, L.P., Deerfield Special Situations Fund, L.P. and Deerfield Special Situations International Master Fund, L.P., of which Deerfield Management, L.P. is the general partner.
 - (4) Includes 4,257,469 shares beneficially owned by Broadfin Capital, LLC, Broadfin Healthcare Master Fund, Ltd. and Kevin Kotler. This information is based on the Schedule 13G filed on February 14, 2014 with the SEC.
 - (5) Includes (a) 3,516,009 shares and (b) 690,369 shares issuable upon exercise of warrants. This information is based on the Schedule 13G filed with the SEC on February 14, 2013. Quaker BioVentures Capital II, L.P., the general partner of Quaker BioVentures II, L.P., and Quaker BioVentures Capital II, LLC, the general partner of Quaker BioVentures Capital II, L.P., may be deemed to share voting and investment power with respect to such shares with Quaker BioVentures II, L.P.
 - (6) Includes (a) 3,595,714 shares and (b) 561,861 shares issuable upon exercise of warrants. This information is based on the Schedule 13G filed with the SEC on February 14, 2014 by Christoph F. Boehringer and CD-Venture GmbH. Mr. Boehringer is the beneficial owner of 4,157,575 shares of our common stock, including 2,357,575 shares of our common stock beneficially owned by CD-Venture.
 - (7) Includes (a) 3,516,377 shares held by Atlas Venture Fund VI, L.P. (Atlas VI), (b) 64,385 shares held by Atlas Venture Fund VI GmbH & Co. KG (Atlas GmbH), (c) 107,532 shares held by Atlas Venture Entrepreneurs Fund VI, L.P. (Atlas EVC), and (d) 197,456, 3,616, and 6,038 shares issuable upon exercise of warrants held by Atlas VI, Atlas GmbH and Atlas EVC, respectively. These shares are held directly by Atlas VI, Atlas EVC and Atlas GmbH. Atlas Venture Associates VI, L.P. (AVA VI L.P.) is the sole general partner of Atlas VI and Atlas EVC and the managing limited partner of Atlas GmbH. Atlas Venture Associates VI, Inc. (AVA VI Inc.) is the sole general partner of AVA VI L.P. Jean-Francois Formela, M.D., Jeffrey Fagnan and Kristen Laguerre are each directors of AVA VI Inc. As a result, each of Dr. Formela, Mr. Fagnan and Ms. Laguerre may be deemed to have beneficial ownership with respect to all shares held by AVA VI Inc. Each of the foregoing disclaims beneficial ownership of these shares except to the extent of their pecuniary interest therein.
 - (8) Includes the shares referred to in footnote (2) above. Dr. Himawan disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest therein.
 - (9) Includes (a) 178,406 shares held by the Jeffrey W. Bird and Christina R. Bird Trust dated October 31, 2000 (the Bird Trust), of which Dr. Bird is a trustee, (b) 21,685 shares issuable upon exercise of warrants held by the Bird Trust, (c) 2,837,826 shares held by Sutter Hill Ventures, a California Limited Partnership (SHV), (d) 458,902 shares issuable upon exercise of warrants held by SHV, (e) 5,000 shares held by Dr. Bird in a Roth IRA account, (f) 1,250 shares issuable upon the exercise of warrants held by Dr. Bird in a Roth IRA account, (g) 7,000 shares held by NestEgg Holdings, a Limited Partnership, (h) 1,750 shares issuable upon exercise of warrants held by NestEgg Holdings and (i) 20,000 shares that Dr. Bird has the right to acquire from us within 60 days of April 30, 2014 pursuant to the exercise of stock options. Dr. Bird disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest therein.
 - (10) Includes 34,917 shares that Mr. Grey has the right to acquire from us within 60 days of April 30, 2014 pursuant to the exercise of stock options.
 - (11) Includes 34,917 shares that Mr. Pauli has the right to acquire from us within 60 days of April 30, 2014 pursuant to the exercise of stock options.
 - (12) Includes 33,162 shares that Mr. Santini has the right to acquire from us within 60 days of April 30, 2014 pursuant to the exercise of stock options.
 - (13) Includes 6,666 shares that Mr. Watkins has the right to acquire from us within 60 days of April 30, 2014 pursuant to the exercise of stock options.
 - (14) Includes (a) 105,207 shares, (b) 75,465 restricted stock units that are fully vested but are subject to a delayed issuance stock award such that the underlying shares have not yet been issued and (c) 574,312 shares that Mr. Walbert has the right to acquire from us within 60 days of April 30, 2014 pursuant to the exercise of stock options.
 - (15) Includes (a) 68,604 shares, (b) 32,890 restricted stock units that are fully vested but are subject to a delayed issuance stock award such that the underlying shares have not yet been issued and (c) 195,150 shares that Mr. De Vaere has the right to acquire from us within 60 days of April 30, 2014 pursuant to the exercise of stock options.
 - (16) Includes (a) 73,309 shares, (b) 29,287 restricted stock units that are fully vested but are subject to a delayed issuance stock award such that the underlying shares have not yet been issued and (c) 195,150 shares that Dr. Sherman has the right to acquire from us within 60 days of April 30, 2014 pursuant to the exercise of stock options.
 - (17) Includes (a) 22,924 shares, (b) 31,787 restricted stock units that are fully vested but are subject to a delayed issuance stock award such that the underlying shares have not yet been issued and (c) 59,945 shares that Mr. Smith has the right to acquire from us within 60 days of April 30, 2014 pursuant to the exercise of stock options.
 - (18) Includes the following held by our executive officers (which includes Robert F. Carey) and directors, in the aggregate: (a) 8,363,007 shares, (b) 169,429 restricted stock units that are fully vested but are subject to a delayed issuance stock award such that the underlying shares have not yet been issued, (c) 1,179,219 shares that can be acquired within 60 days of April 30, 2014 pursuant to the exercise of stock options and (d) 1,234,796 shares issuable upon the exercise of warrants.

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PROPOSAL 1

ELECTION OF DIRECTORS

The Board of Directors is divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three-year term. Vacancies on the Board of Directors may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board of Directors to fill a vacancy in a class, including vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is duly elected and qualified.

The Board of Directors presently has seven members. There are three directors in the class whose term of office expires on the date of the Annual Meeting, one of whom was not nominated for re-election at the Annual Meeting. Each of the nominees listed below is currently a director of the Company who was nominated for election to the Board of Directors by the Board of Directors, including the members of the Nominating and Corporate Governance Committee. If elected at the Annual Meeting, each of these nominees would serve until the 2017 Annual Meeting of Stockholders and until his successor has been duly elected and qualified, or, if sooner, until the director's death, resignation or removal. It is the Company's policy to encourage directors and nominees for director to attend the Annual Meeting. All of our then-current directors attended our 2013 Annual Meeting of Stockholders, except for Jean-François Formela, M.D.

Directors are elected by a plurality of the votes of the holders of shares present in person or represented by proxy and entitled to vote on the election of directors. The two nominees receiving the highest number of affirmative votes will be elected as Class III directors. Only two nominees are proposed for election as Class III directors. The size of the Board of Directors will be reduced to six members following the Annual Meeting due to Board of Directors' decision not to nominate one current director for re-election at the Annual Meeting. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the two nominees named below. Such shares may not be voted for a greater number of persons than the two nominees named below. If any nominee becomes unavailable for election as a result of an unexpected occurrence, shares that would have been voted for that nominee will instead will be voted for the election of a substitute nominee proposed by the Company. Each person nominated for election has agreed to serve if elected. The Company's management has no reason to believe that any nominee will be unable to serve.

The following is a brief biography of each nominee and each director whose term will continue after the Annual Meeting.

Nominees for Election for a Three-Year Term Expiring at the 2017 Annual Meeting of Stockholders

Gino Santini. Mr. Santini, 57, has served on the Board of Directors since March 2012. Mr. Santini currently serves on the boards of directors of AMAG Pharmaceuticals, Inc. and Allena Pharmaceuticals, Inc. and is retired from a distinguished career with Eli Lilly and Company (Lilly) that spanned nearly three decades. During his tenure at Lilly, Mr. Santini held various leadership positions of increasing responsibility, including manager of various international regions, president of the women's health franchise and president of U.S. operations. Mr. Santini capped his career at Lilly as a member of the company's executive committee and as the senior vice president of corporate strategy and business development. Mr. Santini, fluent in four languages, holds an undergraduate degree in mechanical engineering from the University of Bologna and a master's in business administration from the University of Rochester. The Nominating and Corporate Governance Committee and the Board of Directors believe that Mr. Santini's extensive international and domestic commercial and business development experience brings important insight to the Board of Directors as it plans the Company's future growth.

Timothy P. Walbert. Mr. Walbert, 47, has served as the Company's Chairman of the Board of Directors and the Company's President and Chief Executive Officer since its inception in March 2010. Mr. Walbert has also

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served as the president and chief executive officer of Horizon Pharma USA since June 2008 and on its board of directors since July 2008. From May 2007 to June 2009, Mr. Walbert served as president, chief executive officer and director of IDM Pharma, Inc. (IDM), a biopharmaceutical company which was acquired by Takeda America Holdings, Inc. (Takeda) in June 2009. From January 2006 to May 2007, Mr. Walbert served as executive vice president, commercial operations of NeoPharm, Inc., a biopharmaceutical company. From June 2001 to August 2005, Mr. Walbert served as divisional vice president and general manager, Immunology, where he led the global development and launch of HUMIRA, which exceeded \$11.0 billion in 2013 sales, and divisional vice president, global cardiovascular strategy at Abbott, a broad-based healthcare company, now AbbVie. From April 1998 to June 2001, Mr. Walbert served as director, Celebrex North America and arthritis team leader, Asia Pacific, Latin America and Canada at G.D. Searle & Company (G.D. Searle), a pharmaceutical company. From 1991 to 1998, Mr. Walbert also held sales and marketing roles with increasing responsibility at G.D. Searle, Merck & Co., Inc. (Merck) and Wyeth. Mr. Walbert received his B.A. in business from Muhlenberg College, in Allentown, Pennsylvania. Mr. Walbert also serves on the boards of directors of XOMA Corporation (NASDAQ: XOMA), Raptor Pharmaceutical Corp. (NASDAQ: RPTP), Egalet Corporation (NASDAQ: EGLT), the Biotechnology Industry Organization (BIO), the Illinois Biotechnology Industry Organization (iBIO), ChicagoNEXT, a World Business Chicago (WBC) led council of technology leaders and the Greater Chicago Arthritis Foundation. In 2013, Mr. Walbert was appointed by Illinois Governor Pat Quinn to the Illinois Innovation Council. Our board believes that Mr. Walbert's business expertise, including his prior executive level leadership, give him the operational expertise, breadth of knowledge and valuable understanding of our industry, which qualify him to serve as a director and to lead our board as chairman.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF EACH NAMED NOMINEE

Directors Continuing in Office Until the 2015 Annual Meeting of Stockholders

Michael Grey. Mr. Grey, 61, has served on the Board of Directors since September 2011 and as lead independent director of the Company since August 2012. Mr. Grey currently serves as president and chief executive officer at Lumena Pharmaceuticals, Inc. and is a venture partner at Pappas Ventures. Mr. Grey holds over 30 years of experience in the pharmaceutical and biotechnology industries, and has held senior positions at a number of companies, including president and chief executive officer of SGX Pharmaceuticals, Inc. (sold to Lilly in 2008), president and chief executive officer of Trega Biosciences, Inc. (sold to Lion Bioscience in 2001) and president of BioChem Therapeutic Inc. For approximately 20 years, Mr. Grey served in various roles with Glaxo, Inc. and Glaxo Holdings, P.L.C., culminating in his position as vice president, corporate development and director of international licensing. Mr. Grey also serves on the boards of directors of BioMarin Pharmaceutical Inc. and Selventa, Inc. Mr. Grey received a B.S. in chemistry from the University of Nottingham in the United Kingdom. The Nominating and Corporate Governance Committee and the Board of Directors believe that Mr. Grey is qualified to serve as a director of the Company on the basis of his extensive experience managing pharmaceutical and biopharmaceutical companies, which will bring important strategic insight to the Board of Directors as it plans the Company's future growth.

Ronald Pauli. Mr. Pauli, 53, has served on the Board of Directors since September 2011. Mr. Pauli is currently a financial consultant for the pharmaceutical and life science industries. Prior to that, Mr. Pauli held senior positions at a number of biopharmaceutical companies, including chief financial officer at Sagent Pharmaceuticals, Inc. and NeoPharm, Inc. and corporate controller and interim chief financial officer at Abraxis BioScience, Inc. (formerly American Pharmaceutical Partners, Inc.). In addition, Mr. Pauli previously served as corporate controller for Applied Power, Inc. and R.P. Scherer Corporation, held multiple finance positions at Kmart Corporation and began his career with Ernst & Whinney. Mr. Pauli received a B.S. in accounting from Michigan State University and a master's degree in finance from Walsh College. The Nominating and Corporate Governance Committee and the Board of Directors believe that Pauli is qualified to serve as a director of the Company on the basis of his financial experience at numerous biotechnology and pharmaceutical companies, which will add valuable expertise in guiding the strategic direction of the Company and working with the investment community.

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Directors Continuing in Office Until the 2016 Annual Meeting of Stockholders

H. Thomas Watkins. Mr. Watkins, 61, has served on the Board of Directors since April 2014. Mr. Watkins, in his most recent role, was director, president and chief executive officer of Human Genome Sciences (HGS) from 2004 until HGS was acquired by GlaxoSmithKline in 2012. Before leading HGS, Mr. Watkins spent over twenty years in senior roles at Abbott and its affiliates in the U.S. and Asia, most recently serving as the president of TAP Pharmaceutical Products, Inc., which was jointly owned by Abbott and Takeda Pharmaceutical Company, Inc. During his tenure, he led the growth of TAP from approximately \$2 billion to over \$4 billion in annual revenue. Mr. Watkins began his career in 1974 with Arthur Andersen & Co. From 1979 to 1985, he was a management consultant with McKinsey and Company, Inc., working with multinational companies in the U.S., Europe and Japan. Mr. Watkins holds a bachelor's degree from the College of William and Mary, and a master's degree in business administration from the University of Chicago Graduate School of Business. Mr. Watkins is the chairman of the board of directors of Vanda Pharmaceuticals, Inc. He is also a member of the board of directors of the Biotechnology Industry Organization (BIO) and a member of the board of visitors of The College of William and Mary. The Nominating and Corporate Governance Committee and the Board of Directors believe that Mr. Watkins is qualified to serve as a director of the Company on the basis of his valuable industry experience, which will bring important strategic insight to the Board of Directors as it plans the Company's future growth.

Jeff Himawan, Ph.D. Dr. Himawan, 49, has served on the Board of Directors since our inception in March 2010 and has served on the board of directors of Horizon Pharma USA since July 2007. In 1999, Dr. Himawan joined Essex Woodlands Health Ventures, L.P., a venture capital firm, where he now serves as a managing director. Dr. Himawan also currently serves on the boards of directors of Catalyst Biosciences, Inc., MediciNova, Inc., Light Sciences Oncology, Inc., and Symphogen, Inc. Dr. Himawan previously served on the board of directors of Iomai Corporation from 2001 to 2007, when it was acquired by Intercell AG. Dr. Himawan co-founded Seed-One Ventures, a venture capital firm, where from 1996 to 2001 he served as a managing director. Dr. Himawan received his B.S. in biology from the Massachusetts Institute of Technology and his doctorate in biological chemistry and molecular pharmacology from Harvard University. The Nominating and Corporate Governance Committee and the Board of Directors believe that, as a successful venture capitalist, Dr. Himawan brings important strategic insight to the Board of Directors, as well as experience working with the investment community.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Board Composition

The Board of Directors currently consists of seven members and is divided into three classes, as follows:

Class I, which consists Mr. Grey and Mr. Pauli, and whose term will expire at our 2015 Annual Meeting of Stockholders;

Class II, which consists of Dr. Himawan and Mr. Watkins, and whose term will expire at our 2016 Annual Meeting of Stockholders;
and

Class III, which consists of Jeffrey W. Bird, M.D., Ph.D., Mr. Santini and Mr. Walbert, and whose term will expire at the Annual Meeting.

At each Annual Meeting of Stockholders, the successors to directors whose terms then expire will serve until the third Annual Meeting of Stockholders following their election and until their successors are duly elected and qualified. The authorized number of directors may be changed only by resolution of the Board of Directors. Any additional directorships resulting from an increase in the number of directors will be distributed between the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of the Board of Directors may have the effect of delaying or preventing changes in our control or management. Our directors may be removed for cause by the affirmative vote of the holders of at least 66 2/3% of our voting stock.

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Independence of the Board of Directors

As required under the NASDAQ Stock Market ("NASDAQ") listing standards, a majority of the members of a listed company's board of directors must qualify as independent, as affirmatively determined by the board of directors. The Board consults with the Company's counsel to ensure that the Board's determinations are consistent with relevant securities and other laws and regulations regarding the definition of independent, including those set forth in pertinent listing standards of NASDAQ, as in effect from time to time.

Consistent with these considerations, after review of all relevant identified transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its independent registered public accounting firm, the Board has affirmatively determined that the following six directors are independent directors within the meaning of the applicable NASDAQ listing standards: Mr. Grey, Mr. Pauli, Mr. Watkins, Dr. Himawan, Dr. Bird and Mr. Santini. In making this determination, the Board found that none of these directors or nominees for director had a material or other disqualifying relationship with the Company.

Mr. Walbert, the Company's President and Chief Executive Officer is not an independent director by virtue of his employment with the Company.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics that applies to all officers, directors and employees. The Code of Business Conduct and Ethics is available on the Company's website at www.horizonpharma.com. If the Company makes any substantive amendments to the Code of Business Conduct and Ethics or grants any waiver from a provision of the Code to any executive officer or director, the Company will promptly disclose the nature of the amendment or waiver on its website.

Board Leadership Structure

The Company's Board of Directors is currently chaired by the President and Chief Executive Officer of the Company, Mr. Walbert. The Company believes that combining the positions of Chief Executive Officer and Board Chair helps to ensure that the Board and management act with a common purpose. In the Company's view, separating the positions of Chief Executive Officer and Board Chair has the potential to give rise to divided leadership, which could interfere with good decision-making or weaken the Company's ability to develop and implement strategy. Instead, the Company believes that combining the positions of Chief Executive Officer and Board Chair provides a single, clear chain of command to execute the Company's strategic initiatives and business plans. In addition, the Company believes that a combined Chief Executive Officer/Board Chair is better positioned to act as a bridge between management and the Board, facilitating the regular flow of information. The Company also believes that it is advantageous to have a Board Chair with an extensive history with and knowledge of the Company (as is the case with the Company's Chief Executive Officer) as compared to a relatively less informed independent Board Chair.

The Company requires the election, by the independent directors of the Board, of an independent lead director to serve during any period when there is no independent Chairman of the Board. Because Mr. Walbert is currently serving as Chief Executive Officer and Chairman of the Board, in August 2012, the independent directors of the Board named Mr. Grey as the lead independent director. The lead independent director periodically establishes the agenda for meetings of the independent directors, coordinates with the committee chairs to report committee matters to the full Board, presides over executive sessions and other meetings of the independent directors, conveys messages from meetings of the independent directors to the Chief Executive Officer and makes himself available to discuss with other directors any concerns they may have about the Company and its performance. The Company believes that this leadership structure provides the appropriate level of independent oversight necessary to ensure that the Board meets its fiduciary obligations to the Company's stockholders, that the interests of management and our stockholders are properly aligned, and that we establish and follow sound business practices and strategies that are in the best interests of our stockholders.

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Stockholder Communications With the Board of Directors

The Company's Board has adopted a formal process by which stockholders may communicate with the Board or any of its directors. Stockholders who wish to communicate with the Board may do so by sending written communications addressed to the Secretary of Horizon at 520 Lake Cook Road, Suite 520, Deerfield, IL 60015 or communicate online to the Board of Directors as a group. This information is available on the Company's website at www.horizonpharma.com.

Each communication will be reviewed by Horizon's Secretary to determine whether it is appropriate for presentation to the Board or such director. Examples of inappropriate communications include advertisements, solicitations or hostile communications. Communications determined by the Secretary to be appropriate for presentation to the Board or such director will be submitted to the Board or such director on a periodic basis.

All communications directed to the Audit Committee in accordance with the Company's Whistleblower Hotline that relate to questionable accounting or auditing matters involving the Company will be promptly and directly forwarded to the Audit Committee.

Role of the Board in Risk Oversight

One of the Board's key functions is informed oversight of the Company's risk management process. The Board does not have a standing risk management committee, but rather administers this oversight function directly through the Board as a whole, as well as through various Board standing committees that address risks inherent in their respective areas of oversight. In particular, the Company's Board is responsible for monitoring and assessing strategic risk exposure, including a determination of the nature and level of risk appropriate for the Company. Our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The Audit Committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the performance of our internal audit function. Our Nominating and Corporate Governance Committee monitors the effectiveness of our corporate governance guidelines, including whether they are successful in preventing illegal or improper liability-creating conduct. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking. Our Business Development Committee studies, reviews, monitors and evaluates potential business development opportunities for the Company and recommends to the Board potential transactions within the scope of the Company's goals and business development strategy.

Meetings of the Board of Directors

The Board of Directors held 14 meetings and acted by unanimous written consent without a meeting six times during 2013. Each Board member attended 75% or more of the aggregate number of meetings of the Board and of the committees on which he served, held during the portion of the last fiscal year for which he was a director or committee member.

Table of Contents**Information Regarding Committees of the Board of Directors**

The Board has four standing committees: an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and a Business Development Committee. The following table provides membership and meeting information for fiscal 2013 for each of the Board committees:

Name	Audit	Compensation	Nominating and Corporate Governance	Business Development
Timothy P. Walbert				X
Jeffrey W. Bird, M.D., Ph.D.			X	
Jean-François Formela, M.D. ⁽¹⁾			X	
Michael Grey	X	X		X*
Jeff Himawan, Ph.D.		X*		X
Ronald Pauli	X*	X		
Gino Santini	X		X*	X
H. Thomas Watkins ⁽²⁾				
Total meetings in fiscal 2013	4	3	1	3

* Committee Chairperson during 2013

(1) Dr. Formela served on the Board of Directors and the Nominating and Corporate Governance Committee until April 2014.

(2) Mr. Watkins has served on the Board of Directors, the Nominating and Corporate Governance Committee and the Business Development Committee since April 2014.

Each of the committees has authority to engage legal counsel or other experts or consultants, as it deems appropriate to carry out its responsibilities. The Board of Directors has determined that each member of each committee meets the applicable NASDAQ rules and regulations regarding independence and that each member is free of any relationship that would impair his or her individual exercise of independent judgment with regard to the Company.

Below is a description of each committee of the Board of Directors.

Audit Committee

The Audit Committee of the Board of Directors was established by the Board in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act), to oversee the Company's corporate accounting and financial reporting processes and audits of its financial statements. The Audit Committee is composed of three non-employee directors: Mr. Pauli, Mr. Grey and Mr. Santini, with Mr. Pauli serving as the chairperson of the Audit Committee. The Audit Committee met four times during the last fiscal year. The Audit Committee has adopted a written charter that is available to stockholders on the Company's website at www.horizonpharma.com.

The Audit Committee performs numerous functions including, among other things:

evaluating the performance, independence and qualifications of the Company's independent registered public accounting firm and determining whether to retain the Company's existing independent registered public accounting firm or engage a new independent registered public accounting firm;

reviewing and approving the engagement of the Company's independent registered public accounting firm to perform audit services and any permissible non-audit services;

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monitoring the rotation of partners of the Company's independent registered public accounting firm on the Company's engagement team as required by law;

reviewing the Company's annual and quarterly financial statements and reports and discussing the statements and reports with the Company's independent registered public accounting firm and management;

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reviewing with the Company's independent registered public accounting firm and management significant issues that arise regarding accounting principles and financial statement presentation, and matters concerning the scope, adequacy and effectiveness of the Company's financial controls;

as appropriate, reviewing any earnings announcements and other public announcements regarding material developments;

establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding financial controls, accounting or auditing matters and other matters;

preparing the report that the SEC requires in the Company's annual proxy statement;

reviewing and providing oversight with respect to any related party transactions and monitoring compliance with the Company's code of business conduct and ethics;

reviewing the Company's major financial risk exposures, including the guidelines and policies to govern the process by which risk assessment and risk management is implemented;

reviewing the Company's investment policy on a periodic basis; and

reviewing and evaluating, at least annually, the performance of the Audit Committee, including compliance of the Audit Committee with its charter.

The Board of Directors reviews the NASDAQ listing standards definition of independence for Audit Committee members on an annual basis and has determined that all members of the Company's Audit Committee are independent (as independence is currently defined in Rule 5605(c)(2)(A)(i) and (ii) of the NASDAQ listing standards).

The Board of Directors has also determined that Mr. Pauli qualifies as an audit committee financial expert, within the meaning of SEC regulations and the NASDAQ Listing Rules. In making this determination, the Board of Directors has considered Mr. Pauli's formal education and the nature and scope of his previous experience, coupled with past and present service on various audit committees. Both the independent registered public accounting firm and management periodically meet privately with the Audit Committee.

Report of the Audit Committee of the Board of Directors

The material in this report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2013 with management of the Company. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T. The Audit Committee has also received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm the accounting firm's independence. Based on the foregoing, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Audit Committee

Ronald Pauli, *Chairman*

Michael Grey

Gino Santini

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Compensation Committee

The Compensation Committee is composed of three non-employee directors: Mr. Grey, Dr. Himawan and Mr. Pauli, with Dr. Himawan serving as the chairperson of the Compensation Committee. All members of the Compensation Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). The Compensation Committee met three times during the last fiscal year. The Compensation Committee has adopted a written charter that is available to stockholders on the Company's website at www.horizonpharma.com.

The Compensation Committee of the Board of Directors acts on behalf of the Board of Directors to review, recommend for adoption and oversee the Company's compensation strategy, policies, plans and programs, including:

reviewing and recommending to the Board of Directors the compensation and other terms of employment of the Company's executive officers;

reviewing and recommending to the Board of Directors performance goals and objectives relevant to the compensation of the Company's executive officers and assessing their performance against these goals and objectives;

evaluating and approving the equity incentive plans, compensation plans and similar programs advisable for the Company, as well as modification or termination of existing plans and programs;

evaluating and recommending to the Board of Directors the type and amount of compensation to be paid or awarded to non-employee members of the Board of Directors;

administering the Company's equity incentive plans;

establishing policies with respect to equity compensation arrangements;

reviewing the competitiveness of the Company's executive compensation programs and evaluating the effectiveness of the Company's compensation policy and strategy in achieving expected benefits to the Company;

reviewing and recommending to the Board of Directors the terms of any employment agreements, severance arrangements, change in control protections and any other compensatory arrangements for its executive officers;

preparing the report that the SEC requires in the Company's annual proxy statement;

reviewing the adequacy of the Company's Compensation Committee charter on a periodic basis;

reviewing and evaluating, at least annually, the performance of the Compensation Committee; and

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evaluating risks associated with the Company's compensation policies and practices and assessing whether risks arising from the Company's compensation policies and practices for its employees are reasonably likely to have a material adverse effect on the Company.

Each year, the Compensation Committee reviews with management the Company's Compensation Discussion and Analysis and considers whether to recommend that it be included in proxy statements and other filings.

In making its compensation decisions and recommendations, the Compensation Committee may take into account the recommendations of the Chief Executive Officer and other senior management, which, as defined in the Compensation Committee charter, includes any officer who reports directly to the Chief Executive Officer and any other officer of the Company or its subsidiaries so designated by the Chief Executive Officer. Other than giving such recommendations, however, the Chief Executive Officer and other senior management have no formal role and no authority to determine the amount or form of executive and director compensation.

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The Compensation Committee may, at the expense of the Company, retain legal counsel (which may, but need not be, the regular corporate counsel to the Company) and other consultants and advisors to assist it with its functions. The Compensation Committee has authority to approve such advisors' fees and other retention terms and to terminate its relationship with any advisor that it retains. In addition, the Compensation Committee has authority to delegate its responsibilities to subcommittees or individual committee members.

Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee has ever been an executive officer or employee of the Company. None of the Company's officers currently serves, or has served during the last completed year, on the compensation committee or board of directors of any other entity that has one or more officers serving as a member of our Board of Directors or Compensation Committee. Prior to establishing the Compensation Committee, our full Board of Directors made decisions relating to compensation of the Company's officers.

Compensation Committee Report

The material in this report is not soliciting material, is furnished to, but not deemed filed with, the SEC and is not to be incorporated by reference in any filing of Horizon under the Securities Act or Exchange Act whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis (CD&A) contained in this Proxy Statement. Based on this review and discussion, the Compensation Committee has recommended to the Board of Directors that the CD&A be included in this Proxy Statement.

Compensation Committee

Jeff Himawan, Ph.D., *Chairman*

Michael Grey

Ronald Pauli

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is composed of three non-employee directors: Dr. Bird, Mr. Santini and Mr. Watkins, with Mr. Santini serving as the chairperson of the Nominating and Corporate Governance Committee. All members of the Nominating and Corporate Governance Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). The Nominating and Corporate Governance Committee met one time during the last fiscal year. The Nominating and Corporate Governance Committee has adopted a written charter that is available to stockholders on the Company's website at www.horizonpharma.com.

The functions of the Nominating and Corporate Governance Committee include, among other things:

identifying, reviewing and evaluating candidates to serve on the Board of Directors;

determining the minimum qualifications for service on the Board of Directors;

evaluating director performance on the Board and applicable committees of the Board;

considering nominations by stockholders of candidates for election to the Board;

considering and assessing the independence of members of the Board of Directors;

developing, as appropriate, a set of corporate governance principles, and reviewing and recommending to the Board of Directors any changes to such principles;

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periodically reviewing the Company's policy statements to determine their adherence to its Code of Business Conduct and Ethics and considering any request by the Company's directors or executive officers for a waiver from such Code;

reviewing the adequacy of its charter on an annual basis; and

evaluating, at least annually, the performance of the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee will consider candidates for the Board of Directors who are recommended by stockholders, directors, third party search firms engaged by the Company and other sources. When selecting candidates for recommendation to the Board of Directors, the Nominating and Corporate Governance Committee will consider the attributes of the candidates and the needs of the Board of Directors and will review all candidates in the same manner, regardless of the source of the recommendation. In evaluating director nominees, a candidate should have certain minimum qualifications, including being able to read and understand basic financial statements, having familiarity with our business and industry, having high moral character and mature judgment, and being able to work collegially with others. In addition, factors such as the following shall be considered:

the independence standards established by the Company, the presence of any material interests that could cause a conflict between the Company's interests and the interests of the director nominee, and the director nominee's ability to exercise his or her best business judgment in the interest of all stockholders;

the director nominee's willingness to adhere to the Company's Code of Ethics;

the director nominee's ability to devote sufficient time to the business of the Board of Directors and at least one of the standing committees of the Board of Directors, in light of the number of other boards on which the director nominee serves (for profit and not-for-profit) and the other business and professional commitments of the director nominee;

the appropriate size and the diversity of the Company's Board of Directors;

the knowledge, skills and experience of the director nominee, including experience in the industry in which the Company operates, as well as in the general areas of business, finance, management and public service, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board of Directors;

the director nominee's familiarity with domestic and international business matters;

legal and regulatory requirements that are applicable to the Company;

the director nominee's experience with accounting rules and practices;

the director nominee's ability to enhance the relationship of the Company's business to the changing needs of society; and

the desire of the Board of Directors to balance the considerable benefit of continuity with the periodic injection of the fresh perspective provided by new members.

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The Nominating and Corporate Governance Committee believes in an expansive definition of diversity that includes differences of experience, education and talents, among other things. While the Nominating and Corporate Governance Committee does not have a formal policy in this regard, the diversity of the Board is listed as a factor to be considered in evaluating candidates for the Board, among others, in the Horizon Pharma, Inc. Nominating and Corporate Governance Committee Charter, which is available on our website. The Nominating and Corporate Governance Committee seeks to achieve a range of talents, skills and expertise on the Board and evaluates each nominee with regard to the extent to which he or she contributes to this overall mix.

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The Nominating and Corporate Governance Committee will consider director candidates recommended by Horizon stockholders. The Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates a candidate for nomination to the Board based on whether or not the candidate was recommended by a Horizon stockholder.

Stockholders who wish to recommend individuals for consideration by the Nominating and Corporate Governance Committee to become nominees for election to the Board at an Annual Meeting of Stockholders must do so by delivering a written recommendation to the Nominating and Corporate Governance Committee c/o Horizon Pharma, Inc., 520 Lake Cook Road, Suite 520, Deerfield, IL 60015, Attn: Secretary, (i) no later than the close of business on February 2, 2015 which is 120 days prior to the first anniversary of the mailing date of this Proxy Statement, if such nomination is to be included in the Company's proxy statement and form of proxy relating to the Annual Meeting of Stockholders, and (ii) no later than the close of business on March 29, 2015 which is 90 days prior to the first anniversary of the Annual Meeting, if such nomination is not to be included in the Company's proxy statement and form of proxy relating to the Annual Meeting of Stockholders. Each submission must set forth:

the name and address of the Horizon stockholder on whose behalf the submission is made;

the number of Horizon shares that are owned beneficially by such stockholder as of the date of the submission;

the full name of the proposed candidate;

a description of the proposed candidate's business experience for at least the previous five years;

complete biographical information for the proposed candidate; and

a description of the proposed candidate's qualifications as a director.

Each submission must be accompanied by the written consent of the proposed candidate to be named as a nominee and to serve as a director if elected.

Business Development Committee

The Business Development Committee is composed of five directors: Mr. Grey, Dr. Himawan, Mr. Santini, Mr. Walbert and Mr. Watkins, with Mr. Grey serving as the chairperson of the Business Development Committee. With the exception of Mr. Walbert, the Company's President and Chief Executive Officer, all members of the Business Development Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards).

The functions of the Business Development Committee include, among other things:

reviewing proposed product or business acquisitions, licensing, distribution, promotion, collaboration and other commercial agreements and arrangements, joint ventures, and any other business development transactions;

monitoring negotiations and other communications with third parties in connection with potential business development transactions;

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considering historical and current information regarding the Company's business, prospects, financial condition, operations, capabilities, products, management, advisors, competitive position and industry, and how these factors may affect business development opportunities;

considering general economic, industry and financial market conditions and trends, and how these factors may affect business development opportunities;

meeting with management to identify and assist the Board in evaluating opportunities that will further the Company's business development strategy; and

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periodically reviewing and evaluating prior transactions for consistency with, and achievement of, the Company's strategic business goals, objectives or plans.

The Business Development Committee met three times during the last fiscal year. The Business Development Committee has adopted a written charter that is available to stockholders on the Company's website at www.horizonpharma.com.

EXECUTIVE OFFICERS

The following table sets forth information regarding executive officers as of April 30, 2014:

Name	Age	Position with the Company
Timothy P. Walbert	47	President, Chief Executive Officer and Chairman of the Board of Directors
Robert F. Carey	55	Executive Vice President, Chief Business Officer
Robert J. De Vaere	56	Executive Vice President, Chief Financial Officer
Jeffrey W. Sherman, M.D., FACP	59	Executive Vice President, Development, Manufacturing and Regulatory Affairs and Chief Medical Officer
Todd N. Smith	44	Executive Vice President, Chief Commercial Officer

The following is biographical information as of April 30, 2014 for our executive officers other than Mr. Walbert, whose biographical information is included above.

Robert F. Carey. Mr. Carey has served as our executive vice president and chief business officer since March 2014. Prior to joining the Company, Mr. Carey spent more than 11 years as managing director and head of the life sciences investment banking group at JMP Securities LLC, a full-service investment bank. Prior to JMP, Mr. Carey was a managing director in the healthcare groups at Dresdner Kleinwort Wasserstein and Vector Securities. Mr. Carey also has held roles at Red Hen Bread, InStadium, Shearson Lehman Hutton, Inc. and Ernst & Whinney. Mr. Carey received his B.S. in accounting from the University of Notre Dame.

Robert J. De Vaere. Mr. De Vaere has served as our executive vice president and chief financial officer since our inception in March 2010 and as the executive vice president and chief financial officer of Horizon Pharma USA since October 2008. From May 2007 to June 2009, Mr. De Vaere served as senior vice president, finance and administration and chief financial officer at IDM, which was acquired by Takeda in 2009. From August 2006 to April 2007, Mr. De Vaere served as chief financial officer at Nexa Orthopedics, Inc., a medical device company, which was acquired by Tornier, Inc. in February 2007. From August 2005 to March 2006, Mr. De Vaere served as vice president, finance and administration and chief financial officer at IDM. From May 2000 to August 2005, Mr. De Vaere served as vice president and chief financial officer at Epimmune Incorporated, a pharmaceutical company focused on the development of vaccines, which was combined with IDM in August 2005. Prior to 2000, Mr. De Vaere served as vice president of finance and administration and chief financial officer at Vista Medical Technologies, Inc., a medical device company. Mr. De Vaere received his B.S. from the University of California, Los Angeles.

Jeffrey W. Sherman, M.D., FACP. Dr. Sherman has served as our executive vice president, development, manufacturing and regulatory affairs, and chief medical officer since June 2011, as our executive vice president, development and regulatory affairs and chief medical officer since our inception in March 2010 and as the executive vice president, development and regulatory affairs and chief medical officer of Horizon Pharma USA since June 2009. From June 2009 to June 2010, Dr. Sherman served as president and board member of the Drug Information Association (DIA), a nonprofit professional association of members who work in government regulatory, academia, patient advocacy, and the pharmaceutical and medical device industry. Dr. Sherman is now

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a past president of DIA and serves as DIA liaison to the Clinical Trial Transformation Initiative, a public-private partnership founded by the U.S. Food and Drug Administration and Duke University to improve the quality and efficiency of clinical trials. He also serves on the Board of Advisors of the Center for Information and Study on Clinical Research Participation, a nonprofit organization dedicated to educating and informing the public, patients, medical/research communities, the media, and policy makers about clinical research and the role each party plays in the process. Dr. Sherman is an adjunct assistant professor of Medicine at the Northwestern University Feinberg School of Medicine and is a member of a number of professional societies as well as a diplomat of the National Board of Medical Examiners and the American Board of Internal Medicine. From August 2007 to June 2009, Dr. Sherman served as senior vice president of research and development and chief medical officer at IDM which was acquired by Takeda in 2009. From June 2007 to August 2007, Dr. Sherman served as vice president of clinical science at Takeda, a pharmaceutical research and development center. From September 2000 to June 2007, Dr. Sherman served as chief medical officer and executive vice president at NeoPharm, Inc., a biopharmaceutical company. From October 1992 to August 2000, Dr. Sherman served as director, senior director and executive director of clinical research and head of oncology global medical operations at Searle/Pharmacia (Searle), a pharmaceutical company. Prior to joining Searle, Dr. Sherman worked in clinical pharmacology and clinical research at Bristol-Myers Squibb Company, a biopharmaceutical company. Dr. Sherman received his M.D. from the Rosalind Franklin University/Chicago Medical School. Dr. Sherman completed an internal medicine internship, residency and chief medical residency at Northwestern University as well as fellowship training at the University of California, San Francisco (UCSF). Dr. Sherman was also a research associate at the Howard Hughes Medical Institute at UCSF.

Todd N. Smith. Mr. Smith has served as our executive vice president and chief commercial officer since February 2012. Prior to that, Mr. Smith served as our senior vice president, sales, marketing and business development since October 2010. From January 2009 to August 2010, Mr. Smith served as vice president, global marketing, strategy and business development at Fenwal, Inc., a global medical device technology company, and managed a team of approximately 100 people located in the U.S. and abroad. Mr. Smith also served as vice president of automated business from May 2008 to January 2009, and amicus category business unit director from November 2007 to May 2008 at Fenwal. From April 2006 to November 2007, Mr. Smith served as director of marketing, virology franchise, at Abbott Laboratories (Abbott) and managed marketing and field teams of approximately 85 people. From March 2004 to April 2006, Mr. Smith served as director of sales, virology franchise, at Abbott, now AbbVie, managing a sales and training team of approximately 200 people. From April 2003 to April 2004, Mr. Smith served as deputy director product management, segment markets and managed care, at Bayer Biological Products, a pharmaceutical company. At Bayer Biological Products, Mr. Smith also served as associate director of coagulation products from April 2002 to April 2003. From April 2001 to April 2002, Mr. Smith served as associate director of business development at Achillion Pharmaceuticals, Inc., a biopharmaceutical company focused on infectious disease. Prior to April 2001, Mr. Smith served as a regional sales manager, product manager and sales specialist at Agouron Pharmaceuticals, Inc., a pharmaceutical company, which was acquired by Pfizer Inc. in February 2000. Mr. Smith received his B.A. from Norwich University.

COMPENSATION DISCUSSION AND ANALYSIS**Overview**

This Compensation Discussion and Analysis discusses the compensation philosophy, policies and principles underlying our executive compensation decisions for the 2013 fiscal year. It provides qualitative information on the factors relevant to these decisions and the manner in which compensation is awarded to our executive officers who have been named in the Summary Compensation Table included in this Proxy Statement and whom we refer to as our named executive officers.

Our Board of Directors has delegated responsibility for creating, reviewing and making recommendations regarding the compensation of our executive officers to the Compensation Committee of our Board of Directors, which is composed of independent directors under SEC regulations and the NASDAQ Listing Rules. The role of

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the Compensation Committee is to oversee our compensation and benefit plans and policies, to administer our equity incentive plans and to annually review and make recommendations to our Board of Directors who approve all compensation decisions relating to our executive officers.

Consideration of Stockholder Advisory Votes. Our say-on-pay vote held at our 2013 Annual Meeting of Stockholders was supported by approximately 93.6% of the votes affirmatively cast, excluding abstentions and broker non-votes. While this vote was only advisory, our Compensation Committee interpreted it to be a very positive affirmation from our stockholders that they strongly endorse our historical compensation philosophy, policies and decisions. Accordingly, the Compensation Committee determined to not make any significant changes in setting compensation levels for our executives. At our 2012 Annual Meeting of Stockholders, the Board recommended and our stockholders agreed to hold an advisory vote on executive compensation each year. In addition to holding an annual advisory vote on executive compensation, we are committed to ongoing engagement with our stockholders on executive compensation and corporate governance issues.

Executive Summary

Our Compensation Committee believes that our executive compensation program is appropriately designed and reasonable in light of the executive compensation programs of our industry group and peer group companies in that it both encourages our named executive officers to work for our long-term prosperity and reflects a pay-for-performance philosophy, without encouraging our employees to assume excessive risks. The major aspects of our executive compensation program include the following:

No Guaranteed Salary Increases or Bonus Awards. We do not provide our named executive officers with guaranteed salary increases or bonuses. Our named executive officers are employed at-will and are expected to demonstrate strong performance in order to continue serving as members of the executive team.

No Excessive Perquisites. We do not provide personal lifestyle perquisites, such as country club memberships, vacation units, personal use of aircraft, personal entertainment accounts, or similar perquisites, nor do we provide tax-gross ups for any executive perquisites.

Responsible Severance and Change in Control Compensation. Our executive employment agreements and our Severance Benefit Plan in all cases require an involuntary or constructive termination of employment for our named executive officers to be eligible for any non-change of control related severance benefits or change of control related severance benefits. The severance benefits are less than two times the annual base salary for any of our named executive officers and we do not provide any tax gross-ups.

Compensation Objectives

We believe in providing a competitive total compensation package to our executive management team through a combination of base salary, discretionary annual bonuses, grants under our equity incentive compensation plan and severance and change in control benefits. Our executive compensation programs are designed to achieve the following objectives:

attract and retain talented and experienced executives to manage our business to meet our long-term objectives;

motivate and reward executives whose knowledge, skills and performance are critical to our success;

align the interests of our executive officers and stockholders by motivating executive officers to achieve performance objectives that will increase stockholder value;

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provide a competitive compensation package in which total compensation is determined in part by market factors, key performance objectives and milestones and the achievement level of these performance objectives and milestones by our executive officers; and

reward the achievement of key corporate and individual performance measures.

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Our Compensation Committee believes that our executive compensation programs should include short- and long-term performance incentive components, including cash and equity-based compensation, and should reward consistent performance that meets or exceeds expectations by increasing base salary levels, awarding cash bonuses and granting additional equity awards, as appropriate. The Compensation Committee evaluates both performance and compensation to make sure that the total compensation provided to our executives remains competitive relative to compensation paid by companies of similar size, geographic location and stage of development operating in the life sciences industries, taking into account our relative performance and our own strategic objectives.

Setting Executive Compensation

The Compensation Committee reviews and determines generally on an annual basis the compensation to be paid to our chief executive officer and other executive officers. As part of this process, we conduct an annual review of the aggregate level of our executive compensation, the mix of elements used to compensate our executive officers and historic compensation levels, including prior equity award gains and losses.

When setting executive compensation, the Compensation Committee generally considers compensation paid by life sciences companies included in the Radford Global Life Sciences Survey (the Radford survey), together with other information made available to it, such as compensation analysis performed by independent, third party compensation specialists. The Compensation Committee generally believes that gathering this information is an important part of our compensation-related decision-making process and typically provides additional context and validation for our executive compensation decisions. Although our Compensation Committee has used the Radford survey data as a tool in determining executive compensation, it typically has not used a formula to set our executives' compensation in relation to this data. In addition, our Compensation Committee has typically taken into account advice from other non-employee members of our Board of Directors and publicly available data relating to the compensation practices and policies of other companies within and outside our industry.

The Compensation Committee has also considered and intends to continue to consider key performance objectives and milestones and the achievement level of these performance objectives and milestones by our executive officers as well as market factors in setting their base compensation and discretionary bonus levels, and awarding bonuses and long term incentives.

The Compensation Committee retains the services of third-party executive compensation specialists and consultants from time to time, as it sees fit, in connection with the establishment of cash and equity compensation and related policies. In 2012 and again in 2013, we engaged Compensia Inc. (Compensia), an executive compensation specialist to analyze our executive compensation practices against the practices of an industry peer group of twenty-two pharmaceutical companies with similar market capitalizations, number of employees and revenue levels. The following table shows the companies that made up our benchmark peer group. These peer group companies have market capitalization ranging from approximately \$176 million to \$1.4 billion, as compared to our current market capitalization of approximately \$1.0 billion at April 30, 2014.

Peer Group	
Acorda Therapeutics	Neurocrine Biosciences
AMAG Pharmaceuticals	Orexigen Therapeutics
Antares Pharma	Pacira Pharmaceuticals
Arena Pharmaceuticals	Progenics Pharmaceutical
Auxillium Pharma	Sangamo Biosciences
Avanir Pharmaceuticals	Spectrum Pharmaceuticals
BioDelivery Sciences	Sucampo Pharmaceuticals
Cadence Pharmaceuticals	Supernus Pharmaceuticals
Corcept Therapeutics	Synta Pharmaceuticals
Depomed	Vanda Pharmaceuticals
Dyax	VIVUS
INSYS Therapeutics	Zogenix
Ironwood Pharmaceuticals	

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Compensia was engaged in 2013 to analyze and present competitive ongoing market base salaries, discretionary annual bonuses, and long-term incentive grant practices provided by these peer group companies with respect to their employees, including executive management.

Benchmarking

In December 2013, the Compensation Committee reviewed our compensation philosophy. The philosophy is to attract and retain top talent with experience in building and leading a successful specialty pharmaceutical organization, provide competitive compensation and benefits opportunities that motivate appropriate risk taking to achieve success, clearly communicate the drivers of business success to create a sense of urgency and ownership among employees, create a direct, meaningful link between business results, individual performance and rewards to motivate over achievement, to provide flexibility in our compensation plans to allow differentiation for our employees with the highest performance and potential, to create equitable pay opportunities for management and high-level individual contributors and to align interests of management, employees and stockholders to set priorities and focus. The overall compensation goal is to target the 50th percentile of the total compensation of comparable companies and selectively the 75th percentile for employees with the highest performance and potential. In December 2013, the Board of Directors determined that due to their exceptional performance during 2013, the 2014 compensation of all of our named executive officers would be targeted at the 75th percentile of our peer group.

Independence of Compensation Consultant

In September 2013, the Compensation Committee conducted an independence and performance assessment of Compensia. In conducting the independence assessment, the Compensation Committee considered the following factors: whether Compensia provided any other services to the Company; the amount of fees received by Compensia from the Company as a percentage of Compensia's total revenues; the policies and procedures of Compensia that are designed to prevent conflicts of interest; any business or personal relationship of the individual representative of Compensia who worked directly with the Compensation Committee; any of the Company's stock owned by the individual representative of Compensia who worked directly with the Compensation Committee; and any business or personal relationship of the individual representative of Compensia who worked directly with the Compensation Committee, or of Compensia, with any of our executive officers. After conducting this assessment, the Compensation Committee concluded that the retention of Compensia did not raise any conflict of interest and that Compensia has consistently provided valuable advice and services to the Compensation Committee so that it would continue to retain Compensia as its independent compensation consultant.

Role of Chief Executive Officer in Compensation Decisions

The Chief Executive Officer typically evaluates the performance of other executive officers and employees, along with the performance of the Company as a whole against previously determined objectives, on an annual basis and makes recommendations to the Board of Directors or Compensation Committee with respect to annual salary adjustments, bonuses and annual equity awards for the other executives. The Compensation Committee exercises its own independent discretion in recommending salary adjustments and discretionary cash and equity-based awards for all executive officers for final approval to the Board of Directors. The Chief Executive Officer is not present during deliberations or voting with respect to his own compensation.

Elements of Executive Compensation

The compensation program for our executive officers consists principally of base salary, annual cash incentive compensation and long-term compensation in the form of equity awards, as well as severance protection for certain of our executive officers through employment agreements with those executive officers and our Severance Benefit Plan. As discussed in more detail below, base salary is based primarily on market factors and annual cash incentive compensation is a target percentage of base salary, with the actual amount awarded

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determined in the Compensation Committee's discretion based upon its determination of the level of attainment of performance goals. The amount of cash compensation and the amount of equity awards granted to our executives are both considered in determining total compensation for our executive officers.

Historically, we have not specified a target percentage of the overall compensation to be represented by the various compensation elements. The Compensation Committee's intention was that performance based cash incentive bonuses and long-term equity compensation should be a significant part of the executive's compensation, and historically, it has represented a significant portion of an executive's total pay package, so that approximately 30% to 70% of our executive officers' total potential compensation is at risk. This helps with implementing a culture in which our named executive officers know that their take home pay, to a large extent, depends upon the Company's performance. Employees in more senior roles have an increasing proportion of their potential compensation at risk and tied to performance because they are in a position to have greater influence on the Company's performance results. For example, approximately 70% of our Chief Executive Officer's total potential 2013 compensation was at risk. For purposes of such calculations, with respect to stock unit award values, the value of the underlying shares on the date of grant was used.

We have selected each of the executive compensation components for the following reasons:

Taken as a whole, the components of the executive compensation program (base pay, annual cash incentive compensation, long-term compensation in the form of equity grants and our severance benefit protections) are comparable to the programs offered by other companies of our size in the life sciences and healthcare services industries; therefore, our compensation program generally helps us attract new executive talent and retain, motivate, and reward the executives that we currently employ.

The annual cash incentive program rewards executives for the satisfaction of our pre-established annual corporate performance goals. Compensation under this program directly rewards satisfaction of our corporate objectives and individual performance. We provide this program so that our executives will focus their efforts on annual company goals that are driven off of our longer term strategy, and to take actions that maximize stockholder value. Our Compensation Committee rewards executives only in the event of satisfactory corporate and individual performance.

Equity awards serve several purposes: first, they are a retention device, because the executive must continue employment with us for the awards to vest; and second, our performance restricted stock unit awards that vest upon satisfaction of corporate performance goals incentivize our executives to satisfy key performance objectives that will maximize stockholder value, and long term equity incentive awards that vest over time become more valuable as stockholder value increases.

Base Salary. Base salaries for our executives are established based on the scope of their responsibilities, individual experience and market factors. Base salaries are reviewed annually, typically in connection with our annual performance review process. In December 2012, the Board of Directors approved the 2013 base salaries to align with 2013 market levels as reflected by the Radford survey data after taking into account individual responsibilities, performance and experience, and making a subjective determination as to whether and to what extent 2013 base salaries should be increased based upon those factors.

In December 2013, our Compensation Committee recommended increases to the base salaries for our executive officers, effective January 1, 2014, after a review of the Radford survey data for comparable companies and executive officer positions, executive officer salaries at the peer group companies, and individual and company performance. The Compensation Committee recommended and the board approved a 3.0% increase to the annual base salaries of Mr. De Vaere, Dr. Sherman and Mr. Smith, and a 9.3% increase for Mr. Walbert. These increases were approved in order to align their base salaries with the 75th percentile of the peer group companies because the Board of Directors determined that our named executive officers should be rewarded for our above target performance during 2013 and their individual efforts in contributing to such performance.

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The base salaries for each of our named executive officers for 2014, 2013 and 2012 are as follows:

Named Executive Officer	Base Salary		
	2014	2013	2012
Timothy P. Walbert	\$ 644,100	\$ 589,160	\$ 572,000
Robert F. Carey ⁽¹⁾	\$ 400,000		
Robert J. De Vaere	\$ 386,168	\$ 374,920	\$ 364,000
Jeffrey W. Sherman	\$ 408,234	\$ 396,340	\$ 384,800
Todd N. Smith	\$ 387,229	\$ 375,950	\$ 365,000
Mike Adatto ⁽²⁾		\$ 304,500	\$ 300,000

(1) Mr. Carey began employment with the Company on March 5, 2014 and is not currently a named executive officer.

(2) Mr. Adatto terminated employment with the Company on June 17, 2013.

Mr. Carey began his employment with us on March 5, 2014. Mr. Carey's base salary was set at \$400,000 annually with a bonus target set at 50% of his base salary.

Annual Cash Incentive Compensation. In addition to base salaries, we provide performance-based cash bonuses as an incentive for our executives to achieve defined annual corporate goals.

2013 Incentive Compensation. For 2013, pursuant to their employment agreements, each executive officer had an established target cash bonus represented as a percentage of base salary as follows: 60% for Mr. Walbert, 40% for Mr. De Vaere, Dr. Sherman and Mr. Smith and 30% for Mr. Adatto. These established target bonus percentages were deemed market competitive based on Radford survey data at the time of hire of the executive officers and based on other then-current data. Bonus target percentages are reviewed annually and may be adjusted by the Compensation Committee in its discretion, although pursuant to the respective employment agreements with Mr. Walbert, Mr. De Vaere, Dr. Sherman and Mr. Smith, such percentages may not be reduced without the consent of the executive.

At the beginning of each calendar year, the Compensation Committee, in consultation with management, determines corporate goals and milestones for the executive officers. At the end of each year, the Compensation Committee reviews and determines the level of achievement for each corporate goal and milestone. Each of these corporate objectives and milestones are assigned a certain weight, and bonus payments are determined based on achievement of the various objectives. Final determinations as to discretionary bonus levels are based in part on the achievement of these corporate goals or milestones, as well as the Compensation Committee's assessment as to the overall development of our business and corporate accomplishments. These corporate goals and milestones, and the proportional emphasis placed on each goal and milestone will vary over time depending on our overall strategic objectives and stage of development as a company, but relate generally to factors such as achievement of clinical, regulatory, manufacturing, commercialization and sales milestones for products or product candidates, financial factors such as achieving sales and income levels, raising or preserving capital, performance against our operating budget and individual performance.

Actual bonus award levels are determined at the Compensation Committee's discretion and recommended to the Board of Directors for approval. At the close of the applicable calendar year, the Compensation Committee comes to a general, subjective conclusion as to whether the corporate goals were met, whether the executive has performed his duties in a satisfactory manner, and whether there were any other extraordinary factors that should be considered in determining the amount of bonus earned for the year. The Compensation Committee may decide to pay bonuses to the executive officers even if the specified corporate performance goals are not met, in recognition of the officer's efforts throughout the year in meeting other objectives not contemplated at the beginning of the performance period. In making the final recommendation on the amount of bonuses earned, if any, the Compensation Committee considers the review of the year-end corporate results as well as the performance of the individual executive officers. In sum, the amount of variable compensation that is actually

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earned by our named executive officers is a subjective, entirely discretionary, determination made by the Compensation Committee without the use of pre-determined formulas. The Compensation Committee believes that maintaining discretion to evaluate our and the executive s performance at the close of the year based on the totality of the circumstances, and to recommend or fail to recommend bonus compensation without reliance on rote calculations under set formulas, is appropriate in responsibly discharging its duties. Payouts of awarded bonuses, if any, are generally made in the year following the year of performance.

The 2013 corporate objectives established by the Compensation Committee at the beginning of 2013 were:

1. achieve certain specified DUEXIS and RAYOS/LODOTRA sales targets;
2. achieve a certain specified earnings before interest, taxes, depreciation and amortization (EBITDA) target;
3. end the year with a certain specified minimum cash level;
4. achieve certain specified commercial objectives relating to product prescriptions and managed care approval rates; and
5. achieve certain specified business development and alliance management goals.

The Compensation Committee selected these goals because it believed that they were the best indicators of the achievement of the execution of our operating plan and are the factors that were most critical to increasing the value of our common stock. These goals, therefore, best aligned the financial interests of the named executive officers with those of our stockholders. In December 2013, the Board of Directors determined that these 2013 corporate objectives had been attained at a level of 125% of the targeted levels.

In December 2013, based on management s recommendations and the Compensation Committee s own review, deliberation and determination of achievement of the corporate objectives and milestones listed above, along with determination of achievement of personal goals, the Compensation Committee recommended and the Board approved bonus percentages for our named executive officers at 125% of target bonus amount for 2013, which resulted in the awarding of discretionary incentive bonus amounts of \$441,870 for Mr. Walbert (125% of the 60% target), \$198,172 for Dr. Sherman (125% of the 40% target), \$187,460 for Mr. De Vaere (125% of the 40% target) and \$187,975 for Mr. Smith (125% of the 40% target). Payment of the discretionary bonuses was made in January 2014.

In addition to the annual cash incentive bonuses described above, in December 2013 the Compensation Committee recommended and the Board of Directors approved a one-time bonus payment related to the completion of the acquisition of the U.S. rights to VIMOVO® from AstraZeneca AB in November 2013. The Compensation Committee deliberated and determined that the VIMOVO acquisition was a significant value creation event for the Company and that the executive officers should be compensated separately for their completion of the acquisition. The one-time bonus amounts approved were \$300,000 for Mr. Walbert, \$150,000 for Mr. De Vaere, and \$125,000 for each of Dr. Sherman and Mr. Smith. The Compensation Committee and the board further determined that the bonus payments should be made in the form of fully vested stock units for a number of shares of our common stock with a value equal to the bonus payment amounts as of the award date, so that the Board of Directors approved 43,290 stock units for Mr. Walbert; 21,640 stock units for Mr. De Vaere; and 18,037 stock units each for Dr. Sherman and Mr. Smith. Shares of common stock were issued in settlement of the stock units on May 15, 2014.

2014 Cash Incentive Compensation. In December 2013, our Compensation Committee recommended changes to the target cash bonuses for our executive officers, effective for 2014, after a review of the 2013 Radford Global Life Sciences survey data for comparable companies and executive officer positions, and after reviewing executive officer cash incentive compensation at the peer group companies. The Compensation Committee recommended and the Board of Directors approved 2014 target cash bonuses expressed as a

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percentage of base salary as reflected in the table below. The Board of Directors approved these increases in target cash bonus percentages for 2014 in order to bring the executive s total target cash compensation to the 75th percentile of the peer group.

Named Executive Officer	2013 Target Bonus	2014 Target Bonus
Timothy P. Walbert	60%	70%
Robert F. Carey ⁽¹⁾		50%
Robert J. De Vaere	40%	50%
Jeffrey W. Sherman	40%	45%
Todd N. Smith	40%	45%
Mike Adatto ⁽²⁾	30%	

(1) Mr. Carey began employment with the Company on March 5, 2014 and is not currently a named executive officer.

(2) Mr. Adatto terminated employment with the Company on June 17, 2013.

Long-term Incentive Program. We believe that by providing our executives the opportunity to increase their ownership of our stock, the best interests of stockholders and executives will be more aligned and will encourage long-term performance. The stock awards enable our executive officers to benefit from the appreciation of stockholder value, while personally participating in the risks of business setbacks. Our equity benefit plans have provided our executive officers the primary means to acquire equity or equity-linked interests in the Company. These equity awards are generally approved in December of each year and granted at the beginning of the subsequent year.

In January 2013, based on the recommendation of the Compensation Committee, the Board granted restricted stock units covering an aggregate of 273,700 shares of common stock to our named executive officers as part of their overall compensation package. The award level for each of our named executive officers related to the restricted stock unit grants were as follows: 128,700 restricted stock units for Mr. Walbert; 45,000 restricted stock units for Mr. De Vaere and Dr. Sherman; 55,000 restricted stock units for Mr. Smith; and 18,900 restricted stock units granted to Mr. Adatto (who terminated his employment with us in June 2013). These award levels were determined by the Compensation Committee to be at the 25th percentile of the long-term incentive compensation levels provided by our peers, and were made at this level in order to conserve the number of shares available for grant under the share reserve of our equity incentive plan.

In January 2014, based on the recommendation of the Compensation Committee, the Board of Directors granted restricted stock units and stock options to our named executive officers as part of their overall compensation package. The restricted stock unit grants were as follows: 198,000 restricted stock units for Mr. Walbert and 62,000 restricted stock units for each of Dr. Sherman and Messrs. De Vaere and Smith. The stock option grants were as follows: 223,000 stock options for Mr. Walbert and 70,000 stock options for each of Dr. Sherman and Messrs. De Vaere and Smith. These equity award levels were determined by the Compensation Committee to approximate the 75th percentile of the long-term incentive compensation levels provided by our peers, and were made at a level exceeding the 50th percentile of our peers in order to reward the executives for our above-target performance in 2013, as well as compensate for the lower level of equity awards previously granted to the named executive officers in January 2013 due to the limited number of shares available for grant under the equity incentive plan at that time. Subject to continued services, the restricted stock units vest in four equal annual installments, and the options vest in 48 equal monthly installments, in each case commencing January 2, 2014.

Severance and Change in Control Benefits. Our named executive officers are entitled to certain severance and change in control benefits. We believe these severance and change in control benefits are an essential element of our overall executive compensation package and assist us in recruiting and retaining talented individuals and aligning the executives interests with the best interests of the stockholders.

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In January 2014, the Compensation Committee reviewed severance and change of control benefits of the peer group companies and based on that review, recommended, and the Board approved, changes to certain of the terms of the severance and change of control benefits for our executive officers. Mr. Walbert, Mr. De Vaere, Dr. Sherman and Mr. Smith each have severance benefit protection under the terms of their employment agreements which provide for up to 12 months' base salary and COBRA health insurance premiums in the event of an involuntary or constructive termination. Mr. Walbert also receives his target annual bonus amount for the preceding year in the event of his involuntary termination. In the event of an involuntary or constructive termination in connection with a change in control, Mr. Walbert has severance benefit protection under the terms of his employment agreements which provide for up to 24 months' base salary, two years of target bonus and 12 months COBRA health insurance premiums, and Mr. De Vaere, Dr. Sherman, and Mr. Smith have severance benefit protection under the terms of their employment agreements which provide for up to 12 months' base salary, one year of target bonus and 12 months COBRA health insurance premiums. In addition, stock option and other equity awards are subject to acceleration under the terms of their employment agreements in the event of a qualifying termination within 90 days prior to or within 18 months following a change in control. Each of Mr. Walbert, Mr. De Vaere, Dr. Sherman and Mr. Smith must enter into a non-competition agreement that is to be effective during the period that the severance benefits are payable.

Our Severance Benefit Plan provides severance benefit protection for executives employed by the Company and its affiliates that do not have executive employment agreements, for a period of at least three months for vice president level and above. Mr. Adatto was eligible to receive severance benefits under the Severance Benefit Plan, which provided for six months' base salary and COBRA health insurance premiums. In addition, stock option and other equity awards are subject to acceleration in the event of a qualifying termination within 90 days prior to or within 18 months following a change in control.

Severance benefits to our executives are payable only if the executive's employment is involuntarily terminated without cause or constructively terminated under certain circumstances. The Compensation Committee believes that these benefits are an important element of the named executive officers' retention and motivation and are consistent with compensation arrangements provided in a competitive market for executive talent, and that the benefits of such severance rights agreements, including generally requiring a release of claims against us as a condition to receiving any severance benefits are in our best interests. The severance benefits are also intended to eliminate, or at least reduce, the reluctance of our executive officers to diligently consider and pursue potential change of control transactions that may be in the best interests of our stockholders.

Other Compensation. All of our executive officers are eligible to receive our standard employee benefits, such as our 401(k) Plan, medical, dental, vision coverage, short-term disability, long-term disability, group life insurance, cafeteria plan, and the 2011 Employee Stock Purchase Plan, in each case on the same basis as our other employees. The Compensation Committee periodically reviews the levels of benefits provided to executive officers to ensure they remain reasonable and consistent with its compensation philosophy.

Risk Analysis. The Compensation Committee has reviewed our compensation policies as generally applicable to our employees and believes that our policies do not encourage excessive and unnecessary risk-taking, and that the level of risk that they do encourage is not reasonably likely to have a material adverse effect on us. The design of our compensation policies and programs encourages our employees to remain focused on both our short- and long-term goals. For example, while our cash incentive plan measures performance on an annual basis, our equity awards typically vest over a number of years, which we believe encourages our employees to focus on sustained potential stock price appreciation, thus limiting the potential value of excessive risk-taking.

Accounting and Tax Considerations. We account for stock-based awards exchanged for employee services in accordance with the *Compensation - Stock Compensation* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. In accordance with the topic, we are required to estimate and

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record an expense for each award of equity compensation over the vesting period of the award. Accounting rules also require us to record cash compensation as an expense over the period during which it is earned.

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "IRC"), limits our deduction for federal income tax purposes to not more than \$1 million of compensation paid to certain executive officers in a calendar year. Compensation above \$1 million may be deducted if it is performance-based compensation. To maintain flexibility in compensating our executive officers in a manner designed to promote our objectives, the Compensation Committee has not adopted a policy that requires all compensation to be deductible. However, the Compensation Committee intends to evaluate the effects of the compensation limits of Section 162(m) on any compensation it proposes to grant, and the Compensation Committee intends to provide future compensation in a manner consistent with our best interests and those of our stockholders.

Summary Compensation Table

The following table provides information regarding the compensation earned during the years ended December 31, 2013, 2012 and 2011 by our Chairman, President and Chief Executive Officer; Executive Vice President and Chief Financial Officer; Executive Vice President, Development, Manufacturing and Regulatory Affairs and Chief Medical Officer; Executive Vice President and Chief Commercial Officer; and former Senior Vice President, Managed Care and Commercial Development, whom we collectively refer to as our named executive officers.

Name and Principal Position	Year	Salary	Bonus	Option Awards ⁽¹⁾	Stock Awards ⁽²⁾	Non Equity Incentive Plan	All Other Compensation ⁽⁹⁾	Total
Timothy P. Walbert Chairman, President and Chief Executive Officer	2013	\$ 589,160	\$ 0	\$ 257,250	\$ 606,282	\$ 441,870 ⁽³⁾	\$ 600	\$ 1,895,162
	2012	\$ 572,000	\$ 0	\$ 0	\$ 588,000	\$ 275,000 ⁽³⁾	\$ 1,218	\$ 1,436,218
	2011	\$ 550,000	\$ 0	\$ 797,744	\$ 658,883	\$ 363,000 ⁽³⁾	\$ 1,218	\$ 2,370,845
Robert J. De Vaere Executive Vice President and Chief Financial Officer	2013	\$ 374,920	\$ 0	\$ 89,250	\$ 256,667	\$ 187,460 ⁽⁴⁾	\$ 600	\$ 908,897
	2012	\$ 364,000	\$ 0	\$ 0	\$ 462,000	\$ 120,000 ⁽⁴⁾	\$ 1,156	\$ 947,156
	2011	\$ 350,000	\$ 0	\$ 197,170	\$ 162,843	\$ 162,800 ⁽⁴⁾	\$ 1,156	\$ 873,969
Jeffrey W. Sherman Executive Vice President, Development, Manufacturing and Regulatory Affairs, and Chief Medical Officer	2013	\$ 396,340	\$ 0	\$ 89,250	\$ 231,914	\$ 198,172 ⁽⁵⁾	\$ 600	\$ 916,276
	2012	\$ 384,800	\$ 0	\$ 0	\$ 462,000	\$ 142,000 ⁽⁵⁾	\$ 1,070	\$ 989,870
	2011	\$ 370,000	\$ 0	\$ 197,170	\$ 162,843	\$ 162,800 ⁽⁵⁾	\$ 1,070	\$ 893,883
Todd Smith Executive Vice President and Chief Commercial Officer	2013	\$ 375,950	\$ 0	\$ 106,750	\$ 255,914	\$ 187,975 ⁽⁶⁾	\$ 600	\$ 927,189
	2012	\$ 332,583	\$ 0	\$ 0	\$ 315,000	\$ 106,000 ⁽⁶⁾	\$ 824	\$ 754,407
	2011	\$ 274,275	\$ 0	\$ 80,455	\$ 66,448	\$ 96,250 ⁽⁶⁾	\$ 824	\$ 518,252
Michael Adatto ⁽⁸⁾ Former Senior Vice President, Managed Care and Commercial Development	2013	\$ 139,719	\$ 0	\$ 38,063	\$ 47,520	\$ 0	\$ 300	\$ 225,602
	2012	\$ 300,000	\$ 0	\$ 0	\$ 315,000	\$ 37,000 ⁽⁷⁾	\$ 1,331	\$ 653,331
	2011	\$ 274,275	\$ 0	\$ 80,455	\$ 66,448	\$ 96,250 ⁽⁷⁾	\$ 1,331	\$ 518,759

- (1) Amounts shown in this column do not reflect actual compensation received by our named executive officers. The amounts reflect the grant date fair value of stock option awards and are calculated in accordance with the provisions of FASB Accounting Standards Codification Topic 718 *Compensation - Stock Compensation* (ASC Topic 718) and assume no forfeiture rate derived in the calculation of the grant date fair value of these awards. Assumptions used in the calculation of these awards are included in Note 17 *Equity Incentive Plans* in the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year

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- ended December 31, 2013. Our named executive officers will only realize compensation to the extent the trading price of our common stock is greater than the exercise price of such stock options.
- (2) Amounts shown in this column do not reflect actual compensation received by our named executive officers. The amounts reflect the grant date fair value of restricted stock units issued in accordance with the provisions of ASC Topic 718 and are based on the closing stock price of our common stock on the date of grant and assume no forfeiture rate derived in the calculation of the grant date fair value of these awards. Stock awards granted to our named executive officers during 2013 and 2011 consisted of restricted stock units that vest equally in four annual installments commencing on the anniversary date of the grant. Stock awards granted to our named executive officers during 2013 also included a fully vested deferred issuance of restricted stock units provided as a one-time bonus payment in connection with the completion of our acquisition of the U.S rights to VIMOVO. Stock awards granted to our named executive officers during 2012 consisted of performance-based restricted stock units and vested only upon the achievement of certain performance objectives during 2012. For further information on our restricted stock units, see Note 17 Equity Incentive Plans in the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013.
- (3) In December 2011, the Board approved Mr. Walbert's 2011 bonus in the amount of \$363,000, but deferred payment until completion of a debt financing, which occurred in February 2012. Mr. Walbert's target bonus amount for 2012 was \$343,200. In December 2012, the Board approved Mr. Walbert's bonus in the amount of \$275,000, which was paid in January 2013. Mr. Walbert's target bonus amount for 2013 was \$353,496, or 60% of base salary. In December 2013, the Board approved Mr. Walbert's bonus in the amount of \$441,870, which was paid in January 2014.
- (4) In December 2011, the Board approved Mr. De Vaere's 2011 bonus in the amount of \$162,800, but deferred payment until the completion of the debt financing, which occurred in February 2012. Mr. De Vaere's target bonus amount for 2012 was \$145,600. In December 2012, the Board approved Mr. De Vaere's bonus in the amount of \$120,000, which was paid in January 2013. Mr. De Vaere's target bonus amount for 2013 was \$149,968, or 40% of base salary. In December 2013, the Board approved Mr. De Vaere's bonus in the amount of \$187,460, which was paid in January 2014.
- (5) In December 2011, the Board approved Dr. Sherman's 2011 bonus in the amount of \$162,800, but deferred payment until the completion of the debt financing, which occurred in February 2012. Dr. Sherman's target bonus amount for 2012 was \$153,920. In December 2012, the Board approved Dr. Sherman's bonus in the amount of \$142,000, which was paid in January 2013. Dr. Sherman's target bonus amount for 2013 was \$158,536, or 40% of base salary. In December 2013, the Board approved Dr. Sherman's bonus in the amount of \$198,172, which was paid in January 2014.
- (6) In December 2011, the Board approved Mr. Smith's 2011 bonus in the amount of \$96,250, but deferred payment until the completion of the debt financing, which occurred in February 2012. Mr. Smith's target bonus for 2012 was \$146,000. In December 2012, the Board approved Mr. Smith's bonus in the amount of \$106,000, which was paid in January 2013. Mr. Smith's target bonus amount for 2013 was \$150,380, or 40% of base salary. In December 2013, the Board approved Mr. Smith's bonus in the amount of \$187,975, which was paid in January 2014.
- (7) In December 2011, the Board approved Mr. Adatto's 2011 bonus in the amount of \$96,250, but deferred payment until the completion of the debt financing, which occurred in February 2012. Mr. Adatto's target bonus amount for 2012 was \$105,000. In December 2012, the Board approved Mr. Adatto's bonus in the amount of \$37,000, which was paid in January 2013.
- (8) On March 14, 2013, the Board of Directors determined that Mr. Adatto, our Senior Vice President, Managed Care and Commercial Development, would increasingly focus his efforts on managed care activities and, as a result, would no longer retain his prior policy making functions. Accordingly, his status as an executive officer at Horizon ended as of that date. On June 17, 2013, Mr. Adatto terminated his employment with Horizon. Upon termination of his employment, Mr. Adatto was eligible to receive severance benefits under the Severance Benefit Plan, which provided for six months' base salary and COBRA health insurance premiums. On June 16, 2013, we entered into a three month consulting agreement with Mr. Adatto effective upon his termination of employment.
- (9) Amounts shown in this column include imputed income on life insurance benefits.

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Payments Made Upon Termination. In January 2014, we entered into an amendment to the amended and restated employment agreement with Mr. Walbert, our President and Chief Executive Officer, that provides if we terminate Mr. Walbert without cause or if Mr. Walbert resigns for good reason, he will be entitled to (1) be compensated at his then annual base salary for 12 months from the date of his termination, (2) receive his target bonus in effect at the time of termination or, if none, his last target bonus, and (3) receive COBRA health insurance premiums for up to 12 months from the date of his termination. In addition, if Mr. Walbert is terminated without cause or if Mr. Walbert resigns for good reason within 90 days prior to or within 18 months following a change in control, 100% of the shares subject to options and restricted stock awards granted to Mr. Walbert will fully vest as of the termination date, and Mr. Walbert will be entitled to (1) be compensated at his then annual base salary for two years from the date of his termination, (2) receive two times his target bonus in effect at the time of termination or, if none, two times his last target bonus, and (3) receive COBRA health insurance premiums for up to 12 months from the date of his termination. Cause is defined as gross negligence or willful failure to substantially perform duties and responsibilities to us or willful and deliberate violation of any of our policies; conviction of a felony involving commission of any act of fraud, embezzlement or dishonesty against the Company or involving moral turpitude; the unauthorized use or disclosure of any of our proprietary information or trade secrets and willful and deliberate breach of the executive's obligations under the employment agreement that cause material injury to the Company. Resignation for good reason is defined as a material reduction in duties, authority or responsibilities; the relocation of the place of employment by more than 50 miles; or a material reduction of salary or annual target bonus opportunity. In the event of termination due to Mr. Walbert's death or complete disability, he and/or his heirs shall be eligible to receive a pro-rated bonus for the year in which such termination occurs, as determined by the Board or Compensation Committee based on actual performance.

In January 2014, we entered into an amendment to the amended and restated employment agreement with Mr. De Vaere, our executive vice president and chief financial officer, that provides if we terminate Mr. De Vaere without cause or if Mr. De Vaere resigns for good reason, he will be entitled to be compensated at his then annual base salary for 12 months from the date of his termination and will also be entitled to receive COBRA health insurance premiums for up to 12 months from the date of his termination. In addition, if Mr. De Vaere is terminated without cause or resigns for good reason within 90 days prior to or within 18 months following a change in control, 100% of the shares subject to options and restricted stock awards granted to Mr. De Vaere will fully vest as of the termination date, and Mr. De Vaere will be entitled to (1) be compensated at his then annual base salary for 12 months from the date of his termination, (2) receive his target bonus in effect at the time of termination or, if none, his last target bonus, and (3) receive COBRA health insurance premiums for up to 12 months from the date of his termination. Cause is defined as gross negligence or willful failure to substantially perform duties and responsibilities to us or willful and deliberate violation of any of our policies; conviction of a felony or the commission of any act of fraud, embezzlement or dishonesty against the Company or involving moral turpitude; the unauthorized use or disclosure of any of our proprietary information or trade secrets; and willful and deliberate breach of the executive's obligations under the employment agreement that cause material injury to the Company. Resignation for good reason is defined as a material reduction in duties, authority or responsibilities; the relocation of the place of employment by more than 50 miles; or a material reduction of salary or annual target bonus opportunity. In the event of termination due to Mr. De Vaere's death or complete disability, he and/or his heirs shall be eligible to receive a pro-rated bonus for the year in which such termination occurs, as determined by the Board or Compensation Committee based on actual performance.