

ARCA biopharma, Inc.
Form DEF 14A
April 07, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

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(as permitted by Rule 14a-6(e)(2))**

ARCA BIOPHARMA, 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.

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2. Aggregate number of securities to which transaction applies:

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4. Proposed maximum aggregate value of transaction:

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- (1) Amount Previously Paid:

- (2) Form, Schedule or Registration Statement No.:

- (3) Filing Party:

(4) Date Filed:

ARCA BIOPHARMA, INC.

8001 Arista Place, Suite 200

Broomfield, Colorado 80021

April 7, 2010

Dear Stockholders of ARCA biopharma, Inc.:

You are cordially invited to attend the Annual Meeting of Stockholders of ARCA biopharma, Inc., a Delaware corporation (the Company or ARCA). The meeting will be held on Friday, May 21, 2010 at 9:00 a.m. local time at Renaissance Suites, 500 Flatiron Boulevard, Broomfield, CO 80021.

The matters scheduled to be considered at the meeting are (1) to elect the Board's nominees, Dr. Linda Grais and Dr. John L. Zabriskie, to the Board of Directors to hold office until the 2013 Annual Meeting of Stockholders, (2) to ratify the selection by the Board of Directors of KPMG LLP as independent registered public accounting firm of the Company for its fiscal year ending December 31, 2010 and (3) to conduct any other business properly brought before the meeting. These items of business are more fully described in this proxy statement that you are encouraged to read in its entirety.

In accordance with the Securities and Exchange Commission (SEC) rule (Notice and Access Rule) that allows companies to furnish their proxy materials (including the form of proxy, this proxy statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed with the SEC on March 4, 2010) over the Internet, we sent a Notice of Internet Availability of Proxy Materials (Notice) on or about April 7, 2010 to our stockholders of record as of March 26, 2010. We also provided access to our proxy materials over the Internet beginning on that date. As a result of the Notice and Access Rule, all stockholders receiving the Notice have the ability to access the proxy materials over the Internet and request to receive a paper copy of the proxy materials by mail. Instructions on how to access the proxy materials over the Internet or to request a paper copy may be found on the Notice. In addition, the Notice contains instructions on how stockholders may request to receive proxy materials electronically by e-mail.

All stockholders are cordially invited to attend the Annual Meeting in person. Whether or not you expect to attend the Annual Meeting, please vote, as instructed in the Notice of Internet Availability of Proxy Materials, via the Internet or the telephone, as promptly as possible in order to ensure your representation at the Annual Meeting. Alternatively, you may follow the procedures outlined in the Notice of Internet Availability of Proxy Materials to request a paper proxy card to submit your vote by mail. Even if you have voted by proxy, you may still vote in person if you attend the Annual Meeting. Please note, however, that if your shares are held of record by a broker, bank or other agent and you wish to vote at the Annual Meeting, you must obtain a proxy issued in your name from that record holder.

Sincerely,

CHRISTOPHER OZEROFF

Secretary, Senior Vice President and General Counsel

ARCA BIOPHARMA, INC.

8001 Arista Place, Suite 200

Broomfield, Colorado 80021

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 21, 2010

Notice is hereby given that the Annual Meeting of Stockholders of (the Annual Meeting) ARCA biopharma, Inc., a Delaware corporation (the Company or ARCA) will be held on Friday, May 21, 2010 at 9:00 a.m. local time at Renaissance Suites, 500 Flatiron Boulevard, Broomfield, CO 80021 for the following purposes:

1. To elect the Board's nominees, Dr. Linda Grais and Dr. John L. Zabriskie, to the Board of Directors to hold office until the 2013 Annual Meeting of Stockholders.
2. To ratify the selection by the Board of Directors of KPMG LLP as independent registered public accounting firm of the Company for its fiscal year ending December 31, 2010.
3. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the proxy statement accompanying this Notice.

The record date for the Annual Meeting is March 26, 2010. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

By Order of the Board of Directors:

CHRISTOPHER OZEROFF

Secretary, Senior Vice President and General Counsel

BROOMFIELD, CO

APRIL 7, 2010

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR THE

ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 21, 2010:

This proxy statement, the form of proxy and ARCA's annual report on Form 10-K for the year ended December 31, 2009 (2009 Annual Report) are being mailed to stockholders who have requested hard copies on or after April 7, 2010.

All stockholders may view and print ARCA's proxy statement and the 2009 Annual Report, which are available at www.arcabiopharma.com.

ARCA BIOPHARMA, INC.

8001 Arista Place, Suite 200

Broomfield, Colorado 80021

PROXY STATEMENT

FOR THE 2010 ANNUAL MEETING OF STOCKHOLDERS

MAY 21, 2010

This proxy statement (this Proxy Statement) is being furnished to holders of ARCA biopharma, Inc. (sometimes referred to as the Company, ARCA, we, us, and our) common stock, par value \$0.001 per share (the Common Stock). Proxies are being solicited on behalf of the Board of Directors of ARCA (the Board of Directors) to be used at the Annual Meeting of Stockholders (the Annual Meeting) to be held on Friday, May 21, 2010 at 9:00 a.m. local time at Renaissance Suites, 500 Flatiron Boulevard, Broomfield, CO 80021 and at any postponement or adjournment thereof, for the purposes set forth in the Notice of Annual Meeting of Stockholders.

ARCA is using the Securities and Exchange Commission (the SEC) rule that allows companies to furnish their proxy materials over the Internet. As a result, we mailed to our stockholders a Notice of Internet Availability of Proxy Materials (the Notice) instead of a paper copy of the proxy materials (including the form of proxy, this Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed with the SEC on March 4, 2010 (the 2009 Annual Report), collectively, the Proxy Materials) on or about April 7, 2010. We also provided access to our Proxy Materials over the Internet beginning on that date. By furnishing the Notice to our stockholders of record, you *will not* receive a printed copy of the Proxy Materials in the mail. Instead, the Notice instructs you on how to access and review all of the important information contained in the Proxy Statement and Annual Report electronically or to receive a printed version in the mail. The Notice also instructs you on how you may submit your proxy over the Internet, by toll-free number or in person at the Annual Meeting. Subsequent to receiving the Notice, all stockholders have the ability to access the Proxy Materials over the Internet and request to receive a paper copy of the Proxy Materials by mail. Instructions on how to access the Proxy Materials over the Internet or to request a paper copy may be found on the Notice. In addition, the Notice contains instructions on how stockholders may request to receive Proxy Materials electronically by e-mail.

All stockholders may view and print ARCA's proxy statement and the 2009 Annual Report, which are available at www.arcabiopharma.com.

QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING

Why did I receive a notice regarding the availability of the Proxy Materials on the Internet?

As described above, pursuant to rules adopted by the SEC, we have elected to provide access to the Proxy Materials over the Internet. Accordingly, on or about April 7, 2010, we sent the Notice to ARCA's stockholders of record. The Board of Directors is soliciting your proxy to vote at the Annual Meeting. All stockholders will have the ability to access the Proxy Materials on the website referred to in the Notice or request to receive a printed or electronic set of the Proxy Materials. Instructions on how to access the Proxy Materials over the Internet or to request a printed copy may be found in the Notice.

How do I attend the Annual Meeting?

The meeting will be held on Friday, May 21, 2010 at 9:00 a.m. local time at Renaissance Suites, 500 Flatiron Boulevard, Broomfield, CO 80021. Directions to the annual meeting may be found at www.arcabiopharma.com. Information on how to vote in person at the Annual Meeting is discussed below.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on March 26, 2010 will be entitled to vote at the Annual Meeting. On this record date, there were 7,620,448 shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on March 26, 2010 your shares were registered directly in your name with ARCA's transfer agent, Computershare Trust Company N.A., 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 vote by proxy over the telephone or on the Internet as instructed below or return the proxy card we may mail to you to ensure your vote is counted.

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

If, on March 26, 2010, 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 the Notice is 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 two matters scheduled for a vote:

Election of two directors; and

Ratification of selection by the Board of Directors of KPMG LLP as independent registered public accounting firm of the Company for its fiscal year ending December 31, 2010.

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 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 over the telephone, vote by proxy through the Internet or vote by proxy using a proxy card that you may request or that we may elect to deliver at a later time. 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.

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To vote using the proxy card, simply complete, sign and date the proxy card that may be delivered 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.

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 Notice. Your vote must be received by 11:59 p.m., Mountain Time on May 20, 2010 to be counted.

To vote through the Internet, go to <http://www.envisionreports.com/abio> to complete an electronic proxy card. You will be asked to provide the company number and control number from the Notice. Your vote must be received by 11:59 p.m. Mountain Time on May 20, 2010 to be counted.

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 Notice containing voting instructions from that organization rather than from ARCA. Simply follow the voting instructions in the Notice to ensure that your vote is counted. 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.

We provide internet proxy voting 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 access to the Internet, 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 March 26, 2010.

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 the election of both nominees for director and For the ratification of KMPG as the Company's independent auditor for the fiscal year 2010. 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.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these proxy materials, the directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one Notice?

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

Can I change my vote after submitting my proxy?

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 ARCA's Secretary at 8001 Arista Place, Suite 200, Broomfield, CO 80021.

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 the internet proxy is the one that is counted.

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.

When are stockholder proposals due for next year's annual meeting?

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing by December 8, 2010, to ARCA's Secretary at 8001 Arista Place, Suite 200, Broomfield, CO 80021. If you wish to submit a proposal that is not to be included in next year's proxy materials or nominate a director, you must do so by no earlier than February 20, 2011 and no later than March 22, 2011. You are also advised to review the Company's Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

How are votes counted?

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

What are broker non-votes ?

Broker non-votes occur 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 non-routine. Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the 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 New York Stock Exchange (NYSE), non-routine matters are matters that may substantially affect the rights or privileges of shareholders, such as mergers, shareholder proposals and, for the first time, under a new amendment to the NYSE rules, elections of directors, even if not contested.

How many votes are needed to approve each proposal?

For the election of directors, the two nominees receiving the most For votes (from the holders of votes 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.

To be approved, Proposal No. 2 to ratify the selection of KPMG LLP as the Company's independent auditors for fiscal year 2010 must receive For votes from the holders of a majority of shares present and entitled to vote either in person or by proxy. 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 7,620,448 shares outstanding and entitled to vote. Thus, the holders of 3,810,225 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.

EXPLANATORY NOTE

The Company was originally incorporated as Hyseq, Inc. in Illinois in 1992 and reincorporated in Nevada in 1993. On January 31, 2003, the Company merged with Variagenics, Inc., a publicly traded Delaware corporation based in Massachusetts, and, in connection with the merger, changed its name to Nuvelo, Inc. On March 25, 2004, Nuvelo was reincorporated from Nevada to Delaware. On January 27, 2009, Nuvelo, Inc. completed its business combination with ARCA biopharma, Inc., a Delaware corporation (ARCA Colorado), in accordance with the terms of the Agreement and Plan of Merger and Reorganization, dated September 24, 2008, as amended October 28, 2008, by and among Nuvelo, Inc., Dawn Acquisition Sub, Inc., a wholly-owned subsidiary of Nuvelo, Inc., or Merger Sub, and ARCA Colorado (the Merger Agreement). Pursuant to the Merger Agreement, Merger Sub merged with and into ARCA Colorado, with ARCA Colorado continuing after the merger as the surviving corporation and a wholly-owned subsidiary of Nuvelo, Inc. ARCA Colorado was then merged into the Company in December 2009. At the effective time of the merger, Nuvelo, Inc. changed its name to ARCA biopharma, Inc. (ARCA). Immediately following the effective time of the merger, former ARCA Colorado stockholders owned approximately 67% of the outstanding common stock of the new company, and former Nuvelo stockholders owned approximately 33% of the outstanding common stock of the new company. These transactions are referred to herein as the merger. Unless the context otherwise requires or as otherwise stated herein, all references herein to the Company, ARCA, we, us, and our refer to ARCA Colorado prior to the completion of the merger and to ARCA biopharma, Inc. following the completion of the merger and the name change, and all references to Nuvelo refer to Nuvelo, Inc. prior to the completion of the merger and the name change.

PROPOSAL 1

ELECTION OF DIRECTORS

The Company's Amended and Restated Certificate of Incorporation provides that the Board of Directors is divided into three classes to provide for staggered terms and that each director will serve for a term of three years or less, depending on the class to which the Board of Directors has assigned a director not previously elected by the stockholders. The Board of Directors presently has nine members. There are currently three Class II directors, whose terms expire at the annual stockholders' meeting in 2011, and four Class III directors, whose terms expire at the annual stockholders' meeting in 2012. The Board of Directors has nominated two Class I directors, Dr. Linda Grais and Dr. John L. Zabriskie, for election to the Board of Directors, each for a three-year term ending on the date of the annual meeting in 2013 or until a successor is duly elected and qualified or appointed. There is currently one vacancy in the Class I directors and the Company has not nominated anyone to fill that vacancy. This vacancy can be filled at any time, but there are no immediate plans to do so. Stockholders may not vote for more than two nominees even though there is a vacancy. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board 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.

If elected at the Annual Meeting, each of these nominees would serve until the 2013 annual meeting and until his or her 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. Nine of the Company's ten directors then on the Board attended the 2009 Annual Meeting of Stockholders.

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. 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.

Director Qualifications and Diversity

The below paragraphs provide information as of the date of this proxy statement about each nominee and current members of the Board of Directors, including age, all positions currently held, principal occupation and business experience for the past five years. In addition to the information presented regarding each nominee's specific experience, qualifications, attributes and skills that led the Board to conclude that such director or nominee should be able to serve as a director, the Board also believes that all of the directors and nominees have a reputation of integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment as well as a commitment to service to ARCA and the Board.

Our Nominating and Corporate Governance Committee considers diversity in the director identification and nomination process. The Nominating and Corporate Governance Committee seeks nominees with a broad diversity of experience, professions, skills, geographic representation and backgrounds. Such Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. ARCA believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law.

NOMINEES FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT THE 2013 ANNUAL MEETING

Linda Grais, M.D.

Dr. Grais, age 53, has served as a member of the Company's Board of Directors since the merger with Nuvelo in January 2009. Before the merger, Dr. Grais had served as a director of ARCA Colorado since May

2007. Dr. Grais is currently a partner at InterWest, where she has been since May 2005. From July 1998 to July 2003, Dr. Grais was a founder and executive vice president of SGX Pharmaceuticals Inc., a drug discovery company focusing on new treatments for cancer. Prior to that, she was a corporate attorney at Wilson Sonsini Goodrich & Rosati, where she practiced in such areas as venture financings, public offerings and strategic partnerships. Before practicing law, Dr. Grais worked as an assistant clinical professor of Internal Medicine and Critical Care at the University of California, San Francisco. Dr. Grais received a B.A. from Yale University, magna cum laude, and Phi Beta Kappa, an M.D. from Yale Medical School and a J.D. from Stanford Law School. Dr. Grais is an appropriate nominee to the Company's Board of Directors because of her diverse training and experience as both a medical doctor and a lawyer, her experience as a founder and senior executive of a pharmaceutical company, and her experience as an investor in new life sciences companies. She has also has extensive experience with and knowledge of the Company's business from her service on the Board of ARCA Colorado since 2007, and her service as a Board and Committee member for the Company since January 2009.

John L. Zabriskie, Ph.D.

Dr. Zabriskie, age 70, has served as a member of the Company's Board of Directors since the merger. Before the merger, Dr. Zabriskie had served as a director of ARCA Colorado since March 2005. Dr. Zabriskie is Co-Founder and Director of Puretech Ventures, LLC, and the past Chairman of the Board, Chief Executive Officer, and President of NEN Life Science Products, Inc., a supplier of kits for labeling and detection of DNA. Prior to joining NEN Life Science Products in July 1997, Dr. Zabriskie was President and Chief Executive Officer of Pharmacia and Upjohn Inc. Prior to joining Upjohn in 1994, Dr. Zabriskie was Executive Vice President for Merck & Co., Inc. He currently serves on the Board of Directors of Array BioPharma Inc., Kellogg Co. and Puretech Ventures. As part of a member of the Board of Directors for Kellogg Co., Dr. Zabriskie has served on the audit committee for the past ten years. Within the past five years, Dr. Zabriskie has also served on the Board of Directors of Momenta Pharmaceuticals, Inc. and MacroChem Corporation. Dr. Zabriskie received his undergraduate degree in chemistry from Dartmouth College and his Ph.D. in organic chemistry from the University of Rochester. Dr. Zabriskie is an appropriate nominee to the Company's Board of Directors due to his extensive experience in the pharmaceutical industry, including senior management experience up to the level of president and chief executive officer of significant public companies, as well as his experience on the boards of directors of public companies, including service on audit committees. Dr. Zabriskie also has extensive experience with and knowledge of the Company's business from his service on the Board of ARCA Colorado since 2005, and his service as a Board member and Chairman of the Audit Committee of the Company since January 2009.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF EACH NAMED NOMINEE.

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2011 ANNUAL MEETING

Michael R. Bristow, M.D., Ph.D.

Dr. Bristow, age 65, has served as the Company's President and Chief Executive Officer since July 2009. Prior to that time, Dr. Bristow served as the Company's Chief Science and Medical Officer and a director since the merger with Nuvelo. Dr. Bristow has also served as a director of ARCA Colorado since November 2006. Dr. Bristow was one of the founders of ARCA Colorado in September 2004, and served as its Chairman and Chief Executive Officer from that date until he was appointed to the position of Chief Science and Medical Officer in November 2006. Dr. Bristow is a Professor of Medicine and the former Head of Cardiology at the University of Colorado Health Sciences Center, where he has been since October 1991. Dr. Bristow was one of the founders of Myogen, Inc. and served as Myogen's Chief Science and Medical Officer from October 1996 to February 2006 and as a Scientific Advisor to Myogen from February 2006 until the acquisition of Myogen by Gilead Sciences, Inc. in November 2006. Dr. Bristow is an appropriate member of the Company's Board of Directors given his extensive experience and expertise as a cardiologist, medical researcher and drug developer in the field of cardiovascular medicine, and heart failure specifically, and his experience as a founder and

manager of a cardiovascular-focused, public pharmaceutical company. Dr. Bristow also has extensive experience with and knowledge of ARCA's business, as the founder and former Chief Science and Medical Officer of ARCA Colorado, and the current President and Chief Executive Officer of ARCA, and as a Board member of ARCA Colorado since 2005, and of the Company since January 2009.

Richard B. Brewer

Mr. Brewer, age 59, has served as a director since the merger with Nuvelo and currently serves as the Company's Chairman of the Board of Directors. Mr. Brewer also served as the Company's President and Chief Executive Officer from date the merger until July 2009. Mr. Brewer also served as the President and Chief Executive Officer and a director of ARCA Colorado from November 2006 until the merger. Prior to joining ARCA Colorado, from January 2003, Mr. Brewer was Managing Partner of Crest Asset Management, where he provided guidance to and invested in biotechnology opportunities. Before that, Mr. Brewer was President and Chief Executive Officer of Scios., Inc, a biopharmaceutical company. Before Scios, Mr. Brewer served as Chief Operating Officer of Heartport, a cardiovascular device company developing minimally invasive approaches to major heart surgery. Prior to that, he spent over a decade at Genentech in various management positions, including Senior Vice President of Sales and Marketing and Senior Vice President of Genentech Europe and Canada. Mr. Brewer currently serves as the Chairman of the Board of Directors of Dendreon Corporation. Mr. Brewer also currently serves as a director of SRI International, an independent, non-profit research group. Mr. Brewer holds a B.S. from Virginia Polytechnic Institute and an M.B.A. from Northwestern University. Mr. Brewer is an appropriate member of the Company's Board of Directors, given his extensive experience in the biotechnology and pharmaceutical industries, including cardiovascular-focused companies, and including senior management experience up to the level of president and chief executive officer of a public, cardiovascular-focused, pharmaceutical company. Mr. Brewer also has extensive experience with, and knowledge of ARCA's business, as the former President and Chief Executive Officer of both ARCA and ARCA Colorado, and as a Board member of ARCA Colorado since 2006, of the Company since January 2009, and as its current Chairman.

Mary K. Pendergast

Ms. Pendergast, age 59, has served as a member of the Company's Board of Directors since the merger and as a member of Nuvelo's Board of Directors since May 2002. Since September 2003, Ms. Pendergast has been president of Pendergast Consulting. Ms. Pendergast served as Executive Vice President, Government Affairs for Elan Corporation from 1998 to December 2003. Ms. Pendergast was Deputy Commissioner and Senior Advisor to the Commissioner, Food and Drug Administration, Department of Health and Human Services from 1990 to 1998 and spent eighteen years in total at the Food and Drug Administration. Ms. Pendergast received her LL.M. from Yale Law School in 1977, her J.D. from the University of Iowa College of Law in 1976, and her B.A. from Northwestern University in 1972. Ms. Pendergast is an appropriate member of the Company's Board of Directors, given her extensive experience in government regulation of pharmaceutical products, including extensive experience as an employee, including senior positions, at the Food and Drug Administration and in the pharmaceutical industry. Ms. Pendergast also has extensive knowledge of the Company's business from her experience as a Board and Committee member of Nuvelo, Inc. prior to the merger, and as a member of the ARCA Board and Committees since January 2009, including as Chairman of the Nominating and Corporate Governance Committee.

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2012 ANNUAL MEETING

Jean-François Formela, M.D.

Dr. Formela, age 53, has served as a member of Company's Board of Directors since the merger with Nuvelo. Dr. Formela had also served as a director of ARCA Colorado from February 2006 until the merger. Dr. Formela is a Partner of and joined Atlas Venture in 1993 to help build the U.S. Life Sciences franchise. Previously, he was Senior Director, Medical Marketing and Scientific Affairs at Schering-Plough in the U.S. During his tenure there, he was responsible for the marketing of Intron A, Schering-Plough's alpha-interferon. In

his last position at Schering-Plough, Dr. Formela directed the U.S. Phase IV studies in all therapeutic areas, as well as the health economics and medical marketing groups. As a medical doctor, Dr. Formela practiced emergency medicine at Necker University Hospital in Paris. Since joining Atlas Venture, Dr. Formela has been involved in the formation of companies such as Adnexus, Archemix, ArQule, Aureon Laboratories, Cellzome, deCODE, Exelixis, MorphoSys, NxStage, Resolvix Pharmaceuticals, and SGX Pharmaceuticals. In the past five years, Dr. Formela has served on the Boards of Directors of Achillon Pharmaceuticals, Inc., SGX Pharmaceuticals, Inc., NxStage Medical, Inc. and deCODE genetics. Dr. Formela received his M.D. from Paris University School of Medicine, and his M.B.A. from Columbia University. Dr. Formela is an appropriate member of the Company's Board of Directors, given his medical background, his extensive experience in the pharmaceutical industry, and his extensive experience as an investor in and board member of new biotechnology and pharmaceutical companies. Dr. Formela also has extensive experience with, and knowledge of ARCA's business, having been on the Board of ARCA Colorado since 2006, and on the Board and a Committee member of the Company since January 2009.

J. William Freytag, Ph.D.

Dr. Freytag, age 58, has served as a member of the Company's Board of Directors since the merger with Nuvelo. Dr. Freytag had also served as a director of ARCA Colorado from March 2007 until the merger. Dr. Freytag is a member of the Board of Directors of BaroFold, Inc., a private, venture-financed biotherapeutics company located in Boulder, Colorado and served as its President and Chief Executive Officer from January 2009 to August 2009. Prior to BaroFold, Dr. Freytag was Chairman and Chief Executive Officer of Aspreva Pharmaceuticals from July 2007 until its merger with Galenica AG in January 2008. Prior to Aspreva, Dr. Freytag was President, Chief Executive Officer and Chairman of the Board of Directors of Myogen, Inc. from July 1998 until Myogen was acquired by Gilead Sciences in November 2006. From November 2006 through June 2007 Dr. Freytag served as Senior Advisor to Gilead. From October 1994 to May 1998, Dr. Freytag was a Senior Vice President at Somatogen, Inc. Prior to Somatogen, he was President of Research and Development at Boehringer Mannheim Corporation, an international healthcare company, from May 1990 to September 1994. Previously, Dr. Freytag spent ten years with DuPont in various research and business positions in the Medical Products Department. Dr. Freytag currently serves as a Director for three healthcare companies: BaroFold, Inc., GlobelImmune, Inc. and BiOptix, Inc. In the past five years, Dr. Freytag has served on the Boards of Directors of both Immunicon Corp. and Aspreva Pharmaceuticals, Inc. Dr. Freytag received a B.S. from Purdue University and a Ph.D. in biochemistry from the University of Kansas Medical Center. Dr. Freytag is an appropriate member of the Company's Board of Directors, given his extensive experience in the pharmaceutical industry, including in senior management positions up to the level of president and chief executive officer of public pharmaceutical companies, including a public, cardiovascular-focused pharmaceutical company, and his experience in cardiovascular drug development. Dr. Freytag also has extensive experience with, and knowledge of ARCA's business, having been on the Board of ARCA Colorado since 2007, and on the Board and Chairman of the Compensation Committee of the Company, and its Lead Independent Director, since January 2009.

Ted W. Love, M.D.

Dr. Love, age 51, has served as a member of the Company's Board of Directors since the merger and as a member of Nuvelo's Board of Directors since February 2001. Before the Company's merger, Dr. Love had served as Nuvelo's President since January 2001, as its Chief Executive Officer since March 2001, and as Chairman of its Board of Directors since September 2005. Dr. Love served as Nuvelo's President and Chief Operating Officer from January 2001 until March 2001. Prior to joining Nuvelo, Dr. Love served as Senior Vice President of Development at Theravance Inc. from 1998 to 2001 and as a research physician and Vice President of Product Development at Genentech from 1992 to 1998. He currently serves as an Executive Vice President and the Head of Research and Development for Onyx Pharmaceuticals, Inc. Dr. Love also serves as a member of the Board of Directors of Santarus, Inc., Bio-Rad Laboratories, Inc., and Affymax, Inc. Dr. Love holds a B.A. in molecular biology from Haverford College and an M.D. from Yale Medical School. Dr. Love is an appropriate member of the Company's Board of Directors, given his medical background as a cardiologist, extensive

experience in the pharmaceutical industry, including in senior management positions up to the level of president and chief executive officer of a public, cardiovascular-focused pharmaceutical company, and his experience in cardiovascular drug development. Dr. Love also has extensive experience with, and knowledge of ARCA's business, having been the President and Chief Executive Officer of Nuvelo, Inc. and its Chairman of the Board prior to the merger, and as a member of the Board of the Company since January 2009.

Burton E. Sobel, M.D.

Dr. Sobel, age 72, has served as a member of the Company's Board of Directors since the merger and as a member of Nuvelo's Board of Directors since September 2004. Since June 2005, Dr. Sobel has served as Professor of Medicine and Biochemistry at the University of Vermont and Fletcher Allen Health Care, where he formerly served as Chair of the Department of Medicine from 1994 to June 2005. Since July 2005, he has served also as Director of the Cardiovascular Research Institute at the University of Vermont. Dr. Sobel served as Senior Counsel to the Executive Dean of the University of Vermont College of Medicine and to the Executive Vice President of Fletcher Allen Health Care from 1996 to 1998. From 1994 to 1996, Dr. Sobel served as Professor of Medicine at Washington University in St. Louis, Missouri. Dr. Sobel serves as a member of the Board of Directors of Intrexon, Inc. and Clinical Data, Inc. In the last five years, Dr. Sobel has also served on the Boards of Directors of Ariad Pharmaceuticals, Inc. and New River Pharmaceuticals, Inc. Dr. Sobel received his M.D. from the Harvard Medical School, magna cum laude, and his A.B. from Cornell University. Dr. Sobel is an appropriate member of the Company's Board of Directors, given his medical training, his background in cardiovascular research, and his experience in cardiovascular drug development. Dr. Sobel also has extensive experience with, and knowledge of ARCA's business, having been on the Board and Committees of Nuvelo, Inc. prior to the merger, and on the Board and Committees of the Company since January 2009.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

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 the 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 auditors, the Board has affirmatively determined that the following six directors are independent directors within the meaning of the applicable NASDAQ listing standards: Dr. Formela, Dr. Freytag, Dr. Grais, Ms. Pendergast, Dr. Sobel and Dr. Zabriskie. 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. Dr. Bristow, the Company's President and Chief Executive Officer, Mr. Brewer, the Company's former President and Chief Executive Officer and Dr. Love, Nuvelo's former President, are not independent directors by virtue of their relationship or former relationship with the Company.

BOARD LEADERSHIP STRUCTURE

The Company's Board of Directors is currently chaired by the Richard Brewer. The Board has also appointed Dr. Freytag as Lead Independent Director.

The Company separates the roles of CEO and Chairman of the Board in recognition of the differences between the two roles. The Company believes that the CEO should be responsible for the day to day leadership and performance of the Company, while the Chairman of the Board should set the strategic direction and provide guidance to the CEO. The Chairman also sets the agenda for Board meetings and presides over them. Mr. Brewer

is the Company's former Chief Executive Officer and is uniquely positioned to understand the detailed operations of the Company as well as provide the leadership to help to develop strategy. As CEO, Dr. Bristow is then able to implement the strategic initiatives and business plans approved by the Board.

Because Mr. Brewer, the Chairman, is not independent, the Board appointed Dr. Freytag as the Lead Independent Director to help reinforce the independence of the Board as a whole. The position of Lead Independent Director has been structured to serve as an effective balance to the Chief Executive Officer and Board Chair. The Lead Independent Director is empowered to coordinate the activities of the other independent directors and perform such other duties and responsibilities as the Board may determine, including: scheduling and presiding over regular meetings of the independent directors; serving as principal liaison between the Chairman of the Board and the independent directors; providing the Chairman with input as to the preparation of the agendas for Board; providing the Chairman with input as to the information submitted by the Company's management in order for the independent directors to perform their duties; making recommendations to the Board on behalf of the independent directors; and undertaking such further responsibilities that the independent directors as a whole may designate to the Lead Independent Director from time to time.

In addition, the Company believes that the Lead Independent Director can effectively coordinate between the Board and management with regard to the determination and implementation of responses to any problematic risk management issues. As a result, the Company believes that the Lead Independent Director can help ensure the effective independent functioning of the Board in its oversight responsibilities. In addition, the Company believes that the Lead Independent Director is well positioned to build a consensus among directors and to serve as a conduit between the other independent directors and the Board Chair, for example, by facilitating the inclusion on meeting agendas of matters of concern to the independent directors.

ROLE OF THE BOARD IN RISK OVERSIGHT AND RISK MANAGEMENT

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, while the Board is responsible for monitoring and assessing strategic risk exposure, the audit committee has the responsibility to consider and discuss the major financial risk exposures and the steps 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 ARCA's accounting and financial reporting processes. The nominating and corporate governance committee monitors the effectiveness of the corporate governance guidelines, including whether they are successful in preventing illegal or improper liability-creating conduct. The compensation committee assesses and monitors whether any compensation policies and programs have the potential to encourage excessive risk-taking. The entire Board and its Committees address risk management issues from time-to-time and at least annually meet with the employees responsible for risk management in the committees' respective areas of oversight. Both the Board as a whole and the various standing committees receive periodic reports from the employees responsible for risk management, as well as incidental reports as matters may arise. It is the responsibility of the committee chairs to report findings regarding material risk exposures to the Board as quickly as possible.

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met eight times during the last fiscal year since the merger with Nuvelo in January 2009. Each Board member attended 75% or more of the aggregate number of meetings of the Board and of the committees on which s/he served, held during the portion of the last fiscal year for which s/he was a director or committee member, with the exception of Dr. Lowe who attended two out of the three Nominating and Corporate Governance committee meetings prior to his resignation from the Board on July 31, 2009.

INFORMATION REGARDING COMMITTEES OF THE BOARD OF DIRECTORS

The Board has three committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The following table provides membership and meeting information for fiscal 2009, since the merger with Nuvelo in January 2009, for each of the Board committees:

Name	Audit	Compensation	Nominating and Corporate Governance
Dr. Michael Bristow			
Mr. Richard Brewer			
Dr. Ted Love			
Dr. Jean-François Formela		X	
Dr. J. William Freytag		X*	
Ms. Mary K. Pendergast	X		X*
Dr. Burton E. Sobel	X		X***
Dr. John L. Zabriskie	X*		
Dr. Linda Grais		X	X
Dr. David G. Lowe**			X
Total meetings in fiscal 2009 since merger	7	5	5

* Committee Chairperson

** Dr. Lowe resigned from the Board on July 31, 2009.

*** Effective February 5, 2010, Dr. Sobel was elected to serve on the Nominating and Corporate Governance committee.

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

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. For this purpose, the Audit Committee performs several functions. The Audit Committee evaluates the performance of and assesses the qualifications of the independent auditors; determines and approves the engagement of the independent auditors; determines whether to retain or terminate the existing independent auditors or to appoint and engage new independent auditors; reviews and approves the retention of the independent auditors to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent auditors on the Company's audit engagement team as required by law; reviews and approves or rejects transactions between the company and any related persons; confers with management and the independent auditors regarding the effectiveness of internal controls over financial reporting; establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and meets to review the Company's annual audited financial statements and quarterly financial statements with management and the independent auditor, including a review of the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations. The Audit Committee is composed of three directors: Ms. Pendergast, Dr. Sobel and Dr. Zabriskie. The Audit Committee met seven times during the fiscal year. The Audit Committee has adopted a written charter that is available to stockholders on the Company's website at www.arcabiopharma.com.

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 Dr. Zabriskie qualifies as an audit committee financial expert, as defined in applicable SEC rules. The Board made a qualitative assessment of Dr. Zabriskie's level of knowledge and experience based on a number of factors, including his prior experience, business acumen and independence.

Report of the Audit Committee of the Board of Directors¹

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2009 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 accountants' 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 has 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, 2009.

Dr. John Zabriskie

Dr. Burton Sobel

Ms. Mary Pendergast

Compensation Committee

The Compensation Committee is composed of three directors: Dr. Freytag, Dr. Jean-François Formela and Dr. Grais. 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 five times during the fiscal year. The Compensation Committee has adopted a written charter that is available to stockholders on the Company's website at www.arcabiopharma.com.

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

overseeing succession planning for senior management of the Company, including a review of the performance and advancement potential of current and future senior management and succession plans for each and recommending, as appropriate, the retention of potential succession candidates;

assessing the overall compensation structure of the Company and evaluating and recommending changes to the Company's compensation philosophies and strategies;

reviewing and approving performance-based compensation plans or programs, including establishing goals and targets, applicable to the Chief Executive Officer and other members of the management team;

administering, reviewing, and approving all executive compensation programs or plans, and all of the Company's incentive compensation and stock plans and awards thereunder of the Company, including amendments to the programs, plans or awards made thereunder;

¹ The material in this report is not soliciting material, is not deemed filed with the Commission and is not to be incorporated by reference in any filing of the Company under 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.

preparing and discussing with the Company's management the Compensation Discussion and Analysis, or the CD&A, if required to be included in the Company's annual meeting proxy statement and recommending to the Board that the CD&A be included in the annual meeting proxy statement, to the extent required; and

preparing and approving the Report of the Compensation Committee to be included as part of the Company's annual meeting proxy statement, to the extent required.

Compensation Committee Processes and Procedures

Typically, the Compensation Committee meets on a regular basis as it deems appropriate. The agenda for each meeting is usually developed by the Chair of the Compensation Committee. The Compensation Committee meets regularly in executive session. However, from time to time, various members of management and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, to provide financial or other background information or advice or to otherwise participate in Compensation Committee meetings. The Chief Executive Officer may not participate in, or be present during, any deliberations or determinations of the Compensation Committee regarding his compensation or individual performance objectives. The Compensation Committee has the sole authority to retain compensation consultants to assist in its evaluation of executive and director compensation, including the authority to approve the consultant's reasonable fees and other retention terms.

In early 2009, the Compensation Committee retained the services of a compensation consultant, Compensia, to assist the Compensation Committee in assessing ARCA's equity and cash compensation to all employees. In February 2009, the Company's Board of Directors and Compensation Committee completed a review of the Company's executive compensation in light of general market conditions in the life science industry and the completion of the merger with Nuvelo, pursuant to which the management of ARCA became the management of the Company. Compensia assisted in this review. As part of this review process, Compensia identified a peer group of pre-revenue generating biotechnology companies that had become public companies prior to the middle of 2006. This peer group included Acadia Pharmaceuticals, Alexza Pharmaceuticals, Allos Therapeutics, Array Biopharma, Cytokinetics, Cytori Therapeutics, Dendreon, Geron, Incyte, Intermune, Neurocrin Biosciences and Pain Therapeutics. No other services were retained from compensation consultants.

In setting 2009 base salary and cash bonus award amounts for the ARCA Named Executive Officers, the Compensation Committee analyzed the peer group data and targeted cash compensation in the 50th percentile of cash compensation paid to similarly situated executive officers within the peer group. In light of its considerations, the Compensation Committee recommended and the Board of Directors approved increases to base salary of Mr. Brewer to \$456,000 and of Dr. Bristow to \$365,000. The increased base salaries became effective retroactively as of January 1, 2009. Effective July 10, 2009, Dr. Bristow took a voluntary reduction of his base salary by \$100,000 to \$265,000 in order to conserve the Company's available cash.

Historically, the Compensation Committee has made most of the significant adjustments to annual compensation, determined bonus and equity awards and established new performance objectives at one or more meetings held during the first quarter of the year. However, the Compensation Committee also considers matters related to individual compensation, such as compensation for new executive hires, as well as high-level strategic issues, such as the efficacy of the Company's compensation strategy, potential modifications to that strategy and new trends, plans or approaches to compensation, at various meetings throughout the year. Generally, the Compensation Committee's process comprises two related elements: the determination of compensation levels and the establishment of performance objectives for the current year.

The Committee reviews and approves the compensation of the Chief Executive Officer and the other executive officers of the Company, including annual base salaries, annual and long-term incentive or bonus awards, employment agreements, and severance and change in control agreements/provisions, in each case as, when and if appropriate, and any special or supplemental benefits. For executives other than the Chief Executive

Officer, the Compensation Committee solicits and considers evaluations and recommendations submitted to the Committee by the Chief Executive Officer. The Committee evaluates the performance of the Chief Executive Officer in light of Company and individual goals and objectives, and makes appropriate recommendations for improving performance. In performing the evaluation, the Chair of the Committee may solicit comments from the other non-employee members of the Board and lead the Board in an overall review of the Chief Executive Officer's performance in an executive session of non-employee Board members. If the compensation for the Chief Executive Officer or any other executive officer is governed by an employment agreement, the Committee approves such employment agreement and any amendments thereto.

For all executives as part of its deliberations, the Compensation Committee may review and consider, as appropriate, materials such as financial reports and projections, operational data, tax and accounting information, tally sheets that set forth the total compensation that may become payable to executives in various hypothetical scenarios, executive and director stock ownership information, company stock performance data, analyses of historical executive compensation levels and current Company-wide compensation levels.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee of the Board of Directors is responsible for identifying, reviewing and evaluating candidates to serve as directors of the Company (consistent with criteria approved by the Board), reviewing and evaluating incumbent directors, recommending to the Board candidates for election to the Board of Directors, making recommendations to the Board regarding compensation for Board and Committee service, making recommendations to the Board regarding the membership of the committees of the Board, assessing the performance of the Board and developing a set of corporate governance principles for the Company. The Nominating and Corporate Governance Committee is composed of three directors: Ms. Pendergast (Chair), Dr. Sobel and Dr. Grais. 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). Additionally, Dr. Lowe was independent during his tenure on the Nominating and Corporate Governance Committee prior to his resignation in July 2009. The Nominating and Corporate Governance Committee met five times during the fiscal year. The Nominating and Corporate Governance Committee has adopted a written charter that is available to stockholders on the Company's website and www.arcabiopharma.com.

The Board has adopted a process for identifying and evaluating director nominees, including stockholder nominees. Before recommending an individual to the Board for Board membership, the Nominating and Corporate Governance Committee canvasses its members and the Company's management team for potential members of the Board of Directors. The Nominating and Corporate Governance Committee will consider stockholders' recommendations for nominees to serve as director if notice is timely received by the Secretary of the Company. Candidates nominated by stockholders will be evaluated in the same manner as other candidates. The Nominating and Corporate Governance Committee keeps the Board regularly apprised of its discussions with potential nominees, and the names of potential nominees received from its current directors, management, and stockholders, if the stockholder notice of nomination is timely made. Although the Board has not adopted a fixed set of minimum qualifications for candidates for Board membership, the Nominating and Corporate Governance Committee generally considers several factors in its evaluation of each potential member, such as the potential member's area of expertise, education, and professional background, experience in corporate governance, the reasonable availability of the potential member to devote time to the affairs of the Company, as well as any other criteria deemed relevant by the Board or the Nominating and Corporate Governance Committee. However, the Nominating and Corporate Governance Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the Board, the operating requirements of the Company and the long-term interests of stockholders. In conducting this assessment, the Nominating and Corporate Governance Committee typically considers diversity, age, skills and such other factors as it deems appropriate given the current needs of the Board and the Company, to maintain a balance of knowledge, experience and capability. The Nominating and

Corporate Governance Committee believes it is essential that Board members come from a variety of backgrounds and experiences. In the case of incumbent directors whose terms of office are set to expire, the Nominating and Corporate Governance Committee reviews these directors overall service to the Company during their terms, including the number of meetings attended, level of participation, quality of performance and any other relationships and transactions that might impair the directors' independence. In the case of new director candidates, the Nominating and Corporate Governance Committee also determines whether the nominee is independent for NASDAQ purposes, which determination is based upon applicable NASDAQ listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Nominating and Corporate Governance Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board. The Nominating and Corporate Governance Committee meets to discuss and consider the candidates' qualifications and then selects a nominee for recommen