
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

May 4, 2009

Lexicon Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

000-30111
(Commission File Number)

76-0474169
(I.R.S. Employer
Identification Number)

8800 Technology Forest Place
The Woodlands, Texas 77381
(Address of principal executive
offices and Zip Code)

(281) 863-3000
(Registrant's telephone number,
including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02 **Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers**

(b) In connection with the appointment of Ajay Bansal as our executive vice president, corporate development and chief financial officer (as described in Item 5.02(c) below), James F. Tessmer, our vice president, finance and accounting, relinquished his function as our principal financial officer, effective as of June 2, 2009. Mr. Tessmer will continue his function as our principal accounting officer.

(c) Effective as of June 2, 2009, Ajay Bansal was appointed as our executive vice president, corporate development and chief financial officer, in which capacity he will function as our principal financial officer.

Mr. Bansal, 47, was chief financial officer and executive vice president of corporate and business development for Tercica, Inc. until its acquisition by Ipsen in October 2008. From February 2003 to January 2006, Mr. Bansal served as chief financial officer of Nektar Therapeutics and from July 2002 until February 2003, he was director of operations analysis at Capital One Financial. Mr. Bansal previously served in a variety of financial advisory, product management and strategy, and management consulting roles with Mehta Partners LLC, Novartis AG, Arthur D. Little, Inc., McKinsey & Company, Inc. and ZS Associates. He received his B.S. from the Indian Institute of Technology and his M.S. and M.B.A. from Northwestern University.

In connection with his appointment, we entered into an offer letter with Mr. Bansal dated May 4, 2009. Under the terms of the offer letter, Mr. Bansal will receive an initial annual base salary of \$340,000 and will be eligible to receive an annual cash bonus, with a bonus target of 35% of his base salary. The actual cash bonus, if any, will be determined in the discretion of the compensation committee of our board of directors based on the achievement of certain corporate and individual goals and in accordance with the process applicable to all named executive officers. If we terminate Mr. Bansal's employment without "cause," as defined in the offer letter, we will pay Mr. Bansal his then-current salary for twelve months following such termination. The offer letter also provides that we will provide Mr. Bansal with \$75,000 for his relocation expenses and additional reimbursements for two trips to The Woodlands, Texas to locate housing.

In addition, we have granted Mr. Bansal an option under our Equity Incentive Plan (the "Plan") to purchase 250,000 shares of our common stock at an exercise price equal to \$1.53, the fair market value of our common stock on the grant date, as determined in accordance with the terms of the Plan. The option expires on the tenth anniversary of the grant date and vests with respect to 25% of the shares underlying the option on the first anniversary of the grant date and 1/48th per month for each month of service thereafter. The option becomes fully vested with respect to all remaining unvested shares upon a change in control of our company.

There are no family relationships involving Mr. Bansal which would require disclosure under Item 401(d) of Regulation S-K. There are no current or proposed transactions in which Mr. Bansal or any member of his immediate family has, or will have, a direct or indirect material interest which would require disclosure under Item 404(a) of Regulation S-K.

Copies of the offer letter with Mr. Bansal and a press release announcing Mr. Bansal's appointment are each attached to this current report on Form 8-K as Exhibits 10.1 and 99.1, respectively.

(e) The information set forth in the third and fourth paragraphs of Item 5.02(c) is incorporated herein by reference.

Item 9.01**Financial Statements and Exhibits**

(d) Exhibits

Exhibit No.		Description
10.1	—	Offer Letter, dated May 4, 2009, with Ajay Bansal
99.1	—	Press Release of Lexicon Pharmaceuticals, Inc. dated June 2, 2009

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Lexicon Pharmaceuticals, Inc.

Date: June 2, 2009

By: /s/ Jeffrey L. Wade

Jeffrey L. Wade

Executive Vice President and

General Counsel

Index to Exhibits

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[LEXICON PHARMACEUTICALS LETTERHEAD]

May 4, 2009

Personal and ConfidentialMr. Ajay Bansal
[Address]

Dear Ajay:

The management and board of directors of Lexicon believe you have the personal and professional attributes required to make a significant contribution to the future of medicine as a member of our team. Therefore, I am pleased to offer you the position of executive vice president, corporate development and chief financial officer to support Lexicon in fulfilling its mission: to discover and develop breakthrough treatments for human disease.

In this position, you will be responsible for leading Lexicon's finance and corporate development efforts. You will be an executive officer reporting to the president and chief executive officer, and will serve as a member of Lexicon's executive management committee. Your place of employment will be at Lexicon's headquarters in The Woodlands, Texas.

The terms under which we are offering you this position are outlined below:

Base Salary

You will receive a monthly base salary of \$28,333.33 (\$340,000 per year), paid in accordance with our standard payroll policies. We currently pay salaried employees on the 15th and last day of each month.

Bonus Arrangements

You will be eligible for an annual bonus with a bonus target (*i.e.*, the amount payable if all objectives are fully achieved) of 35% of your annual base salary. The actual amount of your bonus will be determined by the compensation committee of the board of directors in consultation with the president and chief executive officer, based upon achievement of individual and corporate objectives established at the beginning of each year. As is the case with all Lexicon officers, decisions regarding the payment of bonuses are subject to the discretion of the compensation committee of the board of directors.

We expect typically to make bonus determinations following the end of the calendar year to which the bonus relates, and to pay bonuses, if any, shortly after such determinations are made.

Stock Options

Subject to the approval by the compensation committee of the board of directors, you will receive options under our equity incentive plan giving you the right to purchase 250,000 shares of Lexicon's common stock at an exercise price equal to the fair market value of the common stock (as fair market value is defined in the plan) on the date you commence employment with the company. The options will vest and become exercisable with respect to (1) 25% of the shares subject to the option on the first anniversary of your employment with the company and (2) 1/48th of the shares subject to the option each month thereafter. The options will have a ten-year term and will be subject to the terms and conditions of the plan and our standard form of stock option agreement for company officers, which you will receive when the options are granted.

Benefits

You will be eligible to participate in the employee benefit plans we make available to our employees generally, which currently include health, dental, vision, life and disability insurance, as well as a 401(k) retirement plan. We currently make matching contributions under our 401(k) plan in an amount equal to 50% of an employee's contributions up to five percent of salary. We will provide you with life insurance coverage under our group term policy that provides for a death benefit of two times your annual salary.

Paid Time Off

You will be entitled to four weeks paid time off under our employee paid time off policy.

Severance

In the event your employment is terminated without "cause" by the company, you will be entitled to receive, and the company shall be obligated to pay, salary continuation payments (pursuant to the company's normal payroll procedures) in an amount equal to your then-current base salary for a period of 12 months following such termination. For purposes of the foregoing, termination for "cause" shall mean termination of employment directly resulting from (1) intentional misconduct causing a material violation by the company of any state or federal laws, (2) a theft of corporate funds or corporate assets or in a material act of fraud upon the company, (3) an act of personal dishonesty that was intended to result in personal enrichment at the expense of the company, (4) conviction of a felony; and

Subject to the payment obligations of the company, if any, under the preceding paragraph of this letter, this letter does not create any term of employment, and both you and the company will be free to terminate your employment at any time for any reason.

Start Date

We expect that you will begin work on or about June 1, 2009, or at an earlier date to be mutually agreed upon.

Relocation Assistance

Lexicon will provide you with a total of \$75,000 to assist you in your relocation to The Woodlands, payable promptly following your start date. This amount will include the company's payment or reimbursement of your moving expenses that may be excluded from your taxable income, with the balance, less applicable taxes, to be used at your discretion.

In addition to the foregoing amounts, Lexicon will pay the expenses of two trips of reasonable duration for you and your family to locate suitable housing in The Woodlands.

Preexisting Business and Personal Obligations

We understand that you have an existing consulting obligation that may require you to take a brief unpaid leave in order to make a trip in June 2009, completing this consultancy and all associated work within the quarter. Subject to this exception due to a preexisting obligation, you will be subject to the same policy that applies to all Lexicon officers which requires pre-approval for any arrangement involving service on the board of directors (or similar governing body) of, or as a consultant to, any third party business.

We also understand that you expect to take approximately one week of unpaid leave in connection with a family trip in July 2009 that is not expected to overlap with Lexicon's board of directors' meeting scheduled for July 22 and 23, 2009.

Proprietary Information Agreement

We consider the protection of our confidential information and proprietary rights to be very important. As a result, our offer of employment is conditioned upon your signing our standard form of Employee Proprietary Information Agreement.

If you have any questions regarding this offer or our employee benefits plans, please contact Steven A. Tragash, vice president of corporate affairs, at (281) 863-3787. If you find this offer to be acceptable, please indicate your acceptance by signing and returning one of the two copies of this letter on or before May 15, 2009.

We believe that this offer represents an excellent opportunity, and that you have the experience, intellect, drive, engaging personality, appreciation for team play and demonstrated effectiveness which make you a "natural" to join Lexicon on its profound mission. Ajay, I believe you will enjoy you working with us and that you will thrive at Lexicon. I hope you sense the same.

Sincerely,

/s/ Arthur T. Sands

Arthur T. Sands, M.D., Ph.D.
President and Chief Executive Officer

Accepted and agreed:

/s/ Ajay Bansal

Ajay Bansal

Date: May 5, 2009

**LEXICON NAMES AJAY BANSAL
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER**

The Woodlands, Texas, June 2, 2009 – Lexicon Pharmaceuticals, Inc. (Nasdaq: LXX) announced today the appointment of Ajay Bansal as executive vice president, corporate development and chief financial officer. Mr. Bansal has more than 20 years of experience in the biotechnology and pharmaceutical industry in corporate finance, corporate and business development, strategic planning, and commercial operations.

Prior to joining Lexicon, Mr. Bansal was chief financial officer and executive vice president of corporate and business development for Tercica, Inc., which was acquired by Ipsen in 2008. From February 2003 to January 2006, he was chief financial officer of Nektar Therapeutics. From July 2002 until joining Nektar, Mr. Bansal was director of operations analysis at Capital One Financial and, from August 1998 to June 2002, he was with Mehta Partners LLC, a financial advisory firm where he was named partner in January 2000. Before joining Mehta Partners, Mr. Bansal spent more than 10 years in product management and strategy roles at Novartis AG and as a management consultant with Arthur D. Little, Inc., McKinsey & Company, Inc. and ZS Associates. He received his B.S. in mechanical engineering from the Indian Institute of Technology in New Delhi, India, and both his M.S. in operations research and M.B.A. from Northwestern University.

“Ajay will be a great asset to the Lexicon management team with his impressive background in corporate finance, business development and product commercialization,” said Dr. Arthur T. Sands, president and chief executive officer of Lexicon. “As we continue to advance our pipeline of drug candidates through clinical development, Ajay will play an important leadership role in maximizing the value of our commercialization opportunities.”

About Lexicon

Lexicon is a biopharmaceutical company focused on discovering and developing breakthrough treatments for human disease. Lexicon currently has five drug candidates in development for autoimmune disease, carcinoid syndrome, diabetes, glaucoma and irritable bowel syndrome, all of which were discovered by Lexicon’s research team. Lexicon has used its proprietary gene knockout technology to identify more than 100 promising drug targets. Lexicon has focused drug discovery efforts on these biologically-validated targets to create its extensive pipeline of clinical and preclinical programs. For additional information about Lexicon and its programs, please visit www.lexpharma.com.

Safe Harbor Statement

This press release contains “forward-looking statements,” including statements relating to Lexicon’s growth and future operating results, discovery and development of products, strategic alliances and intellectual property, as well as other matters that are not historical facts or information. All forward-looking statements are based on management’s current assumptions and expectations and involve risks, uncertainties and other important factors that may cause Lexicon’s actual results to be materially different from any future results expressed or implied by such forward-looking statements. Information identifying such important factors is contained under “Factors Affecting Forward-Looking Statements” and “Risk Factors” in Lexicon’s annual report on Form 10-K for the year ended December 31, 2008, as filed with the Securities and Exchange Commission. Lexicon undertakes no obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

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