



## **RELATED PERSON TRANSACTION POLICY AND PROCEDURES**

### **Policy**

It is the policy of the Board of Directors (the “Board”) of Lexicon Pharmaceuticals, Inc. (“Lexicon” or the “Company”) that all Interested Transactions with Related Persons (in each case, as defined below) shall be subject to approval or ratification in accordance with the procedures set forth below.

### **Procedures**

It is the Company’s policy that the Audit Committee of the Company shall conduct a reasonable prior review of the material facts of all Interested Transactions and either approve or disapprove of the entry into the Interested Transaction, subject to the exceptions described below. If advance Audit Committee approval of an Interested Transaction is not feasible, then the Interested Transaction shall be considered and, if the Audit Committee determines it to be appropriate, ratified at the Audit Committee’s next regularly scheduled meeting. In determining whether to approve or ratify an Interested Transaction, the Audit Committee will take into account, among other factors it deems appropriate, whether the Interested Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Person’s interest in the transaction.

Any director may, if so requested by the Audit Committee, participate in discussions regarding a transaction in which such director might have an interest, as well as provide and discuss any information the Audit Committee might request from such director. However, any director who has an interest in a transaction under discussion must abstain from voting on the approval of such transaction.

If an Interested Transaction will be ongoing, the Audit Committee may establish guidelines for the Company’s management to follow in its ongoing dealings with the Related Party. Thereafter, the Audit Committee, on at least an annual basis, shall review and assess ongoing relationships with the Related Party to see that they are in compliance with the Audit Committee’s guidelines and that the Interested Transaction remains appropriate.

If the Audit Committee or the Board determines that an Interested Transaction should be brought before the full Board or a committee of directors that do not have any interest in the Interested Transaction, as the Board might establish depending on the circumstances, then the considerations set forth above shall apply to the review of the Board or such committee, with such modification as may be necessary or appropriate under the circumstances.

### **Definitions**

An “Interested Transaction” is any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee or indebtedness) in which (a) the aggregate amount involved will or may be expected to exceed \$120,000 in any calendar year, (b) the Company was, is or will be a participant, and (c) any Related Party has or will have a direct

or indirect material interest; *provided*, that the following transactions, arrangements or relationships shall not be considered Interested Transactions:

1. *Employment of executive officers.* Any employment by the Company of an executive officer of the Company if:
  - (a) the related compensation is required to be reported in the Company's proxy statement under Item 402 of Regulation S-K (generally applicable to "named executive officers") promulgated by the Securities and Exchange Commission ("SEC"); or
  - (b) the executive officer is not an immediate family member of another executive officer or director of the Company, the related compensation would be reported in the Company's proxy statement under Item 402 of Regulation S-K if the executive officer was a "named executive officer", and the Company's Compensation Committee approved (or recommended that the Board approve) such compensation;
2. *Director compensation.* Any compensation paid to a director if the compensation is required to be reported in the Company's proxy statement under Item 402 of Regulation S-K;
3. *Certain transactions with other entities.* Any transaction with another firm, corporation or other entity where the Related Person's interest arises only from:
  - (a) the Related Person's position as a director of another corporation or organization that is a party to the transaction;
  - (b) the direct or indirect ownership by such Related Person and all other Related Persons, in the aggregate, of less than a ten percent (10%) equity interest in another entity (other than a partnership) which is a party to the transaction;
  - (c) both such position and ownership; or
  - (d) the Related Person's position as a limited partner in a partnership in which the Related Persons and all other Related Persons, in the aggregate, have an interest of less than ten percent (10%), and the Related Person is not a general partner of and does not hold another position in the partnership;
4. *Transactions where all shareholders receive proportional benefits.* Any transaction where the Related Person's interest arises solely from the ownership of the Company's common stock and all holders of the Company's common stock received the same benefit on a *pro rata* basis (e.g. dividends);
5. *Transactions involving competitive bids.* Any transaction involving a Related Party where the rates or charges involved are determined by competitive bids;
6. *Regulated transactions.* Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority; and

7. *Certain banking-related services.* Any transaction with a Related Party involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.

A “Related Party” is any person who is or was (since the beginning of the last fiscal year for which the Company has filed a Form 10-K and proxy statement, even if they do not presently serve in that role) (a) an executive officer, director or nominee for election as a director, (b) a greater than five percent (5%) beneficial owner of the Company’s common stock, or (c) an immediate family member of any of the foregoing. Immediate family member includes a person’s spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and anyone residing in such person’s home (other than a tenant or employee).