

ARRAY BIOPHARMA INC
Form 424B5
February 08, 2012

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**Filed Pursuant to Rule 424(b)(5)
Registration File No. 333-178162**

The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 8, 2012

PROSPECTUS SUPPLEMENT
(to Prospectus dated January 13, 2012)

Shares

Common Stock

We are offering _____ shares of our common stock. Our common stock is quoted on The NASDAQ Global Market under the symbol "ARRAY." The last reported sale price of our common stock on The NASDAQ Global Market was \$3.28 per share on February 7, 2012.

Investing in our common stock involves a high degree of risk. Before buying any shares, you should read carefully the discussion of material risks of investing in our common stock under the heading "Risk Factors" beginning on page S-7 of this prospectus supplement and incorporated by reference in this prospectus supplement and the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price per share	Total
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to us	\$	\$

Delivery of the shares of common stock is expected to be made on or about February _____, 2012. We have granted the underwriters an option for a period of 30 days to purchase up to an additional _____ shares of our common stock solely to cover over-allotments. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be \$ _____ and the total proceeds to us, before expenses, will be \$ _____.

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Joint Book-Running Managers

Jefferies

Leerink Swann

Co-Manager

Stifel Nicolaus Weisel

Prospectus Supplement dated February , 2012

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You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus that we authorize to be distributed to you. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, and any free writing prospectus is accurate only as of the date of those respective documents. Our business, financial condition, results of operations and prospects may have changed since those dates. You should read this prospectus supplement, the accompanying prospectus, the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, and any free writing prospectus when making your investment decision. You should also read and consider the information in the documents we have referred you to in the sections of this prospectus supplement entitled "Information Incorporated by Reference" and of the prospectus entitled "Where You Can Find More Information" and "Incorporation of Certain Information by Reference."

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About this Prospectus Supplement

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common stock. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or any document incorporated by reference, the information in this prospectus supplement shall control.

References in this prospectus supplement to "Array," "the company," "we," "our" or "us" refer to Array BioPharma Inc. Our trademarks include the Array BioPharma logo and the terms "Array BioPharma," "Array BioPharma The Discovery Research Company," "Turning Genomics Into Breakthrough Drugs," "Optimer" and "Array Discovery Platform." Other brand names, trademarks and trade names appearing in this prospectus supplement and the accompanying prospectus are the property of the respective holders of such trademarks and trade names.

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Prospectus Supplement Summary

This summary does not contain all of the information that you should consider before investing in our common stock. Before making an investment in our common stock, you should read this entire prospectus supplement and the accompanying prospectus carefully, including the risk factors described under the heading "Risk Factors" in this prospectus supplement starting on page S-7, in our annual report on Form 10-K and in our quarterly reports on Form 10-Q, and the financial statements and other information incorporated by reference in this prospectus supplement and the accompanying prospectus.

Our Business

Array BioPharma is a biopharmaceutical company focused on the discovery, development and commercialization of targeted small-molecule drugs to treat patients afflicted with cancer and inflammatory diseases. We have four core proprietary clinical programs:

ARRY-614 for myelodysplastic syndromes

ARRY-520 for multiple myeloma

ARRY-797 for pain

ARRY-502 for asthma

We are also advancing ARRY-981, a drug currently in good laboratory practices (GLP) toxicology studies that targets GPR119 for diabetes, and expects to begin a Phase 1 study in the last quarter of fiscal 2012.

Wholly-Owned Development Pipeline

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In addition, we have ten partner-funded clinical programs, including two MEK inhibitors in Phase 2 trials, selumetinib which is partnered with AstraZeneca and MEK162 which is partnered with Novartis.

Partnered Development Pipeline

MEK inhibitors target the Ras-Raf-MEK-ERK pathway. Several cancers, including colorectal, non-small cell lung, pancreatic, ovarian and melanoma, demonstrate activation of this pathway. We believe that a therapeutic approach to block this pathway with a MEK inhibitor may provide an effective therapy in patients with cancers that harbor mutations in this pathway. In 2011 in the seven major global pharmaceutical markets, consisting of the United States, France, Germany, Italy, Spain, the U.K. and Japan, there were approximately 170,000 patients diagnosed with Kras mutated colorectal cancer, 160,000 with Kras mutated non-small cell lung cancer, 110,000 with pancreatic cancer (most of which harbor Kras mutations), 40,000 with ovarian (platinum resistant/refractory) cancer and 15,000 with melanoma (BRAF mutant).

Upcoming Milestones

Over the next 12 months, Array expects results to be reported from seven clinical trials being conducted by Array or its collaboration partners:

Phase 2 final combination results for selumetinib plus docetaxel in patients with non-small cell lung cancer (top-line results were reported in September 2011)

Phase 2 combination data for selumetinib plus DTIC in patients with melanoma

Phase 2 data for MEK162 in patients with melanoma

Phase 2 top-line data for ARRY-797 in patients with osteoarthritis pain

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Phase 2 combination data for ARRY-520 plus dexamethasone in patients with multiple myeloma (MM)

Phase 1b combination data for ARRY-520 plus Velcade® (bortezomib) in patients with MM

Phase 1 dose escalation data (interim) for the new formulation of ARRY-614 in patients with myelodysplastic syndromes

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In addition, Array expects to report top-line results for a Phase 2 trial of ARRY-502 in asthma patients in the first quarter of calendar 2013.

Market Opportunity for Array Wholly-Owned Drugs

Myelodysplastic Syndromes (ARRY-614 dual p38/Tie-2 inhibitor)

Myelodysplastic syndromes (MDS) are a spectrum of diseases in which the bone marrow does not make enough normal blood cells. Patients with MDS develop severe anemia, and platelet and neutrophil cytopenias, due to bone marrow failure. As MDS progresses, patients require frequent blood and platelet transfusions and are prone to severe and fatal infections. Patients generally have high healthcare costs, up to \$100,000 annually, due to frequent transfusions and supportive care. MDS primarily afflicts the elderly, with a median age at diagnosis of 70 years. In 2011, there were approximately 153,000 patients diagnosed with MDS in the seven major global pharmaceutical markets. Based on the International Prognostic Scoring System (IPSS) classification scheme, approximately 7,000 are classified as isolated del(5q), approximately 46,000 are classified as intermediate-2/high and approximately 100,000 are classified as intermediate-1/low. MDS is generally believed to be under-diagnosed and under-reported. As a result of increased awareness, diagnosis and therapies, the population of treated MDS patients is forecast to grow by over 12% annually from 2010 to 2017, and total sales of existing therapies are projected to increase from \$653 million in 2010 to \$1.5 billion in 2017 across the seven major pharmaceutical markets.

Multiple Myeloma (ARRY-520 KSP inhibitor)

Multiple Myeloma, or MM, is a hematological cancer in which malignant plasma cells are overproduced in the bone marrow, compromising the immune system. MM is the second most common hematologic cancer. Despite advances in therapy over the last ten years, it remains an incurable, fatal disease in all patients. In 2011, there were approximately 122,000 patients with MM in the seven major global markets. Of these patients, approximately 46,000 are on front-line therapies, approximately 51,000 have relapsed or refractory disease progression, and approximately 25,000 are dual-refractory.

Pain (ARRY-797 p38 inhibitor)

The prevalence of acute and sub-acute pain in major countries is approximately 815 million patients, and the total market for this category in 2011 was approximately \$17.9 billion. The prevalence of patients with acute and sub-acute pain includes approximately 640 million patients with musculoskeletal pain and approximately 105 million patients with post-operative pain. The prevalence of chronic pain in major countries is approximately 245 million, and the total market for this category in 2011 was approximately \$22.2 billion. The prevalence of patients with chronic pain includes approximately 160 million patients with osteoarthritis pain and approximately 30 million with lower back pain.

Asthma (ARRY-502 CRTh2 inhibitor)

The prevalence of persistent asthma in major countries is approximately 17.8 million patients and the total market for this category in 2011 was approximately \$12.3 billion. The prevalence of patients with persistent asthma includes mild asthma with approximately 4.5 million patients representing an approximately \$2.4 billion market, moderate asthma with approximately 6.7 million patients representing an approximately \$5.1 billion market and severe asthma with approximately 6.6 million patients representing an approximately \$4.8 billion market. Severe, refractory or difficult-to-treat asthma occurs in approximately 5 to 10 percent of all asthmatics.

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Our Corporate Information

Founded in 1998, we are headquartered in Boulder, Colorado. We became a public company in November 2000, and our stock is listed on The NASDAQ Global Market under the symbol "ARRY." The mailing address and telephone number of our principal executive offices are 3200 Walnut Street, Boulder, Colorado 80301, (303) 381-6600. Our website is located at www.arraybiopharma.com. We have not incorporated by reference into this prospectus supplement or the accompanying prospectus the information on our website, and you should not consider it to be a part of this document. Our website address is included in this document as an inactive textual reference only.

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The Offering

Issuer	Array BioPharma Inc.
Common stock we are offering	shares
Common stock to be outstanding after this offering	shares
Use of proceeds	We intend to use the net proceeds of this offering to fund our research and development efforts, including clinical trials, and for general corporate purposes, including working capital. See "Use of Proceeds."
NASDAQ Global Market Symbol	ARRY
Transfer Agent	American Stock Transfer and Trust Company
Risk Factors	See "Risk Factors" beginning on page S-7 for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

The number of shares of our common stock to be outstanding after this offering is based on 61,548,615 shares of common stock outstanding as of December 31, 2011 and excludes:

8,166,651 shares issuable upon exercise of options outstanding as of December 31, 2011 at a weighted average exercise price of \$5.87 per share;

12,890,639 shares of common stock available for future issuance under our stock option plan as of December 31, 2011;

723,948 shares of common stock available for future issuance under our employee stock purchase plan as of December 31, 2011;

warrants outstanding as of December 31, 2011 to purchase 6,000,000 shares at an exercise price of \$3.65 per share and 6,000,000 shares at an exercise price of \$4.19 per share; and

10,135,000 shares of common stock that are issuable upon the conversion of 10,135 shares of Series B Convertible Preferred Stock outstanding as of December 31, 2011.

Unless otherwise indicated, all information in this prospectus supplement assumes that the underwriters will not exercise the over-allotment option granted to them by us.

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Risk Factors

Investment in our common stock involves a high degree of risk. In addition to the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, you should carefully consider the specific risks set forth below before making an investment decision. The risks and uncertainties described below could adversely affect our business, operating results and financial condition, as well as cause the value of our common stock to decline. You may lose all or part of your investment as a result. You should also refer to the other information contained in this prospectus supplement and the accompanying prospectus or incorporated by reference, including our financial statements and the notes to those statements, and the information set forth under the caption "Forward-Looking Statements."

Risks Related to Our Stock and the Offering

Our officers and directors have significant control over us and their interests may differ from those of our stockholders.

At December 31, 2011, our directors and officers beneficially owned or controlled approximately 5.6% of our common stock. Individually and in the aggregate, these stockholders significantly influence our management, affairs and all matters requiring stockholder approval. These stockholders may vote their shares in a way with which other stockholders do not agree. In particular, this concentration of ownership may have the effect of delaying, deferring or preventing an acquisition of us or entrenching management and may adversely affect the market price of our common stock.

Our quarterly operating results could fluctuate significantly, which could cause our stock price to decline.

Our quarterly operating results have fluctuated in the past and are likely to fluctuate in the future. Entering into licensing or drug discovery collaborations typically involves significant technical evaluation and/or commitment of capital by our collaborators. Accordingly, negotiation can be lengthy and is subject to a number of significant risks, including collaborators' budgetary constraints and internal acceptance reviews. In addition, we have no approved drugs on the market that generate recurring royalty income, and a significant portion of our revenue is attributable to up-front and milestone payments. The achievement of milestones that trigger milestone payments occurs infrequently and the payments are non-recurring. In addition, even if a partnership yields a commercial product, the products sales on which royalties would be based may be small or insignificant. Further, some of our collaborators can influence the timing of the achievement of milestones and when we deliver products and perform services, and therefore receive revenue, under their contracts with us making it difficult to predict or control our revenue. Due to these factors, our operating results could fluctuate significantly from quarter to quarter. In addition, we may experience significant fluctuations in quarterly operating results due to factors such as general and industry-specific economic conditions that may affect the research and development expenditures of pharmaceutical and biotechnology companies.

Due to the possibility of fluctuations in our revenue and expenses, we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. Our operating results in some quarters may not meet the expectations of stock market analysts and investors. If we do not meet analysts' and/or investors' expectations, our stock price could decline.

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Because our stock price may be volatile, our stock price could experience substantial declines.

The market price of our common stock has historically experienced and may continue to experience volatility. The high and low closing bids for our common stock were \$2.83 and \$1.77, respectively, for the six months ended December 31, 2011, \$3.58 and \$2.06, respectively, in fiscal 2011, and \$4.45 and \$1.72, respectively, in fiscal 2010. Our quarterly operating results, the success or failure of our internal drug discovery efforts, developments or disputes concerning our patents or proprietary rights, changes in general conditions in the economy or the financial markets and other developments affecting our collaborators, our competitors or us could cause the market price of our common stock to fluctuate substantially. This volatility coupled with market declines in our industry over the past several years have affected the market prices of securities issued by many companies, often for reasons unrelated to their operating performance, and may adversely affect the price of our common stock. In the past, securities class action litigation has often been instituted following periods of volatility in the market price of a company's securities. A securities class action suit against us could result in potential liabilities, substantial costs and the diversion of management's attention and resources, regardless of whether we win or lose.

Because we do not intend to pay dividends, stockholders will benefit from an investment in our common stock only if it appreciates in value.

We have never declared or paid any cash dividends on our common stock and are restricted in our ability to do so under our current credit agreement. We currently intend to retain our future earnings, if any, to finance the expansion of our business and do not expect to pay any cash dividends in the foreseeable future. As a result, the success of an investment in our common stock will depend entirely upon any future appreciation. There is no guarantee that our common stock will appreciate in value or even maintain the price at which stockholders have purchased their shares.

The ability of our stockholders to control our policies and effect a change of control of our company is limited, which may not be in the best interests of our stockholders.

There are provisions in our certificate of incorporation and bylaws that may discourage a third party from making a proposal to acquire us, even if some of our stockholders might consider the proposal to be in their best interests. These include the following provisions in our certificate of incorporation:

Our certificate of incorporation provides for three classes of directors with the term of office of one class expiring each year, commonly referred to as a "staggered board." By preventing stockholders from voting on the election of more than one class of directors at any annual meeting of stockholders, this provision may have the effect of keeping the current members of our board of directors in control for a longer period of time than stockholders may desire.

Our certificate of incorporation authorizes our board of directors to issue shares of preferred stock without stockholder approval and to establish the preferences and rights of any preferred stock issued, which would allow the board to issue one or more classes or series of preferred stock that could discourage or delay a tender offer or change in control.

We are also subject to the business combination provisions of Section 203 of the Delaware General Corporation Law, which, in general, imposes restrictions upon acquirers of 15% or more of our stock. As a result, it is difficult for a third party to acquire control of us without the approval of the board of directors and, therefore, mergers and acquisitions of us that our stockholders may consider in their best interests may not occur.

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Future sales of our common stock may depress our stock price.

The market price of our common stock could decline as a result of sales of substantial amounts of our common stock in the public market after the closing of this offering, or the perception that these sales could occur. In addition, these factors could make it more difficult for us to raise funds through future offerings of common stock. There were 61,548,615 shares of common stock and 10,135 shares of Series B Convertible Preferred Stock outstanding as of December 31, 2011. All of the shares sold in this offering will be freely transferable without restriction or further registration under the Securities Act of 1933.

We have an aggregate of 21,781,238 shares of common stock remaining as of December 31, 2011 that have been registered or are freely tradeable under an exemption from registration and are reserved for issuance upon exercise of options granted or reserved for grant under our stock option plan and our employee stock purchase plan. Stockholders can sell these shares in the public market upon issuance, subject to restrictions under securities laws. The number of shares we have reserved for issuance under our stock option plan may increase based on our issued and outstanding shares of common stock and we may increase the number of shares reserved for issuance under our employee stock purchase plan. We may register such additional shares in the future.

We have broad discretion in the use of the net proceeds from this offering, and we may not use these proceeds effectively.

We have not determined the specific allocation of the net proceeds of this offering. Our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not necessarily improve our results of operations or enhance the value of our common stock. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business or financial condition, cause the price of our common stock to decline and delay product development.

You will experience immediate dilution in the book value per share of the common stock you purchase.

Since the price per share of our common stock being offered is substantially higher than the book value per share of our common stock, you will suffer substantial dilution in the net tangible book value of the common stock you purchase in this offering. After giving effect to the sale of _____ shares of our common stock in this offering at the public offering price of \$ _____ per share, if you purchase shares of common stock in this offering, you will suffer immediate and substantial dilution of \$ _____ per share in the net tangible book value of the common stock. See the section entitled "Dilution" below for a more detailed discussion of the dilution you will incur if you purchase common stock in this offering.

A substantial number of shares of our outstanding common stock may be sold in this offering, which could cause the price of our common stock to decline.

In this offering, assuming the underwriter's option to purchase up to _____ additional shares from us is exercised in full, we will sell _____ shares, or approximately _____ % of our outstanding common stock as of December 31, 2011. This sale and any future sales of a substantial number of shares of our common stock in the public market, or the perception that such sales may occur, could adversely affect the price of our common stock. We cannot predict the effect, if any, that market sales of those shares of common stock or the availability of those shares of common stock for sale will have on the market price of our common stock.

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We will need to raise additional capital to support our future operations, which may involve financings that could result in substantial dilution to our stockholders and the creation of additional securities senior to our common stock.

The terms of this offering do not restrict our ability to offer additional shares of common stock or a new series of preferred stock. Our board of directors has the authority to establish the designation of shares of preferred stock that may be convertible into common stock without any action by our stockholders, and to fix the rights, preferences, privileges and restrictions, including voting rights, of such shares. Such shares of preferred stock may have rights, preferences and privileges senior to those of outstanding common stock and the issuance and conversion of any such preferred stock would further dilute the percentage ownership of our stockholders.

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Forward-Looking Statements

This prospectus supplement, the accompanying prospectus, the documents we have filed with the Securities and Exchange Commission that are incorporated by reference and any free writing prospectus that we have authorized for use in connection with this offering contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements that are not descriptions of historical facts are forward-looking statements and can generally be identified by the use of forward-looking terminology such as "believes," "expects," "intends," "may," "will," "should," or "anticipates" or similar terminology.

These statements reflect our current expectations about future events, and, as a result, our actual results could differ materially from those anticipated in these forward-looking statements. The factors that could cause actual results to differ from our expectations are described under the caption "Risk Factors" set forth on page S-6 of this prospectus supplement and in documents we have filed with the Securities and Exchange Commission that are incorporated by reference and include, but are not limited to:

our ability to continue to fund and successfully progress internal research and development efforts and to create effective, commercially viable drugs;

our ability to effectively and timely conduct clinical trials in light of increasing costs and difficulties in locating appropriate trial sites and in enrolling patients who meet the criteria for certain clinical trials;

risks associated with our dependence on our collaborators for the clinical development and commercialization of our out-licensed drug candidates;

the ability of our collaborators and of Array to meet objectives that must be achieved for Array to receive milestone payments and royalties;

the extent to which the pharmaceutical and biotechnology industries are willing to in-license drug candidates for their product pipelines and to collaborate with and fund third parties on their drug discovery activities;

our ability to out-license our proprietary candidates on favorable terms;

our ability to attract and retain experienced scientists and management;

our ability to attract and hire a Chief Executive Officer with the skills we are seeking;

our ability to achieve and maintain profitability; and

the use of proceeds from this offering.

All forward-looking statements represent our judgment as of the date of the document containing the statement. We undertake no obligation to update any forward-looking statement to reflect new information or future events or developments, except to the extent required by law.

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Use of Proceeds

Based on the public offering price of \$ per share, we estimate that the net proceeds to us from this offering will be approximately \$ million (or approximately \$ million if the underwriter's over-allotment option is exercised in full), after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering to fund our research and development efforts, including clinical trials for our proprietary candidates, and for general corporate purposes, including general working capital purposes. We may also use a portion of the net proceeds to repay or refinance existing indebtedness or other corporate borrowings, or to acquire or invest in complementary businesses, technologies, drugs, drug candidates or other intellectual property, although we have no present commitments or agreements to do so.

The amounts and timing of these expenditures will depend on a number of factors, such as the timing and progress of our research and development efforts, technological advances and the competitive environment for our drug candidates. As of the date of this prospectus supplement, we cannot specify with certainty all of the particular uses for the net proceeds to us from this offering. Accordingly, we will retain broad discretion over the use of these proceeds. Pending these uses, we intend to invest the net proceeds in investment-grade, interest-bearing securities.

Table of Contents**Dilution**

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share you pay in this offering and the net tangible book value per share of our common stock immediately after this offering. Our net tangible book value as of December 31, 2011, was approximately \$(127.2) million, or \$(2.07) per share of common stock. Net tangible book value per share is calculated by subtracting our total liabilities from our total tangible assets, which is total assets less intangible assets of \$0, and dividing this amount by the number of shares of common stock outstanding as of December 31, 2011. After giving effect to the sale by us of

shares of common stock offered in this offering at the public offering price of \$ per share and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our as adjusted net tangible book value as of December 31, 2011 would have been approximately \$ million, or \$ per share of common stock. This represents an immediate increase in the net tangible book value of \$ per share to our existing stockholders and an immediate and substantial dilution in the net tangible book value of \$ per share of common stock to new investors. The following table illustrates this calculation on a per share basis:

As of December 31, 2011

Assumed public offering price per share		\$
Net tangible book value per share as of December 31, 2011	\$ (2.07)	
Increase per share attributable to new investors	\$	
As adjusted net tangible book value per share after this offering		\$
Dilution per share to new investors		\$

If the underwriters exercise their option to purchase additional shares in full, the as adjusted net tangible book value as of December 31, 2011 would have been \$ per share, representing an increase to existing stockholders of \$ per share, and there will be an immediate dilution of \$ per share to new investors.

The information in the foregoing table does not take into account further dilution to new investors that could occur upon the exercise of outstanding options or warrants having a per share exercise price less than the per share offering price to the public in this offering. As of December 31, 2011, there were 61,548,615 shares of common stock outstanding, which does not include:

8,166,651 shares issuable upon exercise of options outstanding as of December 31, 2011 at a weighted average exercise price of \$5.87 per share;

12,890,639 shares of common stock available for future issuance under our stock option plan as of December 31, 2011;

723,948 shares of common stock available for future issuance under our employee stock purchase plan as of December 31, 2011;

warrants outstanding as of December 31, 2011 to purchase 6,000,000 shares at an exercise price of \$3.65 per share and 6,000,000 shares at an exercise price of \$4.19 per share; and

10,135,000 shares of common stock that are issuable upon the conversion of 10,135 shares of Series B Convertible Preferred Stock outstanding as of December 31, 2011.

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Our common stock has been quoted on The NASDAQ Global Market under the symbol "ARRY" since our initial public offering on November 17, 2000. The following table sets forth, for the periods indicated, the reported high and low closing sales prices per share of our common stock as reported by The NASDAQ Global Market:

Fiscal Year Ending June 30, 2012	High	Low
First Quarter	\$ 2.62	\$ 1.95
Second Quarter	\$ 2.83	\$ 1.77

Fiscal Year Ended June 30, 2011	High	Low
First Quarter	\$ 3.44	\$ 2.67
Second Quarter	\$ 3.58	\$ 2.98
Third Quarter	\$ 3.29	\$ 2.70
Fourth Quarter	\$ 3.21	\$ 2.06

Fiscal Year Ended June 30, 2010	High	Low
First Quarter	\$ 4.45	\$ 2.38
Second Quarter	\$ 2.81	\$ 1.72
Third Quarter	\$ 2.83	\$ 2.24
Fourth Quarter	\$ 4.02	\$ 2.66

On February 7, 2012, the closing price of our common stock as reported by The NASDAQ Global Market was \$3.28 per share. As of February 7, 2012, there were approximately 64 stockholders of record of our common stock. This does not include the number of persons whose stock is held in nominee or "street name" accounts through brokers.

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Dividend Policy

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any future earnings to finance the growth and development of our business. Additionally, we are currently restricted from paying any dividends under our credit facilities. Therefore, we do not anticipate that we will declare or pay any cash dividends on our common stock in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our Board of Directors and will depend on our financial condition, results of operations, capital requirements, restrictions under any existing indebtedness and other factors the Board of Directors deems relevant.

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Material U.S. Federal Tax Considerations to Non-U.S. Holders

The following is a general discussion of the principal material U.S. federal income and estate tax considerations with respect to the acquisition, ownership and disposition of our common stock by a non-U.S. holder (as defined below) as of the date hereof. This discussion is not a complete analysis of all of the potential U.S. federal income and estate tax consequences relating to the ownership of our stock, nor does it address any tax consequences arising under any state, local, or non-U.S. tax laws, the U.S. federal gift tax rules or any other U.S. federal tax laws. Except where noted, this discussion deals only with a non-U.S. holder that holds our common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, or the Code (generally, property held for investment).

For purposes of this discussion, a "non-U.S. holder" means a beneficial owner of our common stock (other than a partnership) that is not any of the following for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the U.S., (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof, the District of Columbia, or any political subdivision of the United States, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (1) its administration is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all of its substantial decisions, or (2) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity classified as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will generally depend on the status of the partner and upon the activities of the partnership. Accordingly, if you are a partnership holding our common stock, or a partner in such a partnership, you should consult your tax advisors regarding the specific U.S. federal income tax consequences applicable to you.

This discussion is based upon provisions of the Code, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, or be subject to differing interpretations, so as to result in U.S. federal income and estate tax consequences different from those summarized below. No ruling has been or will be sought from the Internal Revenue Service, or IRS, with respect to the matters discussed below, and there can be no assurance that the IRS will not take a contrary position regarding the tax consequences of the acquisition, ownership or disposition of shares of our common stock, or that any such contrary position would not be sustained by a court. This discussion does not address all aspects of U.S. federal income and estate taxes that may be relevant to non-U.S. holders in light of their personal circumstances or to non-U.S. holders who are subject to special rules, including without limitation banks, thrifts or other financial institutions; insurance companies; partnerships, S corporations or other pass-through entities; real estate investment trusts; regulated investment companies; former U.S. citizens or residents; "controlled foreign corporations" or "passive foreign investment companies"; corporations that accumulate earnings to avoid U.S. federal income tax; brokers, dealers or traders in securities, commodities or currencies; tax-exempt organizations; tax-qualified retirement plans; persons subject to the alternative minimum tax; persons that hold or receive shares of our common stock pursuant to the exercise of any employee stock option or otherwise as compensation; persons that own, or are deemed to own, more than 5% of our outstanding common stock (except to the extent specifically set forth below); persons holding shares of our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment; and persons deemed to sell shares of our common stock under the constructive sale provisions of the Code. We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this discussion.

If you are considering the purchase of our common stock, you should consult your own tax advisors concerning the particular U.S. federal tax consequences to you of the ownership and disposition of the common stock, as well as the consequences to you arising under the laws of any other taxing jurisdiction, including any state, local or foreign income tax consequences.

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Dividends

Payments made on our common stock will generally constitute "dividends" for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a holder's adjusted tax basis in our common stock, but not below zero. Any excess amounts will be treated as gain from the sale of our common stock.

We have never declared or paid cash dividends on our common stock and we do not intend to declare or pay cash dividends on our common stock in the foreseeable future. If we were to pay dividends in the future on our common stock, they would be subject to U.S. federal income tax in the manner described below.

Dividends paid to a non-U.S. holder of our common stock generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a U.S. trade or business by a non-U.S. holder and, where an income tax treaty applies, are attributable to a U.S. permanent establishment or fixed base of the non-U.S. holder, are not subject to this withholding tax, but instead are subject to U.S. federal income tax on a net income basis at, as the case may be, generally applicable individual or corporate graduated rates. Certain certification and disclosure requirements must be complied with in order for effectively connected income to be exempt from this withholding tax, including furnishing to us or our paying agent a properly completed and executed IRS Form W-8ECI (or successor form). Any such effectively connected dividends received by a foreign corporation may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder of our common stock who wishes to claim the benefit of an applicable treaty rate (and avoid backup withholding as discussed below) for dividends will be required to (a) properly complete and execute IRS Form W-8BEN (or successor form) and certify under penalty of perjury that such holder is not a U.S. person and is qualified for the reduced rate or (b) if the common stock is held through certain foreign intermediaries or other agents acting on the holder's behalf, satisfy the relevant certification requirements of applicable Treasury regulations. Non-U.S. holders must provide this certification to us or our paying agent prior to the payment of any dividends and it must be updated periodically. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to the agent. The holder's agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries. These forms must be periodically updated. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty and the manner of claiming the benefits of such treaty (including, without limitation, the need to obtain a U.S. taxpayer identification number).

A non-U.S. holder of our common stock that does not timely provide us or our paying agent with the required certification, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Gain on Disposition of Common Stock

A non-U.S. holder generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale or other disposition of our common stock unless (i) the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the U.S. and, where a tax treaty applies, is attributable to a U.S. permanent establishment or fixed base of the non-U.S. holder, (in which case the net income basis taxation described above would apply, and, for a non-U.S. holder that is a foreign corporation, the branch profits tax described above may also apply), (ii) the non-U.S. holder is an individual who holds our

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common stock as a capital asset, is present in the U.S. for 183 or more days during the taxable year of the sale or other disposition and meets certain other requirements (in which case the gain would be subject to U.S. federal income tax at a flat 30% rate, or such lower rate as is specified by an applicable tax treaty, but may be offset by U.S. source capital losses even though the individual is not considered a resident of the U.S.), or (iii) we are or have been a "U.S. real property holding corporation," or USRPHC, for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition or the period that the non-U.S. holder held the common stock.

Generally, a corporation is a USRPHC if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. We believe that we currently are not, and we do not anticipate becoming, a "USRPHC" for U.S. federal income tax purposes. If we are or become a USRPHC, and if our common stock is regularly traded on an established securities market at any time during the calendar year, only a non-U.S. holder who holds or held (at any time during the shorter of the five-year period preceding the date of disposition or the holder's holding period) more than 5% of our common stock will be subject to U.S. federal income tax on the disposition of the common stock. Such holder would be subject to regular U.S. federal income tax with respect to any gain recognized in generally the same manner as a U.S. person.

Federal Estate Tax

Common stock in a U.S. corporation, including Array, held by an individual who is a non-U.S. holder at the time of death will be considered U.S. situs property, will be included in the gross estate of the nonresident alien decedent for U.S. federal estate tax purposes, and, therefore, may be subject to U.S. federal estate tax, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

Generally, we must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld (if any) with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and any withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty or agreement.

Under certain circumstances, the Code imposes backup withholding, currently at a 28% rate, on certain reportable payments. Backup withholding, however, generally will not apply to payments of dividends to a non-U.S. holder of our common stock if the holder is a foreign corporation, or if the non-U.S. holder furnishes to us or our paying agent the required certification under penalties of perjury as to its non-U.S. status, such as by providing a valid IRS Form W-8BEN or W-8ECI, or certain other requirements are met. Notwithstanding the foregoing, backup withholding may apply if either we have or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient.

Payments of the proceeds from a disposition by a non-U.S. holder of our common stock made by or through a non-U.S. office of a non-U.S. broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) will apply to those payments if the broker does not have documentary evidence that the beneficial owner is a non-U.S. holder, an exemption is not otherwise established, and the broker is: (i) a U.S. citizen; (ii) a controlled foreign corporation for U.S. federal income tax purposes; (iii) a foreign person 50% or more of whose gross income is effectively connected with a U.S. trade or business for a specified three-year period; or (iv) a foreign partnership if at any time during its tax year (1) one or more of its partners are U.S. persons who hold in the aggregate more than 50% of the income or capital interest in such partnership or (2) it is engaged in the conduct of a U.S. trade or business.

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Payment of the proceeds from a non-U.S. holder's disposition of our common stock made by or through the U.S. office of a broker generally will be subject to information reporting and backup withholding unless the non-U.S. holder is a foreign corporation, or certifies as to its non-U.S. holder status under penalties of perjury, such as by providing a valid IRS Form W-8BEN or W-8ECI, or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Foreign Accounts

Withholding taxes may apply to certain types of payments made to "foreign financial institutions" (as specially defined under the applicable rules under the Code) and certain other non-U.S. entities. The failure to comply with additional certification, information reporting and other specified requirements could result in a withholding tax being imposed on payments of dividends and sales proceeds to foreign intermediaries and certain non-U.S. holders. A 30% withholding tax is imposed on dividends on, or gross proceeds from the sale or other disposition of, shares of our common stock paid to a foreign financial institution or to a foreign non-financial entity, unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or (ii) the foreign non-financial entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. If the payee is a foreign financial institution, it must enter into an agreement with the U.S. Treasury requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements.

Although this legislation currently applies to applicable payments made after December 31, 2012, in recent guidance, the IRS has indicated that Treasury Regulations will be issued providing that the withholding provisions described above will apply to payments of dividends on shares of our common stock made on or after January 1, 2014 and to payments of gross proceeds from a sale or other disposition of such stock on or after January 1, 2015. Prospective investors should consult their tax advisors regarding this legislation.

THE PRECEDING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY. IT IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

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Underwriting

Subject to the terms and conditions set forth in the underwriting agreement to be dated on or about February , 2012, between us and the underwriters named below, we have agreed to sell to the underwriters and the underwriters have severally agreed to purchase from us, the number of shares of common stock indicated in the table below:
