

INFINITY PHARMACEUTICALS, INC.  
Form DEF 14A  
April 26, 2013  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- |  |  |
|--|--|
| <input type="checkbox"/> Preliminary Proxy Statement                 | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement       |  |
| <input type="checkbox"/> Definitive Additional Materials             |  |
| <input type="checkbox"/> Soliciting Material Pursuant to §240.14a-12 |  |

**Infinity Pharmaceuticals, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

April 26, 2013

Dear Stockholder:

You are cordially invited to attend our 2013 annual meeting of stockholders to be held at 8:00 a.m. local time on Tuesday, June 11, 2013, at the Courtyard by Marriott Boston Cambridge at 777 Memorial Drive, Cambridge, Massachusetts 02139.

The Notice of Annual Meeting and Proxy Statement that accompany this letter describe the items to be voted on at the annual meeting. We hope you will be able to attend and participate in the meeting. Whether or not you plan to attend, please review the accompanying materials carefully and take the time to cast your vote – it is important that your shares be represented and voted at the meeting.

On behalf of your Board of Directors and our community of Citizen-Owners, we would like to thank you for your continued support of, and interest in, Infinity.

Yours sincerely,

Adelene Q. Perkins

Chair of the Board, President and Chief Executive Officer

780 Memorial Drive ☎  
Cambridge, MA 02139

TEL: 617.453.1000  
FAX: 617.453.1001

Table of Contents

INFINITY PHARMACEUTICALS, INC.

780 Memorial Drive

Cambridge, Massachusetts 02139

NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS

To Be Held on June 11, 2013

To Our Stockholders:

We invite you to our 2013 annual meeting of stockholders, which will be held at the Courtyard by Marriott Boston Cambridge at 777 Memorial Drive, Cambridge, Massachusetts 02139, on Tuesday, June 11, 2013 at 8:00 a.m., local time. At the meeting, stockholders will consider and vote upon the following matters:

1. the election of nine directors to serve for a one-year term expiring at the 2014 annual meeting of stockholders;
2. the amendment of our 2010 Stock Incentive Plan to reserve an additional 1,485,000 shares for future issuance thereunder;
3. the approval of our 2013 Employee Stock Purchase Plan and the reservation of 250,000 shares for future issuance thereunder;
4. the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013; and
5. the transaction of such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record as of April 15, 2013 will be entitled to notice of and to vote at the annual meeting or any adjournment thereof. Our stock transfer books will remain open for the purchase and sale of our common stock.

If you are a stockholder of record, you may submit your proxy (1) over the Internet at [www.proxyvote.com](http://www.proxyvote.com), (2) by telephone at 1-800-690-6903, or (3) by mail, or you may vote in person at the meeting. For specific instructions, please refer to the second page of the accompanying proxy statement and the instructions on the proxy card relating to the annual meeting. Proxies submitted over the Internet or by telephone must be received by 11:59 p.m. EDT on June 10, 2013.

If you are a stockholder whose shares are held in *street name* by a bank or brokerage firm, your bank or brokerage firm will provide you a vote instruction form with this proxy statement, which you may use to direct how your shares will be voted. **You must instruct your broker how to vote with respect to the election of directors (Proposal No. 1), the amendment to the 2010 Stock Incentive Plan (Proposal No. 2) and the approval of the 2013 Employee Stock Purchase Plan (Proposal No. 3); your broker cannot exercise its discretion to vote on these proposals on your behalf.** Many banks and brokerage firms also offer the option of voting over the Internet or by telephone, instructions for which would be provided by your bank or brokerage firm on your vote instruction form.

**We hope that you will attend the annual meeting. Whether or not you plan to attend, we urge you to vote your shares over the Internet or by telephone, or to complete, date, sign and return the enclosed proxy card in the accompanying postage-prepaid envelope. A prompt response will greatly facilitate arrangements for the meeting, and your cooperation is appreciated. Stockholders who attend the meeting may vote their stock personally, even if they have previously submitted their proxies.**

Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

By Order of the Board of Directors,  
Lawrence E. Bloch  
Executive Vice President, Chief Financial Officer and  
Chief Business Officer, Secretary and Treasurer

Cambridge, Massachusetts

April 26, 2013

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS</u>	1
<u>INFORMATION ABOUT THE ANNUAL MEETING AND VOTING</u>	1
<u>STOCKHOLDERS SHARING THE SAME ADDRESS</u>	7
<u>STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	8
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	10
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	10
<u>Director Qualifications</u>	10
<u>CORPORATE GOVERNANCE</u>	15
<u>General</u>	15
<u>Corporate Governance Guidelines: Code of Conduct and Ethics</u>	15
<u>Determination of Independence</u>	15
<u>Director Candidates: Criteria and Diversity</u>	15
<u>Communications from Stockholders</u>	16
<u>Board and Committee Meetings</u>	16
<u>Board's Role in Risk Oversight</u>	19
<u>Risk Considerations in our Compensation Program</u>	20
<u>Availability of Corporate Governance Materials</u>	20
<u>Audit Committee Report</u>	20
<u>Audit Fees</u>	21
<u>Director Compensation</u>	22
<u>TRANSACTIONS WITH RELATED PERSONS</u>	25
<u>POLICIES AND PROCEDURES FOR RELATED PERSON TRANSACTIONS</u>	27
<u>COMPENSATION OF EXECUTIVE OFFICERS</u>	28
<u>Compensation Discussion and Analysis</u>	28
<u>Summary Compensation Table</u>	42
<u>Grants of Plan-Based Awards Table</u>	43
<u>Outstanding Equity Awards at Fiscal Year-End Table</u>	43
<u>Option Exercises and Stock Vested Table</u>	44
<u>Potential Payments upon Termination or Change in Control</u>	44
<u>Securities Authorized for Issuance under Equity Compensation Plans</u>	45
<u>Compensation Committee Interlocks and Insider Participation</u>	45
<u>Compensation Committee Report</u>	45
<u>PROPOSAL 2 AMENDMENT TO 2010 STOCK INCENTIVE PLAN</u>	46
<u>Description of the 2010 Plan</u>	47
<u>Federal Income Tax Consequences</u>	54
<u>PROPOSAL 3 APPROVAL OF 2013 EMPLOYEE STOCK PURCHASE PLAN</u>	55
<u>PROPOSAL 4 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	59
<u>OTHER MATTERS</u>	59
<u>EXHIBIT A 2010 STOCK INCENTIVE PLAN</u>	A-1
<u>EXHIBIT B 2013 EMPLOYEE STOCK PURCHASE PLAN</u>	B-1

**Table of Contents**

**INFINITY PHARMACEUTICALS, INC.**

**780 Memorial Drive**

**Cambridge, Massachusetts 02139**

**PROXY STATEMENT FOR 2013 ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on June 11, 2013**

This proxy statement contains information about our 2013 annual meeting of stockholders. The meeting will be held on Tuesday, June 11, 2013, beginning at 8:00 a.m. local time, at the Courtyard by Marriott Boston Cambridge at 777 Memorial Drive, Cambridge, Massachusetts 02139. You may obtain directions to the location of the annual meeting by contacting Jaren Irene Madden in our investor relations department. She may be contacted at 780 Memorial Drive, Cambridge, Massachusetts 02139; telephone: 617-453-1336; e-mail: irpr\_info@infi.com.

This proxy statement is furnished in connection with the solicitation of proxies by our board of directors for use at the annual meeting and at any adjournment of that meeting. All proxies will be voted in accordance with the instructions they contain. If you do not specify your voting instructions on your proxy, it will be voted in accordance with the recommendations of our board of directors. You may revoke your proxy at any time before it is exercised at the meeting by giving our corporate secretary, Lawrence E. Bloch, written notice to that effect. He may be contacted at 780 Memorial Drive, Cambridge, Massachusetts 02139; telephone: 617-453-1122; e-mail: Lawrence.Bloch@infi.com.

These proxy materials, together with our annual report to stockholders for our 2012 fiscal year, are first being mailed to stockholders on or about April 26, 2013.

**Important Notice Regarding the Availability of Proxy Materials for**

**the Annual Meeting of Stockholders to be Held on June 11, 2013:**

**This proxy statement and the 2012 annual report to stockholders are available for**

**viewing, printing and downloading at [www.infi.com/proxy](http://www.infi.com/proxy).**

**INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

**Q. What is the purpose of the annual meeting?**

**A.** At the annual meeting, stockholders will consider and vote on the following matters:

1. the election of nine directors to serve for a one-year term expiring at the 2014 annual meeting of stockholders;
2. the amendment of our 2010 Stock Incentive Plan to reserve an additional 1,485,000 shares for future issuance thereunder;
3. the approval of our 2013 Employee Stock Purchase Plan and the reservation of 250,000 shares for future issuance thereunder;



## Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

4. the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013; and

5. the transaction of such other business as may properly come before the meeting or any adjournment thereof.

**Q. Who can vote?**

**A.** To be able to vote, you must have been a stockholder of record at the close of business on April 15, 2013. This date is the record date for the annual meeting.

---

**Table of Contents**

Stockholders of record at the close of business on April 15, 2013 are entitled to vote on each proposal at the annual meeting. The number of outstanding shares entitled to vote on each proposal at the meeting is 47,876,691 shares of our common stock.

**Q. How many votes do I have?**

**A.** Each share of our common stock that you owned on the record date entitles you to one vote on each matter that is voted on.

**Q. Is my vote important?**

**A. Your vote is important no matter how many shares you own.** Please take the time to vote. Take a moment to read the instructions below. Choose the way to vote that is easiest and most convenient for you and cast your vote as soon as possible.

**Q. How do I vote?**

**A.** If you are the record holder of your shares, meaning that you own your shares in your own name and not through a bank or brokerage firm, you may vote in one of four ways:

1. **You may vote over the Internet.** If you have Internet access, you may vote your shares from any location in the world at [www.proxyvote.com](http://www.proxyvote.com), by following the instructions on that site or on the "Vote by Internet" instructions on the enclosed proxy card.

2. **You may vote by telephone.** You may vote your shares by calling 1-800-690-6903 and following the instructions provided, or following the "Vote by Phone" instructions on the enclosed proxy card.

3. **You may vote by mail.** You may vote by completing and signing the proxy card enclosed with this proxy statement and promptly mailing it in the enclosed postage-prepaid envelope. You do not need to put a stamp on the enclosed envelope if you mail it from the United States. The shares you own will be voted according to your instructions on the proxy card you mail. If you return the proxy card, but do not give any instructions on a particular matter described in this proxy statement, the shares you own will be voted in accordance with the recommendations of our board of directors.

4. **You may vote in person.** If you attend the meeting, you may vote by delivering your completed proxy card in person or by completing a ballot. Ballots will be available at the meeting.

*Our board of directors recommends that you vote **FOR** each of the nominees for director and **FOR** Proposals 2, 3 and 4.*

**Q. Can I change my vote after I have mailed my proxy card or after I have voted my shares over the Internet or by telephone?**

**A.** Yes. You can change your vote and revoke your proxy at any time before the polls close at the meeting. To do so you must do one of the following:

1. Sign another proxy card with a later date;

2. Give our corporate secretary written notice before or at the meeting that you want to revoke your proxy; or

3. Vote in person at the meeting.

Your attendance at the meeting alone will not change your vote or revoke your proxy.

---

**Table of Contents**

**Q. Can I vote if my shares are held by a bank or brokerage firm in street name ?**

**A.** If the shares you own are held in the name of a bank or brokerage firm, also known as street name, that bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares held in street name, you will need to follow the directions your bank or brokerage firm provides you. Many brokers also offer the option of voting over the Internet or by telephone, instructions for which would be provided by your bank or brokerage firm on your vote instruction form.

If you do not give instructions to your bank or brokerage firm, it will still be able to vote your shares with respect to certain discretionary items. The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm (Proposal No. 4) is such a discretionary item. However, your bank or brokerage firm will not be allowed to vote your shares with respect to certain non-discretionary items. **The election of directors (Proposal No. 1), the amendment to our 2010 Stock Incentive Plan (Proposal No. 2) and the approval of our 2013 Employee Stock Purchase Plan (Proposal No. 3) are all non-discretionary items. If you do not instruct your bank or brokerage firm how to vote with respect to such non-discretionary items, your bank or brokerage firm will not vote with respect to those proposals and those votes will be counted as broker non-votes.** Broker non-votes are shares that are held in street name by a bank or brokerage firm that indicates on its proxy that it does not have or did not exercise discretionary authority to vote on a particular matter.

If your shares are held in street name, you must bring an account statement or letter from your bank or brokerage firm showing that you are the beneficial owner of the shares as of the record date (April 15, 2013) in order to vote those shares at the meeting. To be able to vote your shares held in street name at the meeting, you will need to obtain a proxy card from your bank or brokerage firm.

**Q. How do I vote my 401(k) shares?**

**A.** If you participate in the Infinity Pharmaceuticals Stock Fund through our company's 401(k) Plan and Trust, or 401(k) Plan, your proxy will also serve as a voting instruction for Fidelity Management Trust Company, or Fidelity, which serves as trustee of the 401(k) Plan, with respect to shares of our common stock held in your 401(k) Plan account, or 401(k) Plan shares, as of the record date. You should sign the proxy card and return it in the enclosed envelope to Broadridge Financial Solutions, Inc., or you may submit your proxy over the Internet or by telephone by following the instructions on the enclosed proxy card. Broadridge will notify Fidelity of the manner in which you have directed your 401(k) Plan shares to be voted. Fidelity will vote your 401(k) Plan shares as of the record date in the manner that you direct. If Broadridge does not receive your voting instructions from you by 11:59 p.m. eastern time on June 6, 2013, Fidelity will not vote your 401(k) Plan shares.

---

**Table of Contents**

**Q. What constitutes a quorum?**

A. In order for business to be conducted at the meeting, a quorum must be present in person or represented by valid proxies. For each of the proposals to be presented at the meeting, a quorum consists of the holders of a majority of the shares of common stock issued and outstanding on April 15, 2013, the record date, or at least 23,938,346 shares.

Shares of common stock represented in person or by proxy (including broker non-votes and shares that abstain or do not vote with respect to a particular proposal to be voted upon) will be counted for the purpose of determining whether a quorum exists at the meeting for that proposal.

If a quorum is not present, the meeting will be adjourned until a quorum is obtained.

**Q. What vote is required for each item, and how will votes be counted?**

A. Each share of common stock will be counted as one vote according to the instructions contained on a proper proxy card, whether submitted in person, by mail, over the Internet or by telephone, or on a ballot voted in person at the meeting.

***Election of directors.*** Under our bylaws, a nominee will be elected to our board of directors if the votes cast for the nominee's election exceed the votes cast against the nominee's election. Abstentions and broker non-votes do not count as votes for or against and therefore have no effect on the outcome of the voting. If the shares you own are held in street name by a bank or brokerage firm, that bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. **If you do not instruct your bank or brokerage firm how to vote with respect to this proposal, your bank or brokerage firm will not vote with respect to this proposal.** If an uncontested incumbent director nominee receives a majority of votes against his election, the director must tender a resignation from our board. Our board of directors, acting through the Nominating and Corporate Governance Committee, will then decide whether to accept the resignation or other action should be taken. We will publicly disclose our board's decision and its reasoning with regard to the offered resignation.

***Approval of Amendment to our 2010 Stock Incentive Plan.*** Under our bylaws, the affirmative vote of a majority of the total voting power of shares of our common stock present in person at the annual meeting or by proxy and entitled to vote on the proposal is needed to approve the amendment to the 2010 Stock Incentive Plan and reserve 1,485,000 additional shares of our common stock for future issuance under the plan. If the shares you own are held in street name by a bank or brokerage firm, that bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. **If you do not instruct your bank or brokerage firm how to vote with respect to this proposal, your bank or brokerage firm will not vote with respect to this proposal.** These broker non-votes will have no effect on the outcome of the voting. If you vote to abstain on this item, your shares will not be voted for or against the proposal, which has the same effect as a vote against the proposal.

**Table of Contents**

***Approval of our 2013 Employee Stock Purchase Plan.*** Under our bylaws, the affirmative vote of a majority of the total voting power of shares of our common stock present in person at the annual meeting or by proxy and entitled to vote on the proposal is needed to approve the 2013 Employee Stock Purchase Plan and reserve 250,000 shares of our common stock for future issuance under the plan. If the shares you own are held in street name by a bank or brokerage firm, that bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. **If you do not instruct your bank or brokerage firm how to vote with respect to this proposal, your bank or brokerage firm will not vote with respect to this proposal.** These broker non-votes will have no effect on the outcome of the voting. If you vote to abstain on this item, your shares will not be voted for or against the proposal, which has the same effect as a vote against the proposal.

***Ratification of the appointment of independent registered public accounting firm.*** Under our bylaws, the affirmative vote of a majority in total voting power of shares of stock present in person at the annual meeting or by proxy and entitled to vote on the proposal is needed to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013. If the shares you own are held in street name by a bank or brokerage firm, that bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. If you do not provide instructions, the bank or brokerage firm may vote your shares or leave them unvoted resulting in a broker non-vote. These broker non-votes will have no effect on the outcome of the voting. If you vote to abstain from voting, your shares will not be voted for or against the proposal, which has the same effect as a vote against the proposal.

**Q. Who will count the votes?**

**A.** The votes will be counted, tabulated and certified by Broadridge Financial Solutions, Inc.

**Q. Will my vote be kept confidential?**

**A.** Yes, your vote will be kept confidential and we will not disclose your vote, unless (1) we are required to do so by law (including in connection with the pursuit or defense of a legal or administrative action or proceeding), or (2) there is a contested election for the board of directors. The inspector of election will forward any written comments that you make on the proxy card to management without providing your name, unless you expressly request disclosure on your proxy card.

**Q. How does the board of directors recommend that I vote on the proposals?**

**A.** Our board of directors recommends that you vote:

**FOR** the election of each of the nine nominees to serve on our board of directors, each for a one year term;

**FOR** the approval of the amendment to our 2010 Stock Incentive Plan and the reservation of an additional 1,485,000 shares of our common stock for future issuance under that plan;

**FOR** the approval of our 2013 Employee Stock Purchase Plan and the reservation of 250,000 shares of our common stock for future issuance under that plan; and

**FOR** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013.



---

**Table of Contents**

**Q. Will any other matters be voted on at this meeting?** A. We do not know of any other matters that may come before the meeting. If any other matters are properly presented at the meeting, the persons named on the accompanying proxy card intend to vote, or otherwise act, in accordance with their judgment on those matters. Our bylaws establish the process for a stockholder to bring a matter before a meeting. See the question *How and when may I submit a stockholder proposal, including a stockholder nomination for director, for the 2013 annual meeting?* below.

**Q. Where can I find the voting results?** A. We will report the voting results in a Form 8-K filed with the U.S. Securities and Exchange Commission, or SEC, within four business days after the end of our annual meeting.

**Q. How and when may I submit a stockholder proposal, including a stockholder nomination for director, for the 2014 annual meeting?** A. In accordance with the rules of the SEC, if you are interested in submitting a proposal to be included in the proxy statement for our 2014 annual meeting of stockholders, we must receive your proposal, addressed to Lawrence E. Bloch, M.D., J.D., Company Secretary, Infinity Pharmaceuticals, Inc., 780 Memorial Drive, Cambridge, Massachusetts 02139, no later than December 23, 2013.

In addition, our bylaws require that we be given advance written notice for nominations for election to our board of directors and other matters that stockholders wish to present for action at an annual meeting other than those to be included in our proxy statement. We must receive such proposals not later than the close of business on March 13, 2014, nor earlier than the close of business on February 11, 2014. If the date of our 2014 annual meeting of stockholders is before May 12, 2014 or after August 20, 2014, we must receive such proposals not earlier than the close of business on the 120<sup>th</sup> day prior to the 2014 annual meeting of stockholders nor later than the tenth day following the date of the first public announcement of such meeting. To submit a proposal, a stockholder must send a notice containing the supporting information set forth in our bylaws to Dr. Bloch at the address provided above.

**Q. Who will bear the costs of soliciting these proxies?** A. We will bear the costs of solicitation of proxies. We have engaged Alliance Advisors LLC to assist us with the solicitation of proxies and expect to pay Alliance Advisors approximately \$15,000 for their services. In addition to solicitations by mail, representatives of Alliance Advisors and our directors, officers and employees may solicit proxies by telephone, e-mail, facsimile and in person, without additional compensation. We will request brokers, custodians and fiduciaries to forward proxy soliciting material to the owners of shares of our common stock that they hold in their names. We will reimburse brokers, custodians and fiduciaries for their reasonable out-of-pocket expenses incurred in connection with the distribution of our proxy materials.

**Q. How can I obtain an Annual Report on Form 10-K?** A. Our annual report on Form 10-K for the fiscal year ended December 31, 2012 is available on our website at [www.infi.com](http://www.infi.com). If you would like a copy of our annual report on Form 10-K, including the financial statements, or any of its exhibits, we will send you one without charge. Please contact Jaren Irene Madden in our investor relations department. She may be contacted at 780 Memorial Drive, Cambridge, Massachusetts 02139; telephone: 617-453-1336; e-mail: [irpr\\_info@infi.com](mailto:irpr_info@infi.com).



**Table of Contents**

**Q. Whom should I contact if I have any questions?**

**A.** If you have any questions about the annual meeting or your ownership of our common stock, please contact Jaren Irene Madden in our investor relations department. She may be contacted at 780 Memorial Drive, Cambridge, Massachusetts 02139; telephone: 617-453-1336; e-mail: [irpr\\_info@infi.com](mailto:irpr_info@infi.com).

**STOCKHOLDERS SHARING THE SAME ADDRESS**

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of our proxy statement and annual report to stockholders may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document to you if you write or call Jaren Irene Madden in our investor relations department. She may be contacted at 780 Memorial Drive, Cambridge, Massachusetts 02139; telephone: 617-453-1336; e-mail: [irpr\\_info@infi.com](mailto:irpr_info@infi.com). If you want to receive separate copies of the proxy statement or annual report to stockholders in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or other nominee record holder, or you may contact us at the above address and telephone number.

**Table of Contents****STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table contains information regarding the beneficial ownership of our common stock as of April 17, 2013 by:

stockholders we know to beneficially own more than 5% of our outstanding common stock;

each of our current directors and nominees for director named in this proxy statement;

each of our executive officers named in the Summary Compensation Table included in this proxy statement; and

all of our current directors and executive officers as a group.

Name and Address of Beneficial Owner(1)	Number of Shares of Common Stock Owned	+	Common Stock Underlying Options and Other Rights Acquirable Within 60 Days (2)	=	Total Beneficial Ownership (#)	Percentage of Common Stock Beneficially Owned (%) (3)
<b>5% Stockholders</b>						
FMR LLC(4)	6,704,937				6,704,937	14.0%
Entities affiliated with Samuel D. Isaly (Orbimed Advisors LLC and Orbimed Capital LLC)(5)	3,378,600				3,378,600	7.1%
Blackrock, Inc.(6)	2,971,080				2,971,080	6.2%
Quogue Capital LLC(7)	2,905,214				2,905,214	6.1%
Perceptive Advisors LLC(8)	2,544,739				2,544,739	5.3%
Entities affiliated with Steven A. Cohen(9)	2,407,221				2,407,221	5.0%
<b>Directors</b>						
Adelene Q. Perkins(10)	498,230		956,289		1,454,519	3.0%
Martin Babler			40,375		40,375	*
Anthony B. Evnin, Ph.D.(11)	361,471		44,125		405,596	*
Gwen A. Fyfe, M.D.			16,000		16,000	*
Eric S. Lander, Ph.D.(12)	82,758		53,585		136,343	*
Patrick P. Lee			57,000		57,000	*
Thomas J. Lynch, M.D.			27,000		27,000	*
Norman C. Selby	7,500		8,500		16,000	*
Ian F. Smith			51,875		51,875	*
Michael C. Venuti, Ph.D.	56,250		73,125		129,375	*
<b>Other Named Executive Officers</b>						
Julian Adams, Ph.D.(13)	262,945		685,564		948,509	2.0%
Lawrence E. Bloch, M.D., J.D.(14)	225		3,417		3,642	*
Vito J. Palombella, Ph.D.(15)	6,689		333,998		340,687	*
Pedro Santabarbara, M.D., Ph.D.(16)	10,182		115,383		125,565	*
All current directors and executive officers as a group (16 persons)	1,289,071		2,569,568		3,858,639	7.6%

\* Represents holdings of less than one percent.

(1)

## Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

Unless otherwise indicated, the address for each person is to the care of Infinity Pharmaceuticals, Inc., 780 Memorial Drive, Cambridge, Massachusetts 02139.

- (2) The number of shares of our common stock owned by each person is determined under the rules of the Securities and Exchange Commission, or SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within 60 days after April 17, 2013 through the exercise of any stock option or other right.

**Table of Contents**

- (3) Percentage of beneficial ownership is based on 47,877,642 shares of our common stock outstanding as of April 17, 2013. In addition, shares of common stock subject to options or other rights currently exercisable, or exercisable within 60 days of April 17, 2013, are deemed outstanding and beneficially owned for the purpose of computing the percentage beneficially owned by (i) the individual holding such options or other rights (but not any other individual) and (ii) the directors and executive officers as a group.
- (4) Fidelity Management & Research Company, or Fidelity, a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 6,704,937 shares of common stock as a result of acting as investment adviser to various investment companies, or the Fidelity Funds, registered under Section 8 of the Investment Company Act of 1940. Each of Edward C. Johnson III and FMR LLC, through its control of Fidelity and the Fidelity Funds has power to dispose of the shares owned by the Fidelity Funds. Through their ownership of voting common shares and a shareholders' voting agreement, members of the Johnson family may be deemed to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Edward C. Johnson III, Chairman of FMR LLC, has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Fidelity Funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees. The address of FMR LLC is 82 Devonshire Street, Boston, Massachusetts, 02109. Pyramis Global Advisors Trust Company, or PGATC, 900 Salem Street, Smithfield, Rhode Island, 02917, an indirect wholly-owned subsidiary of FMR LLC and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is the beneficial owner of 107 shares of common stock as a result of its serving as investment manager of institutional accounts owning such shares. Edward C. Johnson III and FMR LLC, through its control of PGATC, each has sole dispositive power over and sole power to vote or to direct the voting of 107 shares of common stock owned by the institutional accounts managed by PGATC as reported above. For information regarding FMR LLC we have relied on the Schedule 13G/A filed by FMR LLC with the SEC on February 14, 2013.
- (5) Samuel D. Isaly claims beneficial ownership, shared voting and shared dispositive power of 3,378,600 shares of which Orbimed Advisors LLC claims beneficial ownership, shared voting and shared dispositive power of 1,036,100 shares, and Orbimed Capital LLC claims beneficial ownership, shared voting and shared dispositive power of 2,342,500 shares. The address of the principal business offices of Samuel D. Isaly, Orbimed Advisors LLC and Orbimed Capital LLC is 601 Lexington Avenue, 54th Floor, New York, NY 10022. For information regarding Samuel D. Isaly, Orbimed Capital LLC and Orbimed Advisors LLC we have relied on the Schedule 13G filed jointly by Samuel D. Isaly, Orbimed Advisors LLC and Orbimed Capital LLC with the SEC on February 14, 2013.
- (6) Blackrock, Inc. claims sole voting power and sole power to dispose or direct the disposition of 2,971,080 shares. The address of Blackrock, Inc. is 40 East 52nd Street, New York, NY 10022. For information regarding Blackrock, Inc. we have relied on the Schedule 13G filed by Blackrock, Inc. with the SEC on January 30, 2013.
- (7) Quogue Capital LLC and Wayne P. Rothbaum claim shared voting power and shared dispositive power of 2,905,214 shares. Mr. Rothbaum is the managing member of Quogue Capital LLC and so may be deemed to beneficially own such shares of Common Stock. Mr. Rothbaum disclaims such beneficial ownership. The address of the principal business office of Quogue Capital LLC and Wayne P. Rothbaum is 50 West 57th Street 15th Floor, New York, NY 10019. For information regarding Quogue Capital LLC we have relied on the Schedule 13G/A filed by Quogue Capital LLC and Wayne P. Rothbaum with the SEC on February 14, 2013.
- (8) Perceptive Advisors LLC and Joseph Edelman claim shared voting power and shared dispositive power of 2,544,739 shares held by a private investment fund to which Perceptive Advisors LLC serves as the investment manager. Mr. Edelman is the managing member of Perceptive Advisors LLC. The address of the principal business offices of Perceptive Advisors LLC and Joseph Edelman is 499 Park Avenue, 25th Floor, New York, NY 10022. For information regarding Perceptive Advisors LLC we have relied on the Schedule 13G filed by Perceptive Advisors, LLC with the SEC on February 14, 2013.
- (9) Steven A. Cohen claims beneficial ownership of 2,407,221 shares of our common stock of which S.A.C. Capital Advisors, L.P. and S.A.C. Capital Advisors, Inc. each claim beneficial ownership of 1,984,400 shares, CR Intrinsic Investors, LLC claims beneficial ownership of 120,000 shares, and Sigma Capital Management, LLC claims beneficial ownership of 302,881 shares. The address of the principal business office of (i) S.A.C. Capital Advisors L.P., S.A.C. Capital Advisors, Inc., CR Intrinsic Investors, LLC and Mr. Cohen is 72 Cummings Point Road, Stamford, Connecticut 06902; and (ii) Sigma Capital Management, LLC is 510 Madison Avenue, New York, New York 10022. For information regarding Steven A. Cohen, S.A.C. Capital Advisors L.P., S.A.C. Capital Advisors, Inc., CR Intrinsic Investors, LLC and Sigma Capital Management, LLC we have relied on the Schedule 13G filed jointly by S.A.C. Capital Advisors, L.P., S.A.C. Capital Advisors, Inc. CR Intrinsic Investors, LLC, Sigma Capital Management, LLC and Steven A. Cohen with the SEC on April 16, 2013.
- (10) Includes 5,695 shares of common stock held in Ms. Perkin's 401(k) Plan account.
- (11) Includes 52,876 shares of common stock held by Venrock Associates, 235,312 shares of common stock held by Venrock Associates III, L.P. and 5,883 shares of common stock held by Venrock Entrepreneurs Fund III, L.P. Venrock Associates is a limited partnership of which Dr. Evnin is a General Partner. Dr. Evnin shares voting and investment power with respect to securities held of record by Venrock Associates with the General Partners of Venrock Associates. Venrock Associates III, L.P. is a limited partnership of which Venrock Management III, LLC is the General Partner. Dr. Evnin is a Member of Venrock Management III, LLC and shares voting and investment power with the Members of Venrock Management III, LLC with respect to securities held of record by Venrock Associates III, L.P. Venrock Entrepreneurs Fund III, L.P. is a limited partnership of which VEF Management III, LLC is the General Partner. Dr. Evnin is a Member of VEF Management III, LLC and shares voting and investment power with the Members of VEF Management III, LLC with respect to securities held of record by Venrock Entrepreneurs Fund III, L.P. Dr. Evnin disclaims beneficial ownership of all such securities listed above, except to the extent of his pecuniary interest therein. The address of Venrock is 530 Fifth Avenue, 22nd Floor, New York, New York 10036. For information regarding Venrock Associates, Venrock Associates III, L.P. and Venrock Entrepreneurs Fund III, L.P. we have relied on the Form 4 filed by Dr. Evnin with the SEC on November 29, 2012 and the Form 4/A filed by Dr. Evnin with the SEC on April 10, 2013.

---

## **Table of Contents**

- (12) Consists of 71,707 shares of common stock held by Dr. Lander and 11,051 shares of common stock held by a trust for which Dr. Lander serves as a trustee. Dr. Lander shares voting and investment power with the other trustee over the shares held by this trust.
- (13) Consists of shares held by a trust for which Dr. Adams serves as trustee and has voting and investment power.
- (14) Includes 225 shares of common stock held in Dr. Bloch's 401(k) Plan account.
- (15) Includes 5,642 shares of common stock held in Dr. Palombella's 401(k) Plan account.
- (16) Includes 982 shares of common stock held in Dr. Santabarbara's 401(k) Plan account.

### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, or Exchange Act, requires our directors, officers and holders of more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other of our equity securities. On April 22, 2013, Dr. Vito Palombella, our Chief Scientific Officer, filed an amended Form 3 pursuant to Section 16(a) to correct the Form 3 originally filed on May 26, 2010 that inadvertently omitted 1,047 shares that were directly held by Dr. Palombella and reported 4,117 shares as being held directly by Dr. Palombella that were actually owned indirectly by him through our 401(k) plan. Except as described in the preceding sentence, based solely on our review of copies of Section 16(a) reports furnished to us and representations made to us, we believe that during the year ended December 31, 2012, our officers, directors and holders of more than 10% of our common stock complied with all Section 16(a) filing requirements.

### **PROPOSAL 1 ELECTION OF DIRECTORS**

All of our directors stand for election annually. The board of directors has set the number of directors at 10. Mr. Lee who currently serves as a member of our board of directors, is retiring from the board effective June 10, 2013 and is not standing for re-election. Unless you indicate otherwise on your proxy, the persons named in the accompanying proxy will vote to elect Messrs. Babler, Selby and Smith; Drs. Evnin, Fyfe, Lander, Lynch and Venuti, and Ms. Perkins as directors to serve until our 2014 annual meeting of stockholders and until his or her successor is duly elected and qualified. Each of the nominees is currently a member of our board of directors, and each has indicated his or her willingness to serve if elected. If any nominee should be unable to serve, however, the shares of common stock represented by proxies may be voted for a substitute nominee designated by the board of directors. Assuming all nominees are elected, our board of directors will consist of nine members with one vacancy immediately following our 2013 annual meeting. In accordance with our bylaws, any vacancy on our board of directors can be filled by the majority vote of the members of our board of directors.

#### **Director Qualifications**

The following paragraphs provide information as of the date of this proxy statement about each nominee for director. The information presented includes information each nominee has given us about his or her age, all positions he or she holds, his or her principal occupation and business experience for the past five years, and the names of other publicly-held companies of which he or she currently serves as a director or has served as a director during the past five years. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our board to the conclusion that he or she should serve as a director, we also believe that each of our director nominees has a reputation for integrity, honesty and adherence to high ethical standards. Each has demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to our company and our board. Finally, we value their significant experience on other public company boards of directors and board committees.

Information about the number of shares of common stock beneficially owned by each of the nominees for director appears above under the heading *Stock Ownership of Certain Beneficial Owners and Management*. There are no family relationships between or among any of our officers, directors or nominees for director.

---

**Table of Contents**

All registered trademarks used in the biographical information below are the property of their respective owners.

**Martin Babler**, age 48, has served as a member of our board of directors since May 2008. Mr. Babler is Chief Executive Officer and a director of Principia BioPharma, Inc., a start-up company established to develop novel drugs for autoimmune diseases, a position he has held since April 2011. From February 2008 to April 2011, Mr. Babler served as Chief Executive Officer of Talima Therapeutics, Inc., a privately-held drug delivery company. Prior to joining Talima, from 2000 to 2006, Mr. Babler was Vice President of Immunology Sales and Marketing, and Director of Cardiovascular Marketing, at Genentech, Inc, a publicly traded biopharmaceutical company. Prior to joining Genentech, Mr. Babler held various roles of increasing responsibility in sales, sales management, marketing and business development with Eli Lilly and Company. Mr. Babler holds a degree in Pharmacy/Pharmacology from the Swiss Federal Institute of Technology in Zurich, Switzerland and attended the Executive Development Program at Kellogg Graduate School of Management. We believe Mr. Babler's qualifications to serve on our board of directors include his experience in the commercialization of biopharmaceutical products and the integration of scientific and commercial disciplines.

**Anthony B. Evnin, Ph.D.**, age 72, has served as a member of our board of directors since September 2006 and a member of the board of directors of Infinity Discovery, Inc. from June 2001 until the time of its merger with our predecessor company in September 2006. Since 1975, Dr. Evnin has served as a Partner of Venrock, a venture capital firm. Dr. Evnin serves as a director of AVEO Pharmaceuticals, Inc., a publicly traded biopharmaceutical company. Dr. Evnin also serves as a director of Acceleron Pharma, Inc., Constellation Pharmaceuticals, Inc., and Metabolex, Inc., all privately held biopharmaceutical companies. Dr. Evnin is also a Trustee of The Rockefeller University, a trustee of The Jackson Laboratory, a Trustee Emeritus of Princeton University, a member of the Board of Overseers and Managers of Memorial Sloan-Kettering Cancer Center and a director of the New York Genome Center. He previously served as a director of the following publicly traded biopharmaceuticals companies during the last five years: Memory Pharmaceuticals Corp., Sunesis, Inc., Renovis, Inc., Icagen, Inc., Coley Pharmaceuticals Group, Inc., and Pharms Corporation, and previously served as a director of the following privately held companies during the last five years: Altea Therapeutics Corporation and Celladon Corporation, both biopharmaceutical companies, Kenet, Inc. a fabless semiconductor company, and Boston-Power, Inc. a lithium-ion battery company. Dr. Evnin received an A.B. in Chemistry from Princeton University and a Ph.D. in Chemistry from the Massachusetts Institute of Technology. We believe Dr. Evnin's qualifications to serve on our board of directors include his substantial experience as an investor in, and director of, numerous biopharmaceutical companies as well as his expertise in corporate strategy.

**Gwen A. Fyfe, M.D.**, age 61, has served as a member of our board of directors since March 2012. From 1997 to 2009, Dr. Fyfe held various positions with Genentech, Inc. (now a member of the Roche Group), including Vice President, Oncology Development; Vice President, Avastin® Franchise Team; as well as the honorary title of Senior Staff Scientist. Dr. Fyfe played an important role in the development of Genentech's approved oncology agents including Rituxan®, Herceptin®, Avastin® and Tarceva®. Dr. Fyfe sat on the development oversight committee for all of Genentech's products and participated in the Research Review Committee that moved products from research into clinical development. Since leaving Genentech in 2009, Dr. Fyfe has been a consultant for venture capital firms and for a variety of biotechnology companies. Dr. Fyfe has served on the board of directors of Array BioPharma, Inc., a publicly traded biopharmaceutical company, since January 2012 and previously served on the board of Pharmacyclics, Inc., a publicly traded biopharmaceutical company, during the last five years. Dr. Fyfe is a recognized oncology expert in the broader oncology community and has been an invited member of Institute of Medicine panels, National Cancer Institute working groups and grant committees and American Society of Clinical Oncologists oversight committees. She received her M.D. from Washington University School of Medicine and is a board certified pediatric oncologist. We believe Dr. Fyfe's qualifications to serve on our board of directors include her substantial industry experience in the late-stage development and regulatory approval processes for novel oncology therapeutics.

**Table of Contents**

**Eric S. Lander, Ph.D.**, age 56, has served as a member of our board of directors since September 2006. Dr. Lander was a co-founder and a member of the board of directors of Infinity Discovery, Inc. from 2001 until the time of its merger with our predecessor company in September 2006. Dr. Lander has been a Professor and Associate Professor of Biology at the Massachusetts Institute of Technology since 1990 and a Professor of Systems Biology at Harvard Medical School since 2004. Dr. Lander has served as the founding Director of The Eli and Edythe L. Broad Institute, a biomedical research institute formed by MIT and Harvard University, since 2003 and as a member of the Whitehead Institute for Biomedical Research since 1989. Dr. Lander currently serves as a director of Innocence Project, a not-for-profit legal clinic, and as co-chair of the United States President's Council of Advisers on Science and Technology. From 1993 to 2003, Dr. Lander was the Director of the Whitehead/MIT Center for Genome Research. He also served as a director of Millennium Pharmaceuticals, Inc., a publicly traded biopharmaceutical company, during the last five years. Dr. Lander received an A.B. in Mathematics from Princeton University and a D.Phil. in Mathematics from Oxford University, which he attended as a Rhodes Scholar. We believe Dr. Lander's qualifications to serve on our board of directors include his scientific acumen and expertise in the fields of genomics and human genetic diseases.

**Thomas J. Lynch, M.D.**, age 52, has served as a member of our board of directors since October 2009. Dr. Lynch is the Director of the Yale Cancer Center and the Physician-in-Chief at Smilow Cancer Hospital at Yale-New Haven, a position he has held since February 2009. Prior to 2009, Dr. Lynch was the Chief of Hematology-Oncology at Massachusetts General Hospital, or MGH, and a Professor of Medicine at Harvard Medical School. He received his M.D. from Yale University and completed his internship and residency at MGH. Before joining the staff at MGH, Dr. Lynch served as a fellow in medical oncology at the Dana-Farber Cancer Institute. Dr. Lynch is a founding board member and vice chair of the board of the Kenneth B. Schwartz Center for Compassionate Healthcare, a foundation devoted to promoting compassionate health care. We believe Dr. Lynch's qualifications to serve on our board of directors include his substantial experience in the field of clinical oncology.

**Adelene Q. Perkins**, age 53, has served as a member of our board of directors and our President and Chief Executive Officer since January 2010, including as chair of our board of directors since November 2012, as our President and Chief Business Officer from October 2008 through December 2009 and as our Executive Vice President and Chief Business Officer between September 2006 and October 2008. Ms. Perkins served as Executive Vice President of Infinity Discovery, Inc. from February 2006 until the merger with our predecessor company in September 2006 and Chief Business Officer of Infinity Discovery from June 2002 until September 2006. Ms. Perkins served as Vice President of Business and Corporate Development of TransForm Pharmaceuticals, Inc., a private pharmaceutical company, from 2000 to 2002. From 1992 to 1999, Ms. Perkins held various positions at Genetics Institute, most recently serving as Vice President of Emerging Business and General Manager of the DiscoverEase® business unit. From 1985 to 1992, Ms. Perkins held a variety of positions at Bain & Company, a strategy consulting firm. Ms. Perkins currently serves as a director of Project Hope, a not-for-profit social service company. Ms. Perkins received a B.S. in Chemical Engineering from Villanova University and an M.B.A. from Harvard Business School. We believe Ms. Perkins' qualifications to serve on our board of directors include her extensive experience as a senior business executive in the biopharmaceutical industry, including as our President and Chief Executive Officer, and her expertise in corporate strategy and business operations.

**Norman C. Selby**, age 61, has served as a member of our board of directors since March 2012. Mr. Selby has served as a Senior Advisor of Perseus, L.L.C., a merchant bank and private equity fund management company, since August 2005 and as executive chairman of Real Endpoints, LLC, a healthcare information company focused on the changing landscape of reimbursement, since October 2010. Previously, Mr. Selby was President and CEO of TransForm Pharmaceuticals, Inc., a privately held specialty pharmaceutical company that was acquired by Johnson & Johnson in April 2005. Prior to TransForm Pharmaceuticals, Mr. Selby was an Executive Vice President at Citigroup/Citicorp from 1997-2000. Mr. Selby spent the bulk of his career at McKinsey & Company where he was Director (Senior Partner) in the firm's New York office. He held several leadership roles at McKinsey, including head of the firm's Global Pharmaceuticals and Medical Products

---

**Table of Contents**

Practice. From 1987-1989, Mr. Selby took a leave of absence from McKinsey to serve as Chief Operating Officer of the New York Blood Center, the largest community blood organization in the country, where he led its financial and operational turnaround. Mr. Selby is currently a member of the board of directors of the following privately held companies: Ascenta Therapeutics, Inc., a biopharmaceutical company; Physicians Interactive Holdings, Inc., a provider of online and mobile clinical resources and solutions; Real Endpoints, LLC, a healthcare information company; Merz GmbH, a specialty pharmaceutical company; and Metamark Genetics, a life science diagnostics company. Mr. Selby served as a director of Nanobio, Inc., a privately held biopharmaceutical company, between August 2006 and October 2011, Millennium Pharmaceuticals, Inc., a publicly traded biopharmaceutical company from May 2000 until it was acquired by Takeda Pharmaceutical Company Limited in May 2008, and Windhover Information, a publishing and information company in the pharmaceutical, biotechnology, and medical device industries, from May 2004 until it was sold to Reed Elsevier in March 2008. Mr. Selby serves on the Board of Trustees of the Central Park Conservancy, the Memorial Sloan-Kettering Cancer Center, and the Ralph Lauren Center for Cancer Care and Prevention, all based in New York City. He is also a member of the advisory board of the Harvard Business School's Healthcare Initiative and a Board member of the National Parks Conservation Association in Washington D.C. Mr. Selby holds a B.A. in Architecture from Yale College and an M.B.A. with Distinction from the Harvard Graduate School of Business Administration. We believe Mr. Selby's qualifications to serve on our board of directors include his extensive experience as a senior business executive in the biopharmaceutical industry, and his expertise in corporate strategy, finance, and commercialization of biopharmaceutical products.

**Ian F. Smith**, age 47, has served as a member of our board of directors since May 2008. Mr. Smith is Executive Vice President and Chief Financial Officer of Vertex Pharmaceuticals, Inc., a position he has held since February 2006. From November 2003 to February 2006, he was Vertex's Senior Vice President and Chief Financial Officer, and from October 2001 to November 2003, he served as Vertex's Vice President and Chief Financial Officer. Prior to joining Vertex, Mr. Smith served as a partner in the Life Science and Technology Practice Group of Ernst & Young LLP, an accounting firm, from 1999 to 2001. Mr. Smith initially joined Ernst & Young's U.K. firm in 1987, and then joined its Boston office in 1995. Mr. Smith currently is a member of the Board of Directors of Acorda Therapeutics, Inc., a publicly traded biopharmaceutical company. He also served as a director of Epix Pharmaceuticals, Inc., a publicly traded biopharmaceutical company, and Tolorex Inc., a privately held biopharmaceutical company, during the past five years. Mr. Smith holds a B.A. in accounting and finance from Manchester Metropolitan University, U.K., is a member of the American Institute of Certified Public Accountants and is a Chartered Accountant of England and Wales. We believe Mr. Smith's qualifications to serve on our board of directors include his experience as the chief financial officer of a publicly traded biopharmaceutical company as well as his expertise in accounting and corporate finance.

**Michael C. Venuti, Ph.D.**, age 59, has served as a member of our board of directors and the board of directors of our predecessor company since May 2003. Dr. Venuti served as the Chief Scientific Officer of NeuroTherapeutics Pharma, Inc., a privately held biopharmaceutical company from July 2011 to March 2013. Prior to NeuroTherapeutics, Dr. Venuti served as President, Chief Executive Officer and a director of iPierian, Inc., a privately held biopharmaceutical company, between June 2010 and April 2011 after joining iPierian as President and Chief Scientific Officer in February 2010. Dr. Venuti was Chief Executive Officer and Director of BioSeek, Inc., a privately held drug discovery company, from November 2007 to February 2010. Prior to that, Dr. Venuti was an Operating Manager at TPG Growth Biotech Ventures, a private equity firm, from January through June 2007. Dr. Venuti served as the Acting Chief Executive Officer of our predecessor company prior to its merger with Infinity Discovery Inc. in September 2006, and as its Chief Scientific Officer from April 2005 through September 2006. Prior to that, he was Senior Vice President of Pharmacogenomics, and was named Senior Vice President of Research and General Manager of Celera South San Francisco when the Celera Genomics Group of Applera Corporation, a life sciences company, acquired Axy's Pharmaceuticals, Inc. in 2001. From 1994 through 2001, Dr. Venuti was Director of Medicinal Chemistry, and then Chief Technical Officer, for Axy's Pharmaceuticals and its predecessor company, Arris Pharmaceutical Corporation. Dr. Venuti served as a director of BioSeek, Inc. and iPierian, Inc., privately held biopharmaceutical companies, during the last five years. Dr. Venuti received an A.B. in Chemistry from Dartmouth College and a Ph.D. in Organic Chemistry from



**Table of Contents**

the Massachusetts Institute of Technology. We believe Dr. Venuti's qualifications to serve on our board of directors include his experience and scientific expertise in running research and development operations to drive strategic and business development goals at biotechnology and larger life sciences companies.

*Our board of directors recommends that you vote FOR the election of each of  
the director nominees named above.*

## **Table of Contents**

### **CORPORATE GOVERNANCE**

#### **General**

We believe that good corporate governance is important to ensure that our company is managed for the long-term benefit of our stockholders. We periodically review our corporate governance policies and practices and compare them to those suggested by various authorities in corporate governance and the practices of other public companies. As a result, we have adopted policies and procedures that we believe are in the best interests of Infinity and our stockholders.

#### **Corporate Governance Guidelines; Code of Conduct and Ethics**

Our Corporate Governance Guidelines assist our board of directors in the exercise of its duties and responsibilities and to serve the best interests of Infinity and our stockholders. These guidelines, which provide a framework for the conduct of our board's business, provide that:

the principal responsibility of the directors is to oversee our management;

a majority of the members of the board shall be independent directors, unless otherwise permitted by NASDAQ rules;

the independent directors meet at least twice a year and at other times at the request of any independent director;

directors have full and free access to management and, as necessary and appropriate, independent advisors; and

at least annually, the Nominating and Corporate Governance Committee oversees a self-evaluation by the board and its committees to assess the effectiveness of the board and its committees.

In addition, our corporate governance guidelines set forth our policy that directors should attend annual stockholder meetings. All of the directors attended our 2012 annual meeting of stockholders, except for Messrs. Lee and Smith and Drs. Fyfe and Lander.

We have also adopted a written Code of Conduct and Ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer, or persons performing similar functions. In addition to our having posted a copy of the code on our website, we intend to post on our website all disclosures that are required by law or the NASDAQ Stock Market listing standards concerning any amendments to, or waivers of, our code.

#### **Determination of Independence**

Under applicable NASDAQ rules, a director will only qualify as an independent director if, in the opinion of our board of directors, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our board of directors has determined that none of Messrs. Babler, Lee, Selby or Smith, or Drs. Evnin, Fyfe, Lander, or Lynch, or Venuti has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is or would be an independent director as defined under Rule 5605(a)(2) of the NASDAQ Marketplace Rules.

#### **Director Candidates: Criteria and Diversity**

In considering whether to recommend to our board of directors any particular candidate for inclusion in the board's slate of recommended director nominees, including candidates recommended by stockholders, the Nominating and Corporate Governance Committee of our board applies the criteria set forth in our Corporate Governance Guidelines. These criteria include the candidate's integrity, business acumen, knowledge of our business and industry, experience, diligence, conflicts of interest and the ability to act in the interests of all stockholders. The Nominating and Corporate Governance Committee does not assign specific weights to



## **Table of Contents**

particular criteria, and no particular criterion is a prerequisite for each nominee. We believe 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. While we do not have a formal policy with respect to diversity, the value of diversity on the board of directors is considered by the Nominating and Corporate Governance Committee, and director nominees are not discriminated against on the basis of race, gender, religion, national origin, sexual orientation, disability or any other basis proscribed by law.

The process followed by the Nominating and Corporate Governance Committee to identify and evaluate candidates includes requests to independent directors and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates, and interviews of selected candidates by members of the board.

Stockholders may recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of our common stock for at least a year as of the date such recommendation is made, to the Nominating and Corporate Governance Committee, c/o Lawrence E. Bloch, M.D., J.D., Company Secretary, Infinity Pharmaceuticals, Inc., 780 Memorial Drive, Cambridge, Massachusetts 02139. Assuming that appropriate biographical and background material is provided for candidates recommended by stockholders, the Nominating and Corporate Governance Committee will evaluate those candidates by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by others.

Our stockholders also have the right to nominate director candidates themselves, without any prior review or recommendation by the Nominating and Corporate Governance Committee, by following the procedures set forth in response to the question *How and when may I submit a stockholder proposal, including a stockholder nomination for director, for the 2014 annual meeting?* above.

## **Communications from Stockholders**

Our board of directors will give appropriate attention to written communications that are submitted by stockholders and other interested parties, and will respond if and as appropriate. Dr. Evnin, as our current Lead Outside Director, is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he considers appropriate.

Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the Lead Outside Director considers to be important for the directors to know. In general, communications relating to corporate governance and corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances, and matters as to which we tend to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the board of directors should address such communications to Board of Directors, c/o Lawrence E. Bloch, M.D., J.D., Company Secretary, Infinity Pharmaceuticals, Inc., 780 Memorial Drive, Cambridge, MA 02139, or by email to [contactboard@infi.com](mailto:contactboard@infi.com).

## **Board and Committee Meetings**

Our board of directors has responsibility for reviewing our overall performance rather than for overseeing day-to-day operations. The board's primary responsibility is to oversee the management of our company and, in so doing, serve the best interests of our company and its stockholders. The board selects, evaluates and provides for the succession of executive officers and, subject to oversight by the Nominating and Corporate Governance Committee, the board nominates for election at annual stockholder meetings individuals to serve on our board of

**Table of Contents**

directors and elects individuals to fill any vacancies on the board. The board reviews corporate objectives and strategies, and evaluates and approves significant policies and proposed major commitments of corporate resources and material proposed transactions. It participates in decisions that have a potential major economic impact on our company. Management keeps the directors informed of our activities through regular written reports and presentations at board and committee meetings.

Our board of directors met 16 times during our 2012 fiscal year, including by telephone conference. During that year, each of our directors attended 75% or more of the total number of meetings of the board of directors and the committees on which he or she served, except for Drs. Fyfe, Lander, Lynch and Tananbaum.

Our board has standing Audit, Compensation, Nominating and Corporate Governance, and Research and Development Committees. Each committee has a charter that has been approved by the board. Each committee must review the appropriateness of its charter and perform a self-evaluation at least annually. All members of the Audit, Compensation and Nominating and Corporate Governance Committees are independent, non-employee directors. Current committee memberships are shown in the table below:

	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Research and Development Committee
<b>Martin Babler</b>				
<b>Anthony B. Evnin, Ph.D.</b>				
<b>Gwen A. Fyfe, M.D.</b>				
<b>Eric S. Lander, Ph.D.</b>				
<b>Patrick P. Lee</b>				
<b>Thomas J. Lynch, M.D.</b>				
<b>Adelene Q. Perkins</b>				
<b>Norman C. Selby</b>				
<b>Ian F. Smith</b>				
<b>Michael C. Venuti, Ph.D.</b>				

Lead Outside Director

Chair of the Board

Committee Chair

Committee Member

***Board Leadership Structure***

Our Corporate Governance Guidelines provide the Board with flexibility to determine the appropriate leadership structure for the Board and the Company, including but not limited to whether it is appropriate to separate the roles of Chair of the Board and Chief Executive Officer. In making these determinations, the Board considers numerous factors, including the specific needs and strategic direction of the Company and the size and membership of the Board at the time. The Board believes that combining the roles of Chief Executive Officer and Chair of our board of directors is in the best interests of the Company and stockholders. As our Chief Executive Officer and Chair of the Board, Ms. Perkins is responsible for setting the strategic direction for our company and for day-to-day leadership and performance of our company, as well as setting the agenda for board meetings, and presiding over meetings of the full board. Because Ms. Perkins is an employee and is therefore not independent, our board of directors has appointed Dr. Evnin as Lead Outside Director to preside at all executive sessions of the board. The Nominating and Corporate Governance Committee evaluates our board leadership structure from time to time and may recommend alterations of this structure in the future.

## **Table of Contents**

### ***Audit Committee***

The Audit Committee provides the opportunity for direct contact between our independent registered public accounting firm and the board, and has the following principal duties:

appointing, approving the services provided by and the compensation of, and assessing the independence of our independent registered public accounting firm;

overseeing the work of our independent registered public accounting firm, including through the receipt and consideration of certain reports from the firm;

reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;

monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;

overseeing our internal control function;

discussing our risk management policies;

establishing policies regarding hiring employees from the independent registered public accounting firm and procedures for the receipt and retention of accounting related complaints and concerns;

meeting independently with our internal control staff, independent registered public accounting firm and management; and

preparing the Audit Committee report required by SEC rules (which is included beginning on page 20 of this proxy statement).

The Audit Committee is authorized to retain advisors and consultants and to compensate them for their services. The Audit Committee charter is available on our website, [www.infi.com](http://www.infi.com).

The current members of the Audit Committee are Messrs. Smith (Chair), Lee and Selby. Our board of directors has determined that Mr. Smith is an Audit Committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K, and that each of these members is independent as such term is defined under the applicable rules of the NASDAQ Stock Market and as is contemplated by Rule 10A-3 under the Exchange Act. The Audit Committee held five meetings during our 2012 fiscal year. See Report of the Audit Committee below. We intend to appoint another independent director to serve on the Audit Committee immediately upon Mr. Lee's retirement from the board.

### ***Compensation Committee***

Our Compensation Committee, among other things, provides recommendations to the board regarding our compensation programs, and has the following principal duties:

## Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

reviewing and approving, or making recommendations to the board with respect to, the compensation of our Chief Executive Officer and our other executive officers;

overseeing an evaluation of our executive officers;

overseeing and administering our incentive compensation and equity-based plans that are subject to approval by the board;

reviewing and making recommendations to the board with respect to director compensation;

reviewing, discussing with management and recommending to the board the Compensation Discussion and Analysis required by SEC rules (which is included beginning on page 28 of this proxy statement); and

---

**Table of Contents**

preparing the Compensation Committee report required by SEC rules (which is included on page 45 of this proxy statement). The Compensation Committee is authorized to retain advisors and consultants, including advisors and consultants to assist in the evaluation of executive compensation, and to compensate them for their services. The Compensation Committee has not directly engaged a compensation consultant, however, our management team uses an outside compensation consultant, Towers Watson, to provide the Compensation Committee with peer group and market information to enable the Compensation Committee to confirm that our executive compensation is competitive and commensurate with the executive officers' responsibilities and to provide advice on market trends in executive compensation practices. Towers Watson also provides other services to us, which raises a potential conflict of interest with respect to both the Compensation Committee's and our use of Towers Watson. In addressing the potential conflict, management considered all of the independence factors listed Rule 10c-1(b)(4) of the Exchange Act of 1934 and determined that Towers Watson does not have a conflict of interest that will influence the advice provided by Towers Watson to the company regarding executive compensation. These factors include the following: the fact that the fees paid by the Company to Towers Watson in the most recent year reviewed totaled less than 0.01% of Towers Watson's global revenues; the existence and effectiveness of Towers Watson's consulting protocols and procedures; the lack of business or personal relationships between Towers Watson and the Compensation Committee members and our executive officers; and the fact that Towers Watson does not own any of our stock.

The Compensation Committee charter is available on our website, [www.infi.com](http://www.infi.com). See Compensation of Executive Officers Compensation Discussion and Analysis below for additional information concerning the Compensation Committee's role, processes and procedures in overseeing executive compensation.

The current members of the Compensation Committee are Messrs. Babler (Chair) and Selby and Dr. Evnin. Our board has determined that each of these members is independent as defined under the applicable NASDAQ rules. The Compensation Committee held 11 meetings during our 2012 fiscal year. See Compensation of Executive Officers Compensation Committee Report below.

***Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee, among other things, provides recommendations to the board regarding the nomination of directors, and has the following principal duties:

recommending to the board the persons to be nominated for election as directors at any meeting of stockholders and the persons, if any, to be elected by the board to fill any vacancies on the board;

developing and recommending corporate governance principles to the board; and

overseeing the annual evaluation of the board and its committees.

The Nominating and Corporate Governance Committee is authorized to retain advisors and consultants and to compensate them for their services. The Nominating and Corporate Governance Committee has a charter, which is available on our website, [www.infi.com](http://www.infi.com).

The current members of the Nominating and Corporate Governance Committee are Drs. Evnin (Chair), Lander and Fyfe. Our board of directors has determined that each of these members is independent as defined under the applicable NASDAQ rules. The Nominating and Corporate Governance Committee held 5 meetings during our 2012 fiscal year.

***Board's Role in Risk Oversight***

Our board of directors' role in our risk oversight process includes receiving regular reports from members of management on areas of material risk, including operational, financial, legal and regulatory, and strategic and



## **Table of Contents**

reputational risks. The full board (or the appropriate committee in the case of risks that are under the purview of a particular committee) receives these reports from the appropriate risk owner within our company to enable it to understand our risk identification, management and mitigation strategies. When a committee receives such a report, the chair of the relevant committee summarizes such report for the full board during the next board meeting. This process enables to the board and its committees to coordinate the risk oversight role, particularly with respect to risk interrelationships. As part of its charter, the Audit Committee is responsible for discussing our policies with respect to risk assessment and risk management.

### ***Risk Considerations in our Compensation Program***

We and our Compensation Committee of our board of directors have reviewed the compensation policies and practices for all of our employees (whom we call citizen-owners) and have concluded that any risks arising from our compensation policies and programs are not reasonably likely to have a material adverse effect on our company or business. In reaching this conclusion, we and the Compensation Committee considered various factors, including the following:

the establishment of base salaries consistent with our executive officers' responsibilities and market comparables to ensure that our executive officers would not be motivated to take excessive risks to achieve a reasonable level of financial security;

the mix between fixed and variable, annual and long-term, and cash and equity compensation, which is intended to encourage strategies and actions that are in our company's long-term best interests;

vesting periods for equity compensation awards that reward sustained stock price appreciation;

the evaluation of company performance (which drives the amount of cash and number of shares available for grant under our contingent cash compensation and annual merit stock option programs, respectively) based on a variety of long- and short-term objectives in which no single objective is given substantial weight, thus diversifying the risk associated with any single indicator of performance; and

the discretion available to our Compensation Committee not to apply fixed formulae in assessing our company performance, thus enabling the Compensation Committee to, among other things, (a) eliminate the potential incentive for management to conduct activities that are in the company's annual goals, but which may not, due to new data or other inputs, ultimately prove to be in the best interest of stockholders, and (b) reward management for making decisions that are in the long-term best interest of our product development programs, even when those decisions result in the failure to meet short-term objectives.

### ***Availability of Corporate Governance Materials***

You can access the current charters for the Audit, Compensation, Nominating and Corporate Governance and Research and Development Committees of our board of directors, our Corporate Governance Guidelines, and our Code of Conduct and Ethics at [www.infi.com](http://www.infi.com) or by contacting Jaren Irene Madden in our investor relations department. She may be reached at 780 Memorial Drive, Cambridge, Massachusetts 02139; telephone: 617-453-1336; e-mail: [irpr\\_info@infi.com](mailto:irpr_info@infi.com).

### **Audit Committee Report**

The Audit Committee has reviewed our audited financial statements for the fiscal year ended December 31, 2012 and has discussed these financial statements with our management and Ernst & Young LLP, our independent registered public accounting firm.

The Audit Committee has also received from, and discussed with, Ernst & Young LLP various communications that our independent registered public accounting firm is required to provide to the Audit Committee, including the matters required to be discussed by U.S. Auditing Standards Section 380.



**Table of Contents**

The Audit Committee has received the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding an independent accountant's communications with the audit committee concerning independence, and has discussed with Ernst & Young LLP its independence from Infinity.

Based on its discussions with management and the independent registered public accounting firm, and its review of the representations and information provided by management and the independent registered public accounting firm, the Audit Committee recommended to our board of directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2012.

By the Audit Committee of the Board of Directors,

Ian F. Smith (Chair)

Patrick P. Lee

Norman C. Selby

**Audit Fees**

The following table summarizes the fees of Ernst & Young LLP billed to us for each of the last two fiscal years:

Fee Category	Fiscal Year ended December 31,	
	2012	2011
Audit Fees(1)	\$ 679,500	\$ 415,038
Audit-Related Fees(2)	1,995	1,995
Tax Fees(3)	57,434	50,992
Total Fees	\$ 738,929	\$ 468,025

- (1) Audit fees consist of fees for the audit of our financial statements, the review of the interim financial statements included in our quarterly reports on Form 10-Q, preparation of comfort letters and registration statements, accounting and consultation on matters addressed during the audit or interim reviews, including consultation regarding licensing activities, and other professional services provided.
- (2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit and the review of our financial statements and which are not reported under Audit Fees. These services primarily relate to a subscription to an online database managed by Ernst & Young LLP.
- (3) Tax fees consist of fees for tax compliance, tax advice and tax planning services. These services primarily relate to preparation of state and federal tax returns. For our 2011 fiscal year, tax fees include analysis by Ernst & Young LLP related to state and federal tax incentive awards and section 382 of the Internal Revenue Code of 1986.

**Pre-Approval Policies and Procedures**

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. This policy generally provides that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to the pre-approval procedures described below.

From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided to us by our independent registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

The Audit Committee has delegated authority to the Chair of the Audit Committee to pre-approve any audit or non-audit service to be provided to us by our independent registered public accounting firm. Any approval of services by the Chair of the Audit Committee pursuant to this delegated authority must be reported on at the next meeting of the Audit Committee.



**Table of Contents**

During our 2012 fiscal year, no services were provided to us by Ernst & Young LLP or any other accounting firm other than in accordance with the pre-approval policies and procedures described above.

**Director Compensation**

The following table details the total compensation earned by our non-employee directors during our 2012 fiscal year:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Martin Babler	\$ 38,500		\$ 58,880(2)				\$ 97,380
Steven H. Holtzman	\$ 72,500		\$ 132,480(3)				\$ 204,980
Anthony B. Evnin, Ph.D.	\$ 60,500		\$ 117,760(4)				\$ 178,260
Gwen A. Fyfe, M.D.	\$ 26,500		\$ 94,860(5)				\$ 121,360
Eric S. Lander, Ph.D.	\$ 25,500		\$ 44,160(6)				\$ 69,660
Patrick P. Lee	\$ 32,000		\$ 44,160(7)				\$ 76,160
Arnold J. Levine, Ph.D.(8)	\$ 4,500						\$ 4,500
Thomas J. Lynch, M.D.	\$ 27,500		\$ 44,160(9)				\$ 71,660
Norman C. Selby	\$ 31,000		\$ 94,860(10)				\$ 125,860
Ian F. Smith	\$ 36,000		\$ 73,600(11)				\$ 109,600
James B. Tananbaum, M.D.(12)	\$ 4,500						\$ 4,500
Michael C. Venuti, Ph.D.	\$ 39,500		\$ 73,600(13)				\$ 113,100

- (1) The amounts in this column reflect the aggregate grant date fair value of awards made to such individual.
- (2) Mr. Babler was granted two option awards on May 16, 2012 that had grant date fair values of \$44,160 and \$14,720. As of December 31, 2012, Mr. Babler did not hold any stock awards, but held options to purchase 40,375 shares of our common stock.
- (3) Mr. Holtzman was granted two option awards on May 16, 2012 that had grant date fair values of \$44,160 and \$88,320. Mr. Holtzman retired from the board effective November 2, 2012. As of December 31, 2012, Mr. Holtzman did not hold any stock awards but held options to purchase an aggregate of 240,265 shares of our common stock.
- (4) Dr. Evnin was granted two option awards on May 16, 2012 that had grant date fair values of \$44,160 and \$73,600. As of December 31, 2012, Dr. Evnin did not hold any stock awards, but held options to purchase an aggregate of 44,125 shares of our common stock. For purposes of this footnote, 294,071 shares of our common stock held by entities affiliated with Venrock, which are identified as being beneficially owned by Dr. Evnin in the table entitled "Stock Ownership of Certain Beneficial Owners and Management" above, have not been treated as stock awards.
- (5) Dr. Fyfe was granted an option award on March 8, 2012 that had a grant date fair value of \$50,700 and an option award on May 16, 2012 that had a grant date fair value of \$44,160. As of December 31, 2012, Dr. Fyfe did not hold any stock awards, but held options to purchase an aggregate of 16,000 shares of our common stock.
- (6) Dr. Lander was granted an option award on May 16, 2012 that had a grant date fair value of \$44,160. As of December 31, 2012, Dr. Lander held stock awards representing an aggregate of 72,939 shares of our common stock (including 11,051 shares of our common stock held by a trust for which Dr. Lander serves as trustee) and options to purchase an aggregate of 53,585 shares of our common stock. For purposes of this footnote, 9,819 shares of common stock held by Dr. Lander that were obtained upon the conversion of shares of preferred stock of our predecessor company in the reverse merger with such predecessor company have not been treated as stock awards.
- (7) Mr. Lee was granted an option award on May 16, 2012 that had a grant date fair value of \$44,160. As of December 31, 2012, Mr. Lee did not hold any stock awards, but held options to purchase 57,000 shares of our common stock.
- (8) Dr. Levine retired from our board effective May 15, 2012 and did not receive any option awards during the fiscal year ended December 31, 2012. As of December 31, 2012, Dr. Levine did not hold any stock awards, but held options to purchase an aggregate of 31,875 shares of our common stock.
- (9) Dr. Lynch was granted an option award on May 16, 2012 that had a grant date fair value of \$44,160. As of December 31, 2012, Dr. Lynch did not hold any stock awards, but held options to purchase 27,000 shares of our common stock.
- (10) Mr. Selby was granted two option awards on May 16, 2012 that had grant date fair values of \$44,160 and \$50,700. As of December 31, 2012, Mr. Selby did not hold any stock awards, but held options to purchase 8,500 shares of our common stock.
- (11) Mr. Smith was granted two option awards on May 16, 2012 that had grant date fair values of \$44,160 and \$29,440. As of December 31, 2012, Mr. Smith did not hold any stock awards, but held options to purchase 51,875 shares of our common stock.
- (12) Dr. Tananbaum retired from our board effective May 15, 2012 and did not receive any option awards during the fiscal year ended December 31, 2012. As of December 31, 2012, Dr. Tananbaum held stock awards representing an aggregate of 134,690 shares of our common stock (which stock awards were held entirely through a trust for which he serves as trustee and has voting and investment power) and did not hold any option awards.

## Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

- (13) Dr. Venuti was granted two option awards on May 16, 2012 that had grant date fair values of \$44,160 and \$29,440. As of December 31, 2012, Dr. Venuti held stock awards representing an aggregate of 50,000 shares of our common stock and options to purchase an aggregate of 79,375 shares of our common stock.

**Table of Contents**

No changes in director compensation were made during our 2012 fiscal year. No director who is an employee receives compensation for his or her service as a director. The following is a summary of the standard compensation of our non-employee directors as of December 31, 2012:

a \$60,000 annual retainer for service as a non-executive chair of our board of directors;

a \$15,000 annual retainer for service as a director;

a \$25,000 annual retainer for service as lead outside director;

a \$10,000 annual retainer for service as chair of the Audit Committee;

a \$10,000 annual retainer for service as chair of the Research and Development Committee;

a \$5,000 annual retainer for service as chair of the Compensation Committee;

a \$5,000 annual retainer for service as chair of the Nominating and Corporate Governance Committee;

\$1,500 for each board meeting attended in person;

\$500 for each board meeting attended by telephone; and

\$500 for each meeting of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee or Research and Development Committee attended in person or by telephone, except that members of our Research and Development Committee who attend our annual program review meetings in his or her capacity as a director are compensated at a rate of \$1,500 per day.

In March 2013, our board of directors approved the following director cash compensation program, effective as of immediately following our 2013 annual meeting:

a \$40,000 annual retainer for service as a non-executive chair of our board of directors;

a \$35,000 annual retainer for service as a director;

a \$30,000 annual retainer for service as lead outside director;

a \$15,000 annual retainer for service as chair of the Audit Committee;

## Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

a \$10,000 annual retainer for service as chair of the Research and Development Committee;

a \$10,000 annual retainer for service as chair of the Compensation Committee;

a \$10,000 annual retainer for service as chair of the Nominating and Corporate Governance Committee;

a \$10,000 annual retainer for service as a non-chairing member of the Audit Committee;

a \$7,500 annual retainer for service as a non-chairing member of a committee of the board other than the Audit Committee.

Each non-employee director is also reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the board of directors or any committee of the board of directors.

In addition to the cash compensation discussed above, non-employee directors automatically receive nonstatutory stock options under our 2010 Stock Incentive Plan. The amounts of such nonstatutory stock option grants, which were increased in March 2013, are as follows:

each non-employee director receives, upon commencement of service on the board, a nonstatutory option to purchase 30,000 shares of our common stock and, on the date of each annual meeting of stockholders thereafter, a nonstatutory option to purchase 15,000 shares of our common stock; and



**Table of Contents**

each non-employee director who serves in the following positions receives additional nonstatutory options to purchase shares of our common stock in the amounts indicated below upon the date of commencement of service in such position and upon the date of each annual stockholder meeting thereafter:

<b>Position</b>	<b>Stock Option Grant</b>
Non-Executive Chair of the Board of Directors	12,000 shares
Lead Outside Director	10,000 shares
Chair of Research and Development Committee	4,000 shares
Chair of Audit Committee	4,000 shares
Chair of Compensation Committee	2,000 shares
Chair of Nominating and Corporate Governance Committee, if not Lead Outside Director	2,000 shares

Each of these options has an exercise price per share equal to the fair market value per share of our common stock on the grant date and has a ten year term, subject to earlier termination following cessation of board service by the holder of the option unless otherwise modified by our board of directors. In addition, each grant vests over a period of one or two years in equal quarterly installments (with respect to one-eighth (1/8<sup>th</sup>) of the shares subject to the option grant made in connection with commencement of service as a member of the board and with respect to one-fourth (1/4<sup>th</sup>) of the shares subject to the option grant made at each annual meeting of stockholders) beginning at the end of the first calendar quarter after the date of grant, provided that the option holder continues to serve as a director or in the position for which the grant was made. These options immediately vest in full upon certain changes in control or ownership or upon death or disability of the option holder while serving as a director.

---

**Table of Contents**

**TRANSACTIONS WITH RELATED PERSONS**

In November 2008, we entered into strategic alliance agreements with each of Mundipharma International Corporation Limited, or Mundipharma, and Purdue Pharmaceutical Products L.P., or Purdue, independent associated companies of Beacon Company, or Beacon, and Rosebay Medical Company L.P., or Rosebay. In connection with the entry into the strategic alliance agreements, we also entered into a securities purchase agreement and line of credit agreement with Purdue and its independent associated company, Purdue Pharma L.P., or PPLP. The line of credit agreement was subsequently assigned exclusively to PPLP.

Under the terms of the securities purchase agreement we issued and sold an aggregate of 6,000,000 shares of our common stock and warrants to purchase up to an aggregate of 6,000,000 additional shares of our common stock to Purdue and PPLP for an aggregate purchase price of \$75 million. An equal number of shares of common stock and warrants were issued to Purdue and PPLP. Immediately after such issuance, these securities represented approximately 37.3% of our then outstanding common stock, assuming exercise of such warrants. All of the securities initially issued to Purdue and PPLP were subsequently transferred through their respective associated entities Beacon and Rosebay. All warrants held by Beacon and Rosebay to purchase shares of our common stock have expired without having been exercised.

On July 17, 2012, we terminated our strategic alliance with Mundipharma and Purdue and entered into termination and revised relationship agreements with each of those entities, which we refer to as the 2012 termination agreements.

Under the terms of the 2012 termination agreements:

All intellectual property rights that we had previously licensed to Mundipharma and Purdue to develop and commercialize products under the previous strategic alliance agreements terminated, with the result that we have worldwide rights to all product candidates that had previously been covered by the strategic alliance.

We have no further obligation to provide research and development services to Mundipharma and Purdue as of July 17, 2012.

Mundipharma and Purdue have no further obligation to provide research and development funding to us. Under the alliance, Mundipharma was obligated to reimburse us for research and development expenses we incurred, up to an annual aggregate cap for each alliance program other than products targeting fatty acid amide hydrolase, or FAAH.

We are obligated to pay Mundipharma and Purdue a four percent royalty in the aggregate (subject to reduction as described below), on worldwide net sales of products that were covered by the alliance until such time as they have recovered approximately \$260 million, representing the research and development funding paid to us for research and development services performed by us through the termination of the strategic alliance. After this cost recovery, our royalty obligations to Mundipharma and Purdue will be reduced to a one percent royalty on net sales in the United States of products that were previously subject to the strategic alliance. All payments are contingent upon the successful commercialization of products subject to the alliance that are subject to significant further development.

Royalties are payable under these agreements until the later to occur of the last-to-expire of specified patent rights and the expiration of non-patent regulatory exclusivities in a country, provided that if royalties are payable solely on the basis of non-patent regulatory exclusivity, each of the royalty rates is reduced by 50%. In addition, royalties payable under these agreements after Mundipharma and Purdue have recovered all research and development expenses paid to us are subject to reduction on account of third party royalty payments or patent litigation damages or settlements which might be required to be paid by us if litigation were to arise, with any such reductions capped at 50% of the amounts otherwise payable during the applicable royalty payment period.

---

## **Table of Contents**

### *Line of Credit Agreement*

The line of credit agreement with PPLP provided for the borrowing by us of one or more unsecured loans up to an aggregate maximum principal amount of \$50 million. In November 2011, we borrowed \$50 million under this line of credit. On September 7, 2012, upon completion of the sale and issuance of common stock to PPLP under the 2012 securities purchase agreement described below, the line of credit agreement with PPLP terminated in its entirety, and approximately \$51.0 million in principal and interest owed to PPLP under the line of credit agreement was extinguished.

### *2012 Securities Purchase Agreement*

On July 17, 2012, in connection with the termination of the strategic alliance with Mundipharma and Purdue, we executed a securities purchase agreement with PPLP, which we refer to as the 2012 securities purchase agreement, under which we agreed to sell and issue 5,416,565 shares of our common stock to PPLP and two entities associated with PPLP, which we collectively refer to as the BRP entities, at a price of \$14.50 per share for an aggregate consideration of approximately \$78.5 million. The consideration was composed of the extinguishment of approximately \$51.0 million in principal and interest owed to PPLP under the line of credit agreement and \$27.5 million in cash. We completed the sale and issuance on September 7, 2012 at which time the line of credit agreement with PPLP terminated in its entirety. As described below, on April 11, 2013, we entered into a letter agreement with the BRP entities, pursuant to which the 2012 securities purchase agreement terminated effective as of April 16, 2013.

The 2012 securities purchase agreement provided that, at any time during the period beginning January 1, 2013 and ending December 31, 2018, in the event we proposed to make an underwritten offering of our common stock, subject to certain limitations, the BRP entities would have piggyback registration rights, which required us, at the election of the BRP entities, to use our reasonable best efforts to cause to be included in such underwritten offering, common stock then held by the BRP entities representing up to 20% of the total estimated maximum dollar amount of our common stock proposed to be sold in such underwritten offering.

In addition, the BRP entities had agreed that during the period between July 17, 2012 and December 31, 2013, if requested by us and/or the managing underwriters, placement agents or initial purchasers for any offering of our stock proposed by us during such period, not to, among other things, offer, sell or otherwise transfer or dispose of, directly or indirectly, any common stock held by the BRP entities or to enter into any agreement that transfers, in whole or in part, any of the economic consequences of ownership of any common stock held by the BRP entities, during such period as may have been requested by such managing underwriters, the placement agents or the initial purchasers, and to execute a lock-up agreement reflecting such restrictions, provided that all of our officers, directors and affiliates enter into similar agreements with equivalent terms.

The 2012 securities purchase agreement also terminated, as of July 17, 2012, all attendance rights to meetings of our board of directors held by the BRP entities.

Pursuant to the 2012 securities purchase agreement, the BRP entities and each associated company holding shares of our common stock also agreed to be present at each regular or special meeting of our stockholders held through September 6, 2017, and to vote all of their shares as recommended by our board of directors in the proxy materials mailed to our stockholders in connection with such meeting, subject to limitations specified in the 2012 securities purchase agreement with respect to certain specified actions.

### *April 2013 Offering and 2013 Termination Agreement*

On April 9, 2013, we entered into a letter agreement with the BRP Entities, referred to herein as the April 9 letter agreement, pursuant to which the parties agreed that effective upon the public announcement of the public offering and contingent upon the sale of shares by the selling stockholders in the offering: (i) we waived the existing lock-up restrictions set forth in the 2012 securities purchase agreement, but only with respect to the shares of our common stock sold by the selling stockholders in the public offering; (ii) with respect to any shares

---

**Table of Contents**

that were held by the selling stockholders and PPLP after the public offering, which we refer to as the remaining shares, the selling stockholders and PPLP agreed that with respect to such remaining shares they would not exercise, in connection with our next offering of capital stock, the piggyback registration rights described above; and (iii) any such remaining shares will be subject to a lock-up between us and the selling stockholders and PPLP through the six-month anniversary of the execution of the underwriting agreement in connection with the public offering and the selling stockholders and PPLP agreed, if so requested, pursuant to the 2012 securities purchase agreement to execute a lock-up agreement with the underwriters, placement agents or other initial purchasers in any offering of our capital stock that commences on or before December 31, 2013.

On April 10, 2013, we executed an underwriting agreement with Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC as underwriters, Beacon and Rosebay as selling stockholders, and PPLP, relating to an underwritten public offering of up to 11,416,565 shares of our common stock held by the BRP entities, referred to herein as the public offering. The public offering closed on April 16, 2013, and, as a result, the BRP entities no longer own any shares of our common stock.

On April 11, 2013, we entered into a letter agreement with the BRP entities, pursuant to which the 2012 securities purchase agreement, including the April 9 letter agreement, terminated upon the sale of all of the shares of our common stock held by the BRP entities in the public offering on April 16, 2013. The termination of the 2012 securities purchase agreement resulted in, among other things, the elimination of the piggyback registration rights of the BRP entities, the lock-up arrangements in effect with respect to the shares of our common stock held by the BRP entities, and, except with respect to our 2013 annual meeting of stockholders and to the extent the shares of our common stock sold in the public offering were held by the BRP entities on or before the record date set for the our 2013 annual meeting of stockholders, the BRP entities agreement to vote their respective shares as provided in the 2012 securities purchase agreement.

**POLICIES AND PROCEDURES FOR RELATED PERSON TRANSACTIONS**

Our board has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which we are a participant, the amount involved exceeds \$120,000, and one of our executive officers, directors, director nominees or 5% stockholders (or their immediate family members), each of whom we refer to as a related person, has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a related person transaction, the related person must report the proposed related person transaction to our Executive Vice President, Chief Financial Officer and Chief Business Officer. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by the Audit Committee. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the committee will review, and, in its discretion, may ratify the related person transaction. The policy also permits the chair of the committee to review and, if deemed appropriate, approve proposed related person transactions that arise between committee meetings, subject to ratification by the committee at its next meeting. Any related person transactions that are ongoing in nature will be reviewed annually.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the committee after full disclosure of the related person's interest in the transaction. As appropriate for the circumstances, the committee will review and consider:

the related person's interest in the related person transaction;

the approximate dollar value of the amount involved in the related person transaction;

the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of profit or loss;

whether the transaction was undertaken in the ordinary course of our business;

## **Table of Contents**

whether the terms of the transaction are no less favorable to us than terms that could have been reached with an unrelated party;

the purpose of, and the potential benefits to us of, the transaction; and

any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The committee may approve or ratify the transaction only if the committee determines that, under all of the circumstances, the transaction is not inconsistent with our best interests. The committee may impose any conditions on the related person transaction that it deems appropriate.

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, our board of directors has determined that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy:

interests arising solely from the related person's position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, and (c) the amount involved in the transaction equals less than the greater of \$200,000 dollars or 5% of the annual consolidated gross revenues of the other entity that is a party to the transaction; and

a transaction that is specifically contemplated by provisions of our charter or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the Compensation Committee in the manner specified in its charter.

## **COMPENSATION OF EXECUTIVE OFFICERS**

### **Compensation Discussion and Analysis**

This section discusses the principles underlying our policies and decisions with respect to the compensation of our executive officers who are named in the Summary Compensation Table below, or our named executive officers, and the material factors relevant to an analysis of these policies and decisions.

#### ***Executive Summary***

Our compensation program is designed to reward strong performance and align incentive awards with stockholder value creation. Awards under our contingent cash compensation and merit stock option programs are formulaically tied to the achievement of corporate goals, and we use stock options as a compensation vehicle in order to preserve our cash resources and link compensation with stockholder return. In addition, consistent with our culture of citizen-ownership, other than pursuant to our Executive Severance Benefits Plan described below under the heading *Components of Our Compensation Program and Relationship to Performance-Severance Benefits*, all employees are eligible for each element of our compensation program, and our executive officers do not receive any material perquisites or other personal benefits above those offered to all employees.

As described more fully below, our company performed in a manner that was generally in line with our performance goals set for 2012, as evidenced by:

advancement of our PI3K program, including progression of two Phase 1 studies of IPI-145 in hematologic malignancies, initiation of a Phase 2a study of IPI-145 in mild asthma, and selection of IPI-443 as our next PI3K development candidate;



## **Table of Contents**

regaining worldwide development and commercialization rights to our PI3K, FAAH and early discovery programs through effective restructuring of our strategic relationship with Mundipharma and Purdue;

strong financial management, including completion of a successful public offering in which we raised over \$88 million in gross proceeds;

timely completion of enrollment in our Phase 2 study of IPI-504 in combination with docetaxel in patients with non-small cell lung cancer; and

expansion of our internal operational capabilities through strategic hires within our senior leadership team.

As our performance evaluation cycle with respect to the determination of executive compensation ended on November 30, our company performance for 2012 did not include the completion of a successful public offering in which we raised over \$172 million in gross proceeds in December 2012 and the optimization of our relationship with Millennium: The Takeda Oncology Company and Takeda Pharmaceutical Company Limited (collectively, Millennium) through the amendment and restatement of our development and license agreement with Millennium in December 2012.

Our contingent cash compensation and merit stock option programs were funded in a manner consistent with our operating performance during 2012. Our equity compensation program has also been funded within the equity burn rate commitment made to our stockholders in 2010. No material modifications to our compensation programs were introduced in 2012, nor do we anticipate such changes in 2013, as we believe our executive compensation program continues to support our compensation philosophy. We also note that our compensation program received the support of approximately 96% of the votes cast at our 2011 annual stockholders meeting, which was the last time our compensation program was subject to a stockholder vote.

### ***Our Named Executive Officers***

Our named executive officers for 2012 were:

Adelene Q. Perkins, President and Chief Executive Officer; Chair of the Board;

Julian Adams, Ph.D., President of Research and Development;

Lawrence E. Bloch, M.D., J.D., Executive Vice President, Chief Financial Officer and Chief Business Officer;

Vito J. Palombella, Ph.D., Chief Scientific Officer; and

Pedro Santabarbara, M.D., Ph.D., Chief Medical Officer.

Dr. Bloch became a named executive officer in July 2012 following the commencement of his service as Chief Financial Officer and Chief Business Officer of Infinity.

### ***Our Compensation Objectives and Philosophy***

Our mission is to sustainably discover, develop and deliver to patients important new medicines that make a material difference in patients health, well-being and lives. The objectives of our compensation program are to:

attract, retain and motivate the highest caliber scientists and business people to develop and execute our business plan and achieve our mission;

ensure that compensation aligns our citizen-owners with our corporate strategy and business objectives;

promote the achievement of important and measurable scientific, business, organizational and operational goals by linking contingent cash compensation and long-term equity incentives to the achievement of these goals; and

align incentives with the creation of stockholder value.



## **Table of Contents**

The Compensation Committee of our board of directors is responsible for reviewing and approving, or recommending for approval to the full board, the compensation of our executive officers. This committee is also responsible for evaluating our company's performance against its goals, assessing the performance of our executive officers, and ensuring that our compensation program is both aligned with the objectives described above and competitive with those of other companies in our industry that compete with us for talent.

Our compensation program ties a substantial portion of our named executive officers' overall compensation to the achievement of scientific, business, organizational and operational goals such as:

progress in our clinical trials and research programs;

implementation of appropriate financing strategies;

addition and development of internal competencies and retention of high-performing citizen-owners; and

achievement of desired financial performance.

### ***Components of Our Compensation Program and Relationship to Performance***

The primary elements of our compensation program are:

cash compensation, which includes base salary and performance-based annual cash incentives, which we refer to as contingent cash compensation;

annual performance-based stock option awards, which we refer to as merit stock option awards;

stock option awards granted to citizen-owners upon hire and upon promotion; and

employee benefits, such as insurance, a 401(k) savings plan and severance benefits.

Each of these elements is available to all of our citizen-owners generally, although the amounts of contingent cash compensation and the size of stock option awards differ from person to person based on such citizen-owner's role, market-competitive compensation, and his or her individual performance.

We do not have any formal or informal policy or target for allocating compensation between long-term and short-term compensation, between cash and non-cash compensation, or among the different forms of non-cash compensation. Instead, the Compensation Committee, after reviewing relevant information for our compensation peer group and other relevant survey data, determines what it believes to be the appropriate level and mix of the various compensation components.

### ***Cash Compensation***

Our cash compensation program has two elements: base salary and contingent cash compensation. Base salary is used to recognize the experience, skills, knowledge and responsibilities required of each of our citizen-owners, including each of our executive officers. Contingent cash compensation is used to reward the achievement of company and individual goals. The Compensation Committee adheres to the general principle that base salary levels should be targeted between the 50<sup>th</sup> and 75<sup>th</sup> percentiles of the market, using peer group market compensation data. This peer group is described under the heading *Defining and Comparing Compensation to Market Benchmarks* below.

## Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

Under our contingent cash compensation program, the Compensation Committee establishes pools of cash available for potential award, as a percentage of aggregate payroll for all citizen-owners at specified levels of seniority, based on the committee's assessment of overall company performance. Once the aggregate amount of cash available for potential award under each such pool is established per level of seniority, such pool is allocated among all citizen-owners at that level of seniority based upon relative individual performance of each

**Table of Contents**

citizen-owner compared to the performance of his or her peers. We believe our contingent cash compensation program provides the following advantages:

it is consistent with the growing practice in the biopharmaceutical industry to provide competitive, but not excessive, base salary levels together with performance-based cash incentives;

it enables us to achieve our goal of ensuring that total cash compensation is market competitive, thus enhancing our ability to attract and retain the best possible people without increasing fixed salary expense;

it rewards both the achievement of company goals and strong individual performance in support of those goals, thus maintaining our culture of combining individual excellence and achievement with community collaboration;

it is consistent with our company's values, as all citizen-owners are eligible to participate in the program; and

it further aligns citizen-owner and stockholder interests, as a substantial percentage of our named executive officers' total compensation is dependent on the achievement of company goals.

The sum of base salary and contingent cash compensation constitutes total cash compensation. The Compensation Committee believes that the total cash compensation for our executive officers should be targeted:

below the 50<sup>th</sup> percentile of actual total cash compensation for individuals in similar positions at comparable companies for a year in which company performance is *below threshold*, or performance that neither resulted in the achievement of the stated goals for our company, nor was consistent with performance that should reasonably be expected of a biopharmaceutical company of comparable size, resources or stage of development;

near the 50<sup>th</sup> percentile of actual total cash compensation for individuals in similar positions at comparable companies for a year in which company performance *meets threshold standards*, or performance that resulted in the stated goals for our company substantially being met and which was consistent with performance that should reasonably be expected of a biopharmaceutical company of comparable size, resources and stage of development;

near the 75<sup>th</sup> percentile of actual total cash compensation for individuals in similar positions at comparable companies for a year in which company performance *meets Infinity expectations*, or performance that exceeded industry standards and met essentially all of our goals (including some stretch goals, or goals that we believe could prove difficult to achieve) and exceeded some of our goals, with any failure to achieve a major goal being the result of factors outside of our reasonable control; and

above the 75<sup>th</sup> percentile of actual total cash compensation for individuals in similar positions at comparable companies for a year in which company performance *exceeds Infinity expectations*, or performance that far exceeded industry standards and resulted in our goals largely being exceeded.

Consistent with this philosophy, the Compensation Committee established 2012 contingent cash compensation targets for our executive officers at the following percentages of aggregate payroll of citizen-owners at the specified level of seniority:

**2012 Contingent Cash Compensation Targets**

	<b>Below Threshold</b>	<b>Threshold</b>	<b>Meets Infinity Expectations</b>	<b>Exceeds Infinity Expectations (Maximum)</b>
Chief Executive Officer	0%	40%	60%	80%
President of Research and Development	0%	35%	45%	75%
Executive Vice President/ C Level Officer	0%	30%	40%	60%
Vice President/Senior Vice President	0%	20%	32.5%	50%

**Table of Contents***Stock Options*

Our equity award program is the primary vehicle for offering long-term incentives to all of our citizen-owners, including our named executive officers. We believe that equity grants are fundamental in creating a culture of citizen-ownership, providing our citizen-owners with a strong link to our long-term performance and aligning the interests of our citizen-owners and our non-employee stockholders by allowing citizen-owners to participate in the longer term success of our company as reflected in stock price appreciation. In addition, the vesting feature of our equity grants is intended to further our goal of retention because it provides an incentive for our citizen-owners, including our named executive officers, to remain in our employ during the vesting period.

Our equity awards have generally taken the form of stock options. Stock options granted to new citizen-owners upon their hire typically vest as to one-quarter of the shares on the first anniversary of the date of hire, and in equal monthly installments over the following three years. Stock options granted annually under our merit stock option program (described below) typically vest in equal monthly installments over four years. Stock options granted to citizen-owners upon promotion to a more senior position (described below) also typically vest in equal monthly installments over four years. All stock options granted under our equity incentive plans have a term of ten years; however, vesting and exercise rights cease shortly after termination of service to our company. Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares subject to such option, including no voting rights and no right to receive dividends or dividend equivalents. The exercise price for each stock option share is equal to the closing price of a share of our common stock on the date of grant. All equity-based awards made to our named executive officers are approved by the Compensation Committee.

We do not time option grants to our named executive officers in coordination with our release of material non-public information. We have not adopted stock ownership guidelines for our named executive officers, in part due to the historic stock ownership of these officers (see *Stock Ownership of Certain Beneficial Owners and Management* elsewhere in this proxy statement). We do, however, encourage all of our citizen-owners to maintain an equity position in our company.

All of our citizen-owners, including our named executive officers, are eligible to receive merit stock option grants in connection with the annual performance review process. The Compensation Committee establishes pools of stock options available for potential award to citizen-owners at specified levels of seniority, based on pre-determined fixed-share guidelines and the committee's assessment of overall company performance. Once the aggregate amount of stock options available for potential award under each such pool is established per level of seniority, such pool is allocated among all citizen-owners at that level of seniority based upon relative future potential of each citizen-owner compared to the future potential of his or her peers. The fixed-share guideline is established annually at the beginning of the plan year and is based on an assessment of peer company equity practices.

The Compensation Committee established 2012 targets for annual merit stock option awards for senior-levels of citizen-owner at the following levels in shares:

**2012 Annual Merit Stock Option Award Targets**

	<b>Below Threshold</b>	<b>Threshold</b>	<b>Meets Infinity Expectations</b>	<b>Exceeds Infinity Expectations (Maximum)</b>
Chief Executive Officer	0	130,000	162,500	214,500
President of Research & Development	0	86,000	107,500	142,000
Executive Vice President/ C Level Officer	0	40,000	60,000	80,000
Senior Vice President	0	20,000	30,000	40,000
Vice President	0	11,250	21,000	30,000

All of our citizen-owners, including our named executive officers, are also eligible to receive stock option grants in conjunction with a promotion to a more senior position. The number of stock options granted is equal to the difference obtained by subtracting the number of stock options that would be granted to such citizen-owner as

**Table of Contents**

if he or she were to be newly hired into his or her previous position from the number of stock options that would be granted to such citizen-owner if he or she were to be newly hired into his or her new position.

Our new hire stock option grant guidelines for senior levels of citizen-owner during 2012 were as follows:

	Number of Shares Underlying Options (mid-point)
Chief Executive Officer	440,000
President of Research and Development	290,000
Executive Vice President/ C Level Officer	125,000
Senior Vice President	60,000
Vice President	30,000

In determining the size of stock option awards to our named executive officers, the Compensation Committee also considers factors such as:

share ownership of comparable executive officers;

our annual company performance;

the applicable officer's individual performance;

the amount of equity previously awarded to the officer; and

the amount of equity previously awarded to the officer that remains unvested.

The Compensation Committee also evaluates the potential dilution that new stock option grants will have on the ownership interests of our stockholders, the commitment we have made to our stockholders with respect to our equity burn rate (that is, the number of shares subject to equity awards granted as a percentage of the weighted average number of shares of our common stock outstanding), and the number of shares of our common stock that are available for award under our equity incentive plan.

*Benefits and Other Compensation*

We provide a broad-based benefits program for all of our citizen-owners, including health, dental and vision insurance, life and disability insurance, group insurance discounts, first-time homebuyer's assistance, educational assistance, paid sabbatical leave following five years of service, subsidized parking, and a 401(k) savings plan. Our named executive officers are eligible to participate in all of our benefit plans, in each case on the same basis as other citizen-owners. Under the company-matching feature under our 401(k) savings plan, we match 50% of each citizen-owner's contributions, up to a maximum of 6% of such citizen-owner's base salary and subject to applicable IRS limitations, to our 401(k) savings plan with shares of our common stock having a value equal to such contribution, based on the fair market value of our common stock on the last day of the quarter.

Given our objective of attracting the highest caliber talent, we often recruit talented individuals from outside of the Boston area to fill open positions. We generally provide reasonable relocation assistance to those individuals. We provided such assistance, including reimbursement for the reasonable cost of temporary housing, immigration and income tax advisory services, to Dr. Santabarbara during 2010 and 2011 in connection with his relocation from Spain. The amount of this assistance is included in the Summary Compensation Table below under the heading *All Other Compensation*.

Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

Consistent with industry practice and our philosophy of offering benefits to all of our citizen-owners generally, we have not provided any material perquisites or other personal benefits to our named executive officers.

## **Table of Contents**

### *Severance Benefits*

In 2013, we established an Executive Severance Benefits Plan, or the severance plan, which provides eligible full time executives holding the title of Executive Vice President or above certain severance benefits upon a termination without cause or a resignation for good reason including in each case within one year following a change in control, which we refer to as a covered termination. The severance plan supersedes the provisions of any agreements between any severance plan participant and the company that provide for severance benefits, including the offer letters of Ms. Perkins and Drs. Adams and Bloch. Pursuant to the severance plan, each executive who is subject to a covered termination is entitled to:

continuation of such executive's monthly base salary for the twelve-month period following termination;

payment by us of a portion of the cost of COBRA continuation of benefits coverage for the executive and his or her applicable dependents for the twelve-month period following such termination or until the executive commences new employment and is eligible for new plan coverage, if sooner, subject to certain conditions set forth in the severance plan;

reasonable outplacement benefits for up to six months at the discretion of the severance plan's administrator or until the executive commences new employment, if sooner;

any unpaid annual bonus in respect to any completed bonus period which has ended prior to the date of the executive's termination and which our board of directors deems granted to the executive in its discretion pursuant to our contingent compensation program;

at the sole discretion of the severance plan's administrator, the prorated amount of any minimum bonus award approved by the Compensation Committee of the Board for the year in which the covered termination occurs; and

immediate vesting of the portion of any outstanding equity awards of the executive which would have vested within the one (1) year-period following such covered termination.

We believe providing these benefits enhances our ability to attract and retain executive talent. Based on a review by Towers Watson, consultant to our Compensation Committee, of practices of comparable companies, we believe that our severance benefits are generally in line with severance packages offered to executives by such companies.

We have structured severance benefits following a change in control as "double trigger" benefits. This means that benefits are paid upon (1) a change in control, or the first trigger, and (2) the termination of executive during the 12-month period following the change in control, or the second trigger. We believe a "double trigger" structure maximizes stockholder value because it prevents an unintended windfall to executives in the event of a friendly change in control and provides the executive with appropriate incentives to cooperate in negotiating any change in control in which they believe they may lose their jobs.

### ***Our Performance Evaluation Process***

Our executive leadership team prepares and submits for approval by our board of directors a set of annual (based on a December 1 through November 30 year) corporate goals. These corporate goals are directed to specific scientific, business, organizational and operational objectives and represent, in many cases, "stretch" goals that may prove difficult to achieve. Most of these objectives are focused on near-term drivers of stockholder value, but given our mission to discover, develop and deliver new medicines on a sustainable basis, a significant number of our objectives are also directed to the maintenance and enhancement of the foundations for our future success. Upon approval of the overall corporate goals by our board of directors, departmental and individual goals are set by our executive leadership team focusing on contributions that facilitate the achievement of these corporate goals.



## Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

Near the end of each year, our executive leadership team evaluates company performance against the goals for that year. With respect to company performance, the executive leadership team conducts a qualitative and

**Table of Contents**

quantitative assessment of the company's overall performance against goals and determines performance at one of the following levels:

below threshold;

threshold;

meets Infinity expectations; or

exceeds Infinity expectations.

Please refer to *Components of Our Compensation Program and Relationship to Performance - Cash Compensation* above for a description of how each of these levels is defined.

This assessment by our executive leadership team is then presented to the Compensation Committee for its review. The Compensation Committee has the discretion to determine that company performance against goals was achieved at a level other than the one recommended by our executive leadership team. The Compensation Committee may review, and historically has reviewed, its assessment with our board of directors, although it is not required to do so.

In addition to evaluating company performance, we evaluate the individual contributions of each citizen-owner for the year. Each citizen-owner's evaluation begins with a written self-assessment, which is submitted to that citizen-owner's manager. In addition, each citizen-owner's manager solicits input from others within and/or outside of our company, in what is commonly referred to as a 360 review process. In the case of Ms. Perkins, our Vice President of Human Resources solicits and organizes this feedback. Based on this input, the manager then prepares a written performance review representing the manager's assessment of the citizen-owner's individual performance and future potential.

Dr. Adams prepares written performance reviews of Drs. Palombella and Santabarbara, and Ms. Perkins prepares written performance reviews of Drs. Adams and Bloch, each based on:

the applicable officer's self-assessment;

feedback received during the 360 review process from members of our executive leadership team, representative direct reports of the executive officer, and other individuals within and outside of our company from whom feedback is deemed relevant in order to make a meaningful assessment of the applicable officer's performance and areas for future development; and

the applicable manager's personal assessment.

Ms. Perkins prepares a written self-assessment and submits it to the Chair of the Compensation Committee. Additional assessments of her individual performance are obtained through feedback received from individual members of our board of directors and members of our executive leadership team and other citizen-owners with whom Ms. Perkins regularly interacts. On the basis of this feedback, the Compensation Committee conducts a subjective evaluation of Ms. Perkins' individual performance and future potential:

based on our company's performance against its goals;

in providing leadership of our company in the pursuit of these goals;

in providing mentorship to her direct reports; and

based on progress against her personal and professional development goals.

***Determining and Setting Executive Compensation***

Individual compensation decisions by the Compensation Committee are driven primarily by an assessment of company and individual performance against predetermined goals which are primarily qualitative (i.e.,

**Table of Contents**

pipeline and milestone-based) rather than an array of financial metrics. We believe that the approach taken by the Compensation Committee is appropriate given the stage of development and strategic mission of our company. We do not believe that the market capitalization of development-stage biopharmaceutical companies is generally tied to the achievement of objective financial metrics, such as net loss or loss per share; therefore, we do not believe the application of such metrics to determine compensation is appropriate, nor do we believe that the failure to apply such formulaic standards creates a misalignment between incentives and creation of stockholder value. In addition, we believe the success of our product development programs will be a function of management being responsive to new data and prioritizing long-term success over the achievement of short-term objectives. As such, we believe a compensation program that does not penalize management for failing to meet a specific short-term development objective in order to create the greatest opportunity for our product development programs to be sustainably successful in the long term creates appropriate incentives and is in the best interest of our company and its stockholders. This approach appears to be satisfactory to our stockholders given that approximately 96% of the votes cast at our 2011 annual stockholders meeting were voted in favor of the non-binding, advisory proposal on the compensation of our executive officers, which was the last time our compensation program was subject to a stockholder vote.

In addition to its assessments of company and individual performance, the Compensation Committee also considers the compensation of executives in similar roles in peer companies in setting base salary and target contingent compensation opportunity for our named executive officers.

***Defining and Comparing Compensation to Market Benchmarks***

During 2012, our compensation committee continued to engage Towers Watson for assistance in conducting a competitive compensation assessment for our executive officers. In evaluating the total compensation of our executive officers, the Compensation Committee, with the assistance of Towers Watson, established a peer group of 16 publicly traded, national and regional companies in the biopharmaceutical and biotechnology industries that was selected based on a balance of the following criteria:

companies whose market capitalization, number of employees, maturity of product development pipeline and area of therapeutic focus are similar to ours;

companies against which we believe we compete for executive talent; and

public companies based in the United States whose compensation and financial data are available in proxy statements or other public documents.

Based on these criteria, our peer group for 2012, referred to as our 2012 peer group, was comprised of the following companies:

Affymax Inc.	Astex Pharmaceuticals, Inc.	ImmunoGen Inc.
Anylam Pharmaceuticals Inc.	AVEO Pharmaceuticals, Inc.	Momenta Pharmaceuticals Inc.
Arena Pharmaceuticals Inc.	Dyax Corporation	Rigel Pharmaceuticals Inc.
ArQule Inc.	Exelixis Inc.	Synta Pharmaceuticals Corp.
Array BioPharma Inc.	Idenix Pharmaceuticals Inc.	Threshold Pharmaceuticals, Inc.
		ZioPharm Oncology, Inc.

The peer group for our named executive officers is approved by the Compensation Committee annually, and the following companies that had been included in our peer group in 2011 were removed from our 2012 peer group either because of merger & acquisition activity or based on the committee's assessment that the company's profile ceased to meet the criteria we consider when selecting our peer group: Anadys Pharmaceuticals, Inc., ARIAD Pharmaceuticals, Inc., Cytokinetics, Inc. and Micromet, Inc. In addition, Astex Pharmaceuticals, Inc. and

Threshold Pharmaceuticals, Inc. were added to the 2012 peer group on the basis of their therapeutic focus and stage of development.

## **Table of Contents**

The Compensation Committee also compared the total compensation of our executive leadership team to a broader biotechnology industry group, which, for 2012, consisted of 94 biotechnology and biopharmaceutical companies listed in the 2012 Radford Global Life Sciences Survey, with a focus on companies with 150 to 499 employees. This larger survey group included four of the companies in our 2012 peer group, among other companies. When conducting its review of our executive compensation programs, the Compensation Committee considered the compensation of our 2012 peer group and the larger survey group described above.

We believe that the compensation practices of our 2012 peer group provide us with appropriate compensation benchmarks for evaluating the compensation of our named executive officers. Notwithstanding the similarities of the 2012 peer group to Infinity, due to the nature of our business, we compete for executive talent with many companies that are larger and better established than we are or that possess greater resources than we do, as well as with prestigious academic and non-profit institutions. Other considerations, including market factors, the experience level of the executive and the executive's performance against established corporate goals and individual objectives, may require that we vary from our historic compensation practices or deviate from our general compensation philosophy under certain circumstances.

### ***2012 Contingent Compensation Decisions***

#### *2012 Company Goals and Assessment of Performance Against Those Goals*

Consistent with our goal-setting process described above, our board of directors approved the following corporate goals for 2012:

ending the year with data that justifies (1) the initiation of a registration trial or registration filing in at least one indication in 2013 and (2) further clinical development in at least one other indication

adding an additional development candidate to our portfolio;

maintaining our strong financial profile with a clear strategy for value creation;

effective management of our strategic relationship with Mundipharma and Purdue;

nurturing our integrated culture of citizen-ownership; and

maintaining excellence among all scientific, business, operational and commercial disciplines.

For purposes of evaluating performance against these goals, our board of directors approved a weighting system so that the first goal listed above would account for 65% of the assessment, and the remaining goals would account for, in the aggregate 35% of the assessment. This weighting system reflects the philosophy that advances in our clinical development programs representing near-term opportunities to create value should carry greater weight than company foundational goals.

In November 2012, our executive leadership team benchmarked its performance against the foregoing goals at the low end of the "meets Infinity expectations" level by reference to the following events:

reporting promising data from our Phase 1 study of IPI-145 in patients with advanced hematologic malignancies at the 2012 Annual Meeting of the American Society for Hematology;

## Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

commencing a Phase 2a study investigating IPI-145 in patients with mild asthma, following the completion of our Phase 1 study of IPI-145 in healthy volunteers, which was designed to enable clinical development in inflammatory conditions;

exceeding aggressive enrollment timelines for the randomized, Phase 2 clinical trial evaluating retaspimycin HCl in combination with docetaxel in patients with non-small cell lung cancer and continued progress on the investigation of a novel biomarker;

making continued progress in our Phase 1b/2 clinical trial of retaspimycin HCl in combination with docetaxel in non-small lung cancer patients with a mutation in the kRAS gene;

**Table of Contents**

regaining worldwide development and commercialization rights to our PI3K, FAAH and early discovery programs through effective restructuring of our strategic relationship with Mundipharma and Purdue;

discontinuing our Hedgehog inhibitor program;

strong financial management including the completion of a successful public offering in which we raised over \$88 million in gross proceeds,;

expanding our internal operational capabilities through strategic additions to our senior leadership team, including the addition of our Chief Financial Officer and Chief Business Officer, as well as additions to senior leadership in the scientific and regulatory functions.

As our performance evaluation cycle ended on November 30, 2012, our executive leadership team did not consider events occurring in December 2012 in its assessment of performance, including the completion of a successful public offering in which we raised over \$172 million in gross proceeds and the optimization of our relationship with Millennium through the amendment and restatement of our development and license agreement with Millennium.

The Compensation Committee agreed with the executive leadership team's assessment of performance against our company's 2012 operating goals at the low end of the "meets Infinity expectations" level, noting in particular the strong performance of the company's stock following the restructuring of the company's strategic relationship with Mundipharma and Purdue, a successful equity financing and promising clinical data from our study of IPI-145 in advanced hematologic malignancies. The Compensation Committee also agreed with management's assessment that, because of the closure of the company's Hedgehog pathway inhibitor program in the first half of 2012, it was not appropriate to assess company performance for 2012 at a level higher than the low end of "meets Infinity expectations". The committee shared its assessment of operating performance with the full board of directors, to which the full board of directors agreed.

*Contingent Cash Compensation Awards*

Based on the Compensation Committee's assessment of 2012 company performance at the low end of the "meets Infinity expectations" level, the pools for funding contingent cash compensation awards were established for our executive officers at the following percentages of aggregate payroll for citizen-owners at the specified level of seniority:

<b>Pools Available for Award</b>	<b>Number of Eligible Citizen-Owners</b>	<b>Percentage of Aggregate Payroll</b>	<b>Total Dollars</b>
Chief Executive Officer	1	54.67%	\$ 293,031
President of Research and Development	1	42.33%	191,416
Executive Vice President/ C Level Officer	3	37.33%	324,775
Vice President/Senior Vice President	13	29.17%	1,048,494

For our executive officers, the Compensation Committee then determined what percentage of the available pools should be allocated to each officer based on its assessment of such officer's individual performance based on each officer's self-assessment, feedback obtained from the 360 review process and, to the extent applicable, the written evaluation of the officer's manager. The achievements of each of our named executive officers that were considered by the Compensation Committee included:

*Ms. Perkins:* successful overall leadership over our company strategy and operations; leadership in advancing our product development portfolio and organization, including the advancement of our IPI-145 and Hsp90 programs; regaining worldwide development and commercialization rights to our PI3K, FAAH and early discovery programs through effective restructuring of our strategic relationship with Mundipharma and Purdue; overall decision making relating to our product portfolio; restructuring the organization to enable future success; completion of a successful public offering in which we raised over \$88 million in gross proceeds; cultivation of our company culture and development of members of





**Table of Contents**

our executive leadership team; effective ongoing financial management of our company; and effective interactions with our board of directors.

*Dr. Adams:* leadership in advancing our product development portfolio and R&D organization, including leading scientific and clinical development of our Phase 1 study of IPI-145 in patients; commencing a Phase 2a study investigating IPI-145 in patients with mild asthma; exceeding aggressive enrollment timelines for the randomized, Phase 2 clinical trial evaluating retaspimycin HCl in combination with docetaxel in patients with non-small cell lung cancer and continued progress on the investigation of a novel biomarker; continued progress in our Phase 1b/2 clinical trial of retaspimycin HCl in combination with docetaxel in non-small lung cancer patients with a mutation in the kRAS gene; support for evolutions in our R&D organization to enhance their operational effectiveness; active participation in the evaluation of business development opportunities; development of a strong external presence through advisory and similar activities; development of his senior staff; and development of strong relationships between our company and academic and industry leaders and clinical investigators.

*Dr. Bloch:* successfully integrating into the organization and providing strategic leadership to the corporate and business development, legal, corporate communications, and finance/accounting functions; and maintaining the financial health of the organization through the completion of a successful public offering in which we raised over \$88 million in gross proceeds.

*Dr. Palombella:* strong overall scientific contributions and leadership relating to our clinical stage and early discovery portfolio. Significant contributions to the advancement of our PI3K and Hsp90 programs including contributions to our Phase 1 study of IPI-145 in patients with advanced hematologic malignancies resulting in at the 2012 Annual Meeting of the American Society for Hematology; scientific support of all activities which enabled the commencement of a Phase 2a study investigating IPI-145 in patients with mild asthma, following the completion of our Phase 1 study of IPI-145 in health volunteers, which was designed to enable clinical development in inflammatory conditions; continued progress in our Phase 1b/2 clinical trial of retaspimycin HCl in combination with docetaxel in non-small lung cancer patients with a mutation in the kRAS gene; leadership in progressing our early discovery programs; and strong management, including the restructuring of our discovery organization.

*Dr. Santabarbara:* success in evolving our clinical development organization to enhance its operational effectiveness; leadership in initiating and executing on clinical trials across three distinct development programs during 2012 as well as ensuring enrollment in those trials ahead of/on schedule; strong support in enhancing our drug safety, medical writing and data management functions and leadership of restructuring efforts of our clinical organization; keen evaluation of business development opportunities.

Following its assessment of the individual performance of our named executive officers, the Compensation Committee determined that Ms. Perkins and Dr. Adams, as the only eligible citizen-owners in the Chief Executive Officer and President of Research and Development bands, respectively, should be awarded the entire amount in the applicable pool. The Compensation Committee also approved the allocation of awards in the Executive Vice President/ C Level Officer pool between Drs. Bloch, Palombella and Santabarbara based on Ms. Perkins and Dr. Adams assessment of the relative individual performance of the three officers, with a greater proportion being awarded to Dr. Palombella primarily as a consequence of his leadership over the advancement of our IPI-145 clinical development program in both oncology and inflammatory disease. Having joined the company in the third quarter of 2012, Dr. Bloch's award was pro-rated. As a consequence of these

**Table of Contents**

decisions, total contingent cash compensation and total cash compensation for our named executive officers were the following:

	<b>2012 Contingent Cash Compensation Award</b>	<b>2012 Total Cash Compensation</b>
Ms. Perkins	\$ 293,031	\$ 829,031
Dr. Adams	191,416	643,616
Dr. Bloch	47,500	238,564
Dr. Palombella	178,200	530,450
Dr. Santabarbara	98,700	488,950

*Annual Merit Stock Option Awards*

Based on the Compensation Committee's assessment of 2012 company performance at the low end of the "meets Infinity expectations" level, the pools for funding merit stock option awards were established for our executive officers at the following levels at the specified level of seniority:

<b>Pools Available for Award</b>	<b>Number of Eligible Citizen-Owners</b>	<b>Total Shares</b>
Chief Executive Officer	1	153,835
President of Research and Development	1	101,780
Executive Vice President/ C Level Officer	3	142,135

For our executive officers, the Compensation Committee determined what percentage of the available pools should be allocated to each officer based on its assessment of such officer's future potential. The attributes of each of our named executive officers that were considered by the Compensation Committee included the strength of their individual performance and their leadership ability in ensuring that our company's product development, portfolio management, financing and organizational strategies are successful.

Following its assessment of the future potential of our named executive officers, in January 2013, the Compensation Committee approved a stock option grant to each of our named executive officers. Each of these options have a ten-year term, ratable monthly vesting over four years, and an exercise price equal to the closing price of a share of our common stock on the NASDAQ Global Select Market on the date of grant. The specific number of shares subject to stock options granted to our named executive officers is set forth in the table below:

	<b>Number of Shares Subject to 2012 Merit Stock Option</b>
Ms. Perkins	153,835
Dr. Adams	101,780
Dr. Bloch*	32,800
Dr. Palombella	65,600
Dr. Santabarbara	43,735

\* Having joined the company in the third quarter of 2012, Dr. Bloch's merit stock option award was pro-rated.

**Table of Contents****Establishment of 2013 Compensation Targets**

Based on a review of market data provided by Towers Watson, the current compensation levels of our named executive officers, and retention considerations, in January 2013, the Compensation Committee approved merit-based salary increases for each of our named executive officers. The 2013 base salaries of each of our named executive officers are:

	<b>2013 Base Salary</b>	<b>% Increase over 2012</b>
Ms. Perkins	\$ 552,000	3.0%
Dr. Adams	465,800	3.0%
Dr. Bloch	378,800	3.0%
Dr. Palombella	366,400	4.0%
Dr. Santabarbara	398,100	2.0%

Based on a review of market data provided by Towers Watson, the 2013 base salaries of our executive officers, and retention considerations, in February 2013, the Compensation Committee set target contingent cash compensation opportunity for our executive officers at the following levels, which are unchanged from 2012:

<b>2013 Contingent Cash Compensation Targets</b>	<b>Below Threshold</b>	<b>Threshold</b>	<b>Meets Infinity Expectations</b>	<b>Exceeds Infinity Expectations (Maximum)</b>
Chief Executive Officer	0%	40%	60%	80%
President of Research and Development	0%	35%	45%	75%
Executive Vice President/ C Level Officer	0%	30%	40%	60%
Vice President/Senior Vice President	0%	20%	32.5%	50%

Finally, based on a review of market data provided by Towers Watson, the value of current long-term incentive compensation for our executive officers, retention considerations, and the impact of equity awards on stockholder dilution, in February 2013, the Compensation Committee established targets for annual merit stock option awards at the following levels, in shares, based on level of seniority and company and individual officer performance, which are unchanged from 2012:

**2013 Annual Merit Stock Option Award Targets**

	<b>Below Threshold</b>	<b>Threshold</b>	<b>Meets Infinity Expectations</b>	<b>Exceeds Infinity Expectations (Maximum)</b>
Chief Executive Officer	0	130,000	162,500	214,500
President of Research & Development	0	86,000	107,500	142,000
Executive Vice President/ C Level Officer	0	40,000	60,000	80,000
Senior Vice President	0	20,000	30,000	40,000
Vice President	0	11,250	21,000	30,000

**Accounting and Tax Considerations**

While the Compensation Committee generally considers the financial accounting and tax implications to our company of its executive compensation decisions, neither element was a material consideration in the compensation awarded to our named executive officers in 2012. For example, Section 162(m) of the Code generally disallows a tax deduction for compensation in excess of \$1.0 million paid by a public company to its chief executive officer and to each other officer (other than its chief executive officer and chief financial officer) whose compensation is required to be reported to stockholders by reason of being among the three most highly paid executive officers. Qualified performance-based compensation is not subject to the deduction limitation if specified requirements are met by us. We will periodically review the potential consequences of Section 162(m) on the various elements of our executive compensation program. Our board of directors or compensation

Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

committee may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

**Table of Contents****Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)(1)	Change in Pension Value and Non-Equity Nonqualified Incentive Deferred Plan Compensation		All Other Compensation (\$)	Total (\$)
						Compensation (\$)(2)	Earnings (\$)		
Adelene Q. Perkins, President and Chief Executive Officer(3)	2012	\$ 536,000	\$	\$	\$ 895,473	\$ 293,031	\$	\$ 8,466(4)	\$ 1,732,970
	2011	519,000			526,604	301,000		7,830(5)	1,354,434
	2010	485,000			1,278,841	247,000		7,782(6)	2,018,623
Julian Adams, Ph.D., President of R&D	2012	452,200			592,390	191,416		1806(7)	1,237,812
	2011	438,000			348,369	232,140		480(7)	1,018,989
	2010	425,000			365,383	188,700		432(7)	979,515
Lawrence E. Bloch, M.D., J.D. Executive Vice President, Chief Financial Officer and Chief Business Officer	2012	191,064	25,000		1,826,000	47,500		5,255(8)	2,094,819
Vito J. Palombella, Ph.D., Chief Scientific Officer	2012	352,250			220,125	178,200		8,466(4)	759,041
	2011	340,000			129,626	177,500		7,830(5)	654,956
	2010	310,000			609,360	128,400		7,782(6)	1,055,542
Pedro Santabarbara, M.D., Ph.D. Chief Medical Officer	2012	390,250			220,125	98,700		10,272(9)	719,347
	2011	380,000	50,000			148,800		48,767(10)	627,567
	2010	65,769	100,000		563,200			40,890(11)	769,859

- (1) The amounts in this column reflect the aggregate grant date fair value of awards made during the applicable fiscal year. See the information Note 3, Stock Based Compensation, to our consolidated financial statements, included as part of our Annual Report on Form 10-K for the year ended December 31, 2012, for assumptions made in determining these values.
- (2) The amounts in this column reflect amounts paid to each of our named executive officers under the contingent cash compensation program described in Compensation Discussion and Analysis above.
- (3) Ms. Perkins received the amounts listed above for service as our President and Chief Executive Officer and received no compensation for service as a director. During the year ended December 31, 2012, Ms. Perkins was granted option awards with the grant date fair value set forth below under the heading Grants of Plan-Based Awards Table. As of December 31, 2012, Ms. Perkins held stock awards representing an aggregate of 177,927 shares of our common stock and options to purchase an aggregate of 1,180,737 shares of our common stock. For purposes of this footnote, stock awards held by Ms. Perkins include shares of our common stock obtained upon the conversion of the common stock of Infinity Discovery, Inc. in connection with its merger with our predecessor company, but do not include shares of common stock purchased by Ms. Perkins in the open market.
- (4) Includes \$966 in life insurance premiums paid on behalf of the officer and \$7,500 in value of the shares of our common stock contributed to the officer's 401(k) plan account as a matching contribution.
- (5) Includes \$480 in life insurance premiums paid on behalf of the officer and \$7,350 in value of the shares of our common stock contributed to the officer's 401(k) plan account as a matching contribution.
- (6) Includes \$432 in life insurance premiums paid on behalf of the officer and \$7,350 in value of the shares of our common stock contributed to the officer's 401(k) plan account as a matching contribution.
- (7) Represents life insurance premiums paid on behalf of Dr. Adams.
- (8) Includes \$279 in life insurance premiums paid on behalf of Dr. Bloch and \$4,976 in value of the shares of our common stock contributed to Dr. Bloch's 401(k) plan account as a matching contribution.
- (9) Includes \$2,772 in life insurance premiums paid on behalf of Dr. Santabarbara and \$7,500 in value of the shares of our common stock contributed to Dr. Santabarbara's 401(k) plan account as a matching contribution.
- (10) Includes \$480 in life insurance premiums paid on behalf of Dr. Santabarbara, \$7,350 in value of the shares of our common stock contributed to Dr. Santabarbara's 401(k) plan account as a matching contribution and \$40,937 in relocation expenses paid on behalf of Dr. Santabarbara.
- (11) Includes \$72 in life insurance premiums paid on behalf of Dr. Santabarbara, \$1,315 in value of the shares of our common stock contributed to Dr. Santabarbara's 401(k) plan account as a matching contribution and \$39,503 in relocation expenses paid on behalf of Dr. Santabarbara.



**Table of Contents**

**Grants of Plan-Based Awards Table**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Stock Options (#)	All Other Option Awards: Number of Underlying Securities (#)	Exercise or Base Price of Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Adelene Q. Perkins	1/6/12							191,750(2)	\$ 7.93	\$ 895,473(4)	
Julian Adams, Ph.D.	1/6/12							126,850(2)	7.93	592,390(4)	
Lawrence E. Bloch, M.D., J.D.	7/23/12							200,000(3)	15.85	1,826,000(5)	
Vito J. Palombella, Ph.D.	1/6/12							47,136(2)	7.93	220,125(4)	
Pedro Santabarbara, M.D., Ph.D.	1/6/12							47,136(2)	7.93	220,125(4)	

- (1) Each of our citizen-owners, including our named executive officers, is eligible to participate in a performance-based cash bonus program. The aggregate amount available for potential award under this program to all of our citizen-owners, including our named executive officers, if any, is a function of company performance against goals; the amounts payable to each of our named executive officers, if any, are based on a subjective assessment of individual performance by the Compensation Committee. As such, threshold, target and maximum are not determinable. See Compensation Discussion and Analysis Components of our Compensation Program and Relationship to Performance Cash Compensation above.
- (2) Vested as to 1/48th of the shares on January 31, 2012 and vests as to 1/48th of the shares at the end of each calendar month thereafter.
- (3) Vests as to one quarter of the shares on July 23, 2013 and thereafter vests as to the remaining shares in equal monthly installments through July 23, 2016.
- (4) Based on a grant date fair value of approximately \$4.67 per share.
- (5) Based on a grant date fair value of approximately \$9.13 per share.

**Outstanding Equity Awards at Fiscal Year-End Table**

Name	Option Awards				Stock Awards				Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (1)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	
Adelene Q. Perkins	170,568			13.59	1/25/2017				
	117,796			9.80	12/13/2017				
	96,073			7.18	12/4/2018				
	130,000			7.18	12/4/2018				
	50,000			7.27	1/5/2019				
	249,930	91,000(1)		6.25	1/5/2020				
	3,345	80,275(2)		5.94	1/6/2021				
47,938	143,812(3)		7.93	1/6/2022					
Julian Adams, Ph.D.	200,000			13.59	1/25/2017				



Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

111,200		9.80	12/13/2017
110,000		7.18	12/4/2018
50,000		7.27	1/5/2019
88,000	16,000(1)	6.25	1/5/2020
53,105	53,105(2)	5.94	1/6/2021
31,712	95,138(3)	7.93	1/6/2022
Lawrence E. Bloch, M.D., J.D.	200,000(4)	15.85	7/23/2022

**Table of Contents**

Name	Option Awards					Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unearned Options (#)	Option Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (1)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Vito J. Palombella, Ph.D.	22,103			1.72	1/20/2014				
	33,154			2.04	5/10/2015				
	5,856			3.48	3/31/2016				
	59,709			13.59	1/25/2017				
	20,815			9.80	12/13/2017				
	35,415			7.18	12/4/2018				
	11,580	3,860(1)		6.25	1/5/2020				
	80,729	44,271(5)		7.94	5/12/2020				
	19,760	19,760(2)		5.94	1/6/2021				
	11,784	35,352(3)		7.93	1/6/2022				
Pedro Santabarbara, M.D., Ph.D.	74,133	76,667(6)		6.50	11/4/2020				
	11,784	35,352(3)		7.93	1/6/2022				

- (1) Vests in equal monthly installments on the last day of the month through December 31, 2013.
- (2) Vests in equal monthly installments on the last day of the month through December 31, 2014
- (3) Vests in equal monthly installments on the last day of the month through December 31, 2015
- (4) Vests as to one quarter of the shares on July 23, 2013 and thereafter vests as to the remaining shares in equal monthly installments through July 23, 2016.
- (5) Vests in equal monthly installments on the last day of the month through April 30, 2014.
- (6) Vested as to one quarter of the shares on November 1, 2011 and thereafter vests as to the remaining shares in equal monthly installments through October 31, 2014.

**Option Exercises and Stock Vested Table**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Adelene Q. Perkins	175,997	\$ 2,685,134		
Pedro Santabarbara, M.D.	9,200	\$ 110,308		
Julian Adams, Ph.D.				
Lawrence E. Bloch				
Vito J. Palombella, Ph.D.				

**Potential Payments upon Termination or Change in Control**

If the employment of Ms. Perkins had been terminated on December 31, 2012 under circumstances that entitled her to severance benefits, Ms. Perkins would have been entitled to receive a severance payment in the amount of \$536,000 under the terms of her offer letter. If the employment of Dr. Adams had been terminated on December 31, 2012 under circumstances that entitled him to severance benefits, Dr. Adams would have been entitled to receive a severance payment in the amount of \$226,000 under the terms of his offer letter. If the employment of

## Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

Dr. Bloch had been terminated on December 31, 2012 under circumstances that entitled him to severance benefits, Dr. Bloch would have been entitled under the terms of his offer letter to receive a severance payment equal to 12 months of his base salary, or \$375,000, payments for up to 12 months of Dr. Bloch's medical and dental health insurance premiums equal to \$42,901 in the aggregate, and acceleration of the vesting of any stock

**Table of Contents**

options that would have vested within 12 months following his termination, which as of December 31, 2012 had a value of approximately \$1,356,451. In February 2013, our compensation committee approved an Executive Severance Benefits Plan applicable to all of our named executive officers and such benefits replaced the potential payments upon a termination or change in control that our named executive officers would previously have been entitled to receive. For a discussion of the severance benefits that may become due to each of our named executive officers under the Executive Severance Benefits Plan, see Compensation of Executive Officers Compensation Discussion and Analysis Components of our Compensation Program and Relationship to Performance Severance Benefits above.

**Securities Authorized for Issuance under Equity Compensation Plans**

The following table provides information about the securities authorized for issuance under our equity compensation plans as of December 31, 2012:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1) (a)	Equity Compensation Plan Information	
		Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	5,438,761	\$ 8.73	3,579,345(2)
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>5,438,761</b>	<b>\$ 8.73</b>	<b>3,579,345</b>

(1) This table excludes an aggregate of 135,766 shares of our common stock issuable upon exercise of outstanding options granted by our predecessor company and assumed by us in connection with the reverse merger with our predecessor company. The weighted average exercise price of the excluded options is \$3.17.

(2) Consists of shares of our common stock available for future issuance under our 2010 Stock Incentive Plan.

**Compensation Committee Interlocks and Insider Participation**

The current members of the Compensation Committee of our board of directors are Messrs. Babler and Selby and Dr. Evnin. No member of the Compensation Committee was at any time during our 2012 fiscal year, or formerly, an officer or employee of ours or any subsidiary of ours, nor has any member of the Compensation Committee had any relationship with us requiring disclosure under Item 404 of Regulation S-K under the Exchange Act.

None of our executive officers has served as a director or member of the compensation committee (or other committee serving an equivalent function) of any entity that had one or more executive officers serving as a member of our board of directors or Compensation Committee.

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with our management. Based on this review and discussion, the Compensation Committee recommended to our board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

By the Compensation Committee of the Board of Directors,

Martin Babler (Chair)

Anthony B. Evnin, Ph.D.

Norman C. Selby

**Table of Contents**

**PROPOSAL 2 AMENDMENT TO 2010 STOCK INCENTIVE PLAN**

Our 2010 Stock Incentive Plan, or 2010 Plan, was approved by our board of directors on March 11, 2010 and approved by our stockholders on May 25, 2010. The 2010 Plan was adopted to replace our then-expiring 2000 Stock Incentive Plan, or 2000 Plan, and provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, or SARs, restricted stock, restricted stock units, and other stock-based and cash-based awards. At the time our 2010 Plan was approved by our stockholders, up to 3,000,000 shares of our common stock, together with up to 5,443,833 additional shares from expiring or canceled grants made under the 2000 Plan, were reserved for future issuance pursuant to the 2010 Plan.

On December 10, 2010, our board of directors adopted an amendment to the 2010 Plan to increase the size of the stock option grants made to members of our board of directors from time to time and to provide for an annual stock option grant to any individual serving as a non-employee chair of our board. On May 16, 2012, our stockholders approved a second amendment to the 2010 Plan to increase the number of shares of our common stock that may be issued pursuant to awards granted under the 2010 Plan by an additional 3,000,000 shares. On March 6, 2013 our board of directors adopted a third amendment to the 2010 Plan to increase the size of stock option grants made to members of our board from time to time and adopted, subject to stockholder approval, a fourth amendment to our 2010 Plan that would increase the number of shares of our common stock that may be issued pursuant to awards granted under the 2010 Plan by an additional 1,485,000 shares. A copy of the 2010 Plan, as amended, and the proposed Amendment No. 4 are attached to this proxy statement as Exhibit A.

As of March 31, 2013, options to purchase 3,460,220 shares of common stock were outstanding under the 2010 Plan, which options had a weighted-average exercise price of \$9.89 and a weighted-average remaining term of 8.84 years. Options to purchase 588,687 shares of common stock under the 2010 Plan had been exercised. As a result, we had 2,620,696 shares available for future grant under the 2010 Plan as of March 31, 2013. In addition, options to purchase 2,677,119 shares of common stock were outstanding under the 2000 Plan, which options had a weighted-average exercise price of \$9.01 and a weighted-average remaining term of 5.22 years.

Within the biopharmaceutical industry, equity continues to be a key component of employee compensation. We recognize that equity is a limited resource and that its allocation must be thoughtful reflecting both the need to ensure that our citizen-owners make decisions that can best create long-term stockholder value and the imperative to closely manage stockholder dilution. Our equity compensation programs are designed to balance the need to attract and retain exceptional talent in a highly competitive environment with efforts to closely monitor our equity burn rate.

We believe that we have effectively managed our equity burn rate. When we asked our stockholders to approve the 2010 Plan, our board of directors committed to our stockholders that, for the three fiscal years beginning with our 2010 fiscal year, the burn rate under the 2010 Plan would not exceed 7.31% on average, excluding equity grants assumed by us in any future merger or acquisition transaction. We have met our three-year burn rate commitment with an average burn rate of 5.38%, and a trailing three year average burn rate of 5.81%, which, importantly, are also lower than the 2013 burn rate cap of 6.70% established by Institutional Shareholder Services, Inc., or ISS, for Russell 3000 companies in our industry. Additionally, our ability to manage our equity burn rate and to align compensation to performance has been recognized by our stockholders. Our compensation program received the support of approximately 96% of the votes cast at our 2011 annual stockholders meeting.

In addition to these quantitative measures, we believe that our equity compensation program is aligned with stockholder performance using qualitative measures. Our stock option program is the primary vehicle for offering long-term incentives to our citizen-owners. All of our citizen-owners receive stock option grants upon their hire and are eligible to receive merit stock option grants in connection with our annual performance review process and with a promotion to a more senior position. We believe that broad-based equity grants are fundamental in creating a culture of citizen-ownership, providing our citizen-owners with a strong link to our

## **Table of Contents**

long-term performance and aligning the interests of our citizen-owners and our non-employee stockholders by allowing citizen-owners to participate in the longer term success of our company as reflected in stock price appreciation. In addition, the vesting feature of our equity grants is intended to further our goal of retention because it provides an incentive for our citizen-owners to remain in our employ during the vesting period.

As we continue to advance our maturing pipeline of drug candidates, we believe our success depends, in large part, upon our ability to maintain a competitive position in attracting, retaining and motivating our citizen-owners. We recognize the need to do this while simultaneously managing the impact of equity awards on our stockholders. We believe that the number of shares currently available to us for option grants and other stock-based awards under our 2010 Plan will be insufficient to satisfy our future equity compensation needs. We also believe that we have effectively balanced the competing priorities impacting our equity compensation practices and we intend to continue this practice in the future. **Accordingly, our board of directors believes approval of Amendment No. 4 to the 2010 Plan is in the best interests of our company and our stockholders and recommends a vote FOR the approval of such amendment.**

### **Description of the 2010 Plan**

The following is a brief summary of the 2010 Plan, a copy of which, along with proposed Amendment No. 4, is attached as Exhibit A to this proxy statement. The following description is only a summary of the material terms of the 2010 Plan, and is qualified in its entirety by reference to the 2010 Plan. You can request a copy of the 2010 Plan by writing to Infinity Pharmaceuticals, Inc., Attn: Investor Relations, 780 Memorial Drive, Cambridge, Massachusetts 02139. A copy of the 2010 Plan, which is attached to the electronic copy of this proxy statement filed with the SEC, also may be accessed from the SEC's home page ([www.sec.gov](http://www.sec.gov)).

#### *Number of Shares Available for Award*

As of March 31, 2013, options to purchase 3,460,220 shares of common stock were outstanding under the 2010 Plan, and 2,620,696 shares were available for future grant under the 2010 Plan plus up to an additional 2,677,119 shares of our common stock underlying outstanding awards from the 2000 Plan that expire or are canceled without the holders receiving any shares under those awards, and applying the fungible share counting rules described below. These numbers are also subject to adjustment in the event of stock splits and other similar changes in capitalization or events. Shares issued under the 2010 Plan may be authorized and unissued shares or treasury shares, or may be issued from shares that are returned to the 2010 Plan (provided that open-market purchases of shares using the proceeds from the exercise of awards do not increase the number of shares available for future grants). Shares that are tendered or withheld to pay the exercise price of an award or to satisfy tax withholding obligations are not available for issuance pursuant to new awards. Amendment No. 4 to the 2010 Plan seeks to increase the number of shares of our common stock that may be issued pursuant to awards granted under the 2010 Plan by an additional 1,485,000 shares.

The 2010 Plan uses a fungible share concept under which the awards of options and stock appreciation rights, or SARs, cause one share per share subject to such award to be removed from the available share pool, while the award of restricted stock, restricted stock units, or other stock-based awards where the price charged for the award is less than 100% of the fair market value of our common stock on the date of grant will be counted against the pool as 1.35 shares for each share subject to such award. Shares subject to awards under the 2010 and 2000 Plans that are forfeited, cancelled or otherwise expire without having been exercised or settled, or that are settled by cash or other non-share consideration, become available for issuance pursuant to a new award under the 2010 Plan and will be credited back to the pool at the same rates (described above) at which they left the plan. Shares are subtracted for exercises of SARs using the proportion of the total SAR that is exercised, rather than the number of shares actually issued.

---

**Table of Contents**

*Types of Awards*

The 2010 Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, or Code, nonstatutory stock options, SARs, restricted stock, restricted stock units and other stock-based and cash-based awards as described below.

*Incentive Stock Options and Nonstatutory Stock Options.* Optionees receive the right to purchase a specified number of shares of common stock at a specified exercise price and subject to such other terms and conditions as are specified in connection with the option grant. Subject to the limitations described below, options must be granted at an exercise price equal to or greater than the fair market value of our common stock on the date of grant. Under the 2010 Plan, options may not be granted for a term in excess of ten years. Options may not provide for the automatic grant of additional options in connection with the exercise of the original option, and options may not provide for the payment or accrual of dividend equivalents. The 2010 Plan permits the following forms of payment of the exercise price of options:

payment by cash, check or in connection with a cashless exercise through a broker;

subject to certain conditions, surrender to the company of shares of our common stock;

subject to certain conditions, net exercise in which a portion of the shares to be issued on exercise are withheld to pay the exercise price;

subject to certain conditions, any other lawful means; or

any combination of these forms of payment.

*Director Options.* The 2010 Plan provides for the automatic grant of options to members of our board of directors who are not employees. Please refer to Corporate Governance Director Compensation for a detailed discussion of these grants. Our board of directors retains the specific authority to increase or decrease the number of shares subject to such options and to grant options, SARs, restricted stock awards, restricted stock unit awards and other stock-based awards and cash-based awards in addition to or in lieu of some or all of such options.

*Stock Appreciation Rights.* A SAR is an award entitling the holder, upon exercise, to receive an amount in common stock, cash, or a combination thereof determined by reference to appreciation, from and after the date of grant, in the fair market value of a share of our common stock over the SAR's measurement price. The measurement price must be equal to or greater than the fair market value of our common stock on the date the SAR is granted. SARs may be granted independently or in tandem with a stock option. SARs may not be granted for a term in excess of ten years and may not provide for the payment or accrual of dividends.

*Restricted Stock Awards.* Restricted stock awards entitle recipients to acquire shares of our common stock, subject to the right of the company to repurchase (or to require forfeiture if issued at no cost) some or all of those shares from the recipient in the event that the conditions specified in the applicable award are not satisfied prior to the end of the restriction period established for that award. The right to receive any dividends with respect to restricted stock will be conditioned on the vesting of the award unless otherwise provided in an award agreement.

*Restricted Stock Unit Awards.* Restricted stock unit awards, or RSUs, entitle the recipient to receive shares of our common stock (or, if provided in the applicable award, cash equal to the fair market value of such shares) to be delivered at the time the award vests pursuant to the terms and conditions established by our board of directors.

*Other Stock-Based Awards and Cash-Based Awards.* Under the 2010 Plan, our board of directors has the right to grant other awards based upon our common stock, with these awards having terms and conditions determined by our board. These awards may be paid in shares of our common stock or in cash and are available to our board of directors as a form of payment in settlement of other awards granted under the plan or as payment in lieu of compensation to which the participant is otherwise entitled. Our board may also grant awards denominated in cash rather than shares of our common stock.





**Table of Contents**

*Performance Conditions.* The Compensation Committee may determine, at the time of grant, that a restricted stock award, RSU or other stock-based award granted to an officer will vest solely upon the achievement of specified performance criteria designed to qualify for deduction under Section 162(m) of the Code. The performance criteria for each such award will be based on one or more performance measures, which shall be based on the relative or absolute attainment of any combination of the following:

the entry into an arrangement or agreement with a third party for the development, commercialization, marketing or distribution of products, services or technologies, or for conducting a research program to discover and develop a product, service or technology, and/or the achievement of milestones under such arrangement or agreement, including events that trigger an obligation or payment right;

achievement of domestic and international regulatory milestones, including the submission of filings required to advance products, services and technologies in clinical development and the achievement of approvals by regulatory authorities relating to the commercialization of products, services and technologies;

the achievement of discovery, preclinical and clinical stage scientific objectives, discoveries or inventions for products, services and technologies under research and development;

the entry into or completion of a phase of clinical development for any product, service or technology, such as the entry into or completion of phase 1, 2 and/or 3 clinical trials;

the consummation of debt or equity financing transactions, or acquisitions of business, technologies and assets;

new product or service releases;

the achievement of qualitative or quantitative performance measures set forth in operating plans approved by our board of directors from time to time;

specified levels of product sales, net income, earnings before or after discontinued operations, interest, taxes, depreciation and/or amortization, operating profit before or after discontinued operations and/or taxes, sales, sales growth, earnings growth, cash flow or cash position, gross margins, stock price, market share, return on sales, assets, equity or investment;

improvement of financial ratings;

achievement of balance sheet or income statement objectives; and/or

total stockholder return.

Such performance goals may be adjusted to exclude any one or more of:

extraordinary items;

gains or losses on the dispositions of discontinued operations;

the cumulative effects of changes in accounting principles;

the writedown of any asset; and

charges for restructuring and rationalization programs.

These performance goals may vary by participant and be different for different awards, be particular to a participant or department, business, subsidiary or other unit in which the participant works, and may cover any period specified by the Compensation Committee. These goals will, however, be set by the Compensation Committee within the time period prescribed by, and will otherwise comply with the requirements of, Section 162(m) of the Code.

**Table of Contents**

*Transferability of Awards*

In general, awards may not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an incentive stock option, pursuant to a qualified domestic relations order. During the life of the participant, awards are exercisable only by the participant. Subject to certain conditions, our board of directors may permit or provide in an award agreement that a participant can transfer an award without payment to an immediate family member, family trust, or certain other related entities to the extent the rules under Form S-8 would cover the transferee.

*Eligibility to Receive Awards*

Employees, officers, directors, consultants and advisors of our company and its subsidiaries, and of other business ventures in which we have a controlling interest, are eligible to be granted awards under the 2010 Plan. Under present law, however, incentive stock options may only be granted to employees of Infinity Pharmaceuticals, Inc. and its corporate subsidiaries.

The maximum number of shares with respect to which awards may be granted to any participant under the 2010 Plan may not exceed 1,000,000 shares per calendar year. For purposes of this limit, the combination of a stock option in tandem with SAR is treated as a single award.

*Plan Benefits*

As of March 31, 2013, approximately 166 persons were eligible to receive awards under the 2010 Plan, including our executive officers and non-employee directors. Except for the automatic grant of awards to non-employee directors as described above, the grant of awards under the 2010 Plan is discretionary, and we cannot now determine the number or type of awards to be granted in the future to any particular person or group.

**Table of Contents**

The following table sets forth, as of March 31, 2013, the stock option and restricted stock grants made under the 2010 Plan since its adoption to the individuals indicated below:

	Option Awards	Restricted Stock Awards
<b>Named executive officers</b>		
Adelene Q. Perkins, President and Chief Executive Officer	506,135	
Julian Adams, Ph.D., President, Research and Development	334,840	
Lawrence E. Bloch, M.D., J.D. EVP, Chief Financial Officer & Chief Business Officer	232,800	
Vito Palombella, Ph.D., Chief Scientific Officer	152,256	
Pedro Santabarbara, M.D., Ph.D., Chief Medical Officer	250,871	
<b>All current executive officers as a group</b>	<b>1,682,752</b>	
<b>All employees, including all current officers who are not executive officers, as a group</b>	<b>2,527,106</b>	
<b>All current directors who are not executive officers as a group</b>	<b>214,125</b>	
<b>Each nominee for election as a director</b>		
Martin Babler	23,500	
Anthony B. Evnin, Ph.D.	47,000	
Gwen A. Fyfe	16,000	
Eric S. Lander, Ph.D.	17,625	
Patrick P. Lee	17,625	
Thomas J. Lynch, M.D.	17,625	
Adelene Q. Perkins	506,135	
Norman C. Selby	16,000	
Ian F. Smith	29,375	
Michael C. Venuti, Ph.D.	29,375	
<b>Each other person who received 5% of such awards</b>		

On March 28, 2013, the last reported sale price of our common stock on the NASDAQ Global Select Market was \$48.47.

*Administration*

The 2010 Plan is administered by our board of directors, which has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 2010 Plan and to interpret the provisions of the 2010 Plan and any award agreements. Pursuant to the terms of the 2010 Plan and to the extent permitted by applicable law, our board of directors may delegate authority under the 2010 Plan to one or more committees or subcommittees of the board, and it has authorized the Compensation Committee to administer certain aspects of the 2010 Plan, including the granting of options to executive officers. In addition, our board of directors may authorize one or more of our officers to grant stock options and certain other awards to eligible participants other than our executive officers, subject to limitations set by our board of directors or the Compensation Committee. Ms. Perkins has been authorized to grant such stock options. Her authorization is limited as follows: (i) no awards may be made to our executive officers; (ii) no single person may receive awards for more than 50,000 shares in any calendar year; (iii) no awards may be made in any calendar quarter for more than 250,000 shares in the aggregate; and (iv) all awards must be made at fair market value. Any stock options granted pursuant to the authority granted to Ms. Perkins are reported to the Compensation Committee on a quarterly basis.

**Table of Contents**

Subject to any applicable limitations contained in the 2010 Plan, our board of directors, the Compensation Committee, or any other committee to which our board delegates authority, as the case may be, selects the recipients of awards and determines:

the number of shares of our common stock covered by options and the dates upon which such options become exercisable;

the exercise price of stock options (which may not be less than 100% of fair market value of our common stock on the date of grant);

the duration of stock options (which may not exceed 10 years); and

the number of shares of our common stock subject to any SAR, restricted stock award, RSU or other stock-based awards and the terms and conditions of such awards, including conditions for repurchase, measurement price, issue price and repurchase price.

Our board of directors is required to make appropriate and equitable adjustments in connection with the 2010 Plan and any outstanding awards to reflect stock splits, stock dividends, recapitalizations, spin-offs and other similar changes in capitalization. The 2010 Plan also contains provisions addressing the consequences of any Reorganization Event, which is defined as:

any merger or consolidation of our company with or into another entity, as a result of which all of our common stock is converted into or exchanged for the right to receive cash, securities or other property, or is cancelled;

any transfer or disposition of all of our common stock for cash, securities or other property pursuant to a share exchange or other transaction; or

any liquidation or dissolution of our company.

In connection with a Reorganization Event, our board of directors or the Compensation Committee may take any one or more of the following actions as to all or any outstanding awards, other than restricted stock awards, on such terms as our board or Compensation Committee determines (unless specifically provided otherwise in the applicable award agreement or any other agreement between us and the 2010 Plan participant):

provide that awards will be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof);

upon written notice, provide that all unexercised awards will terminate immediately prior to the consummation of such Reorganization Event unless exercised within a specified period following the date of such notice;

provide that outstanding awards will become exercisable, realizable or deliverable, or restrictions applicable to an award will lapse, in whole or in part prior to or upon such Reorganization Event;

in the event of a Reorganization Event under the terms of which holders of our common stock will receive, upon consummation thereof, a cash payment for each share surrendered in the Reorganization Event, or Acquisition Price, make or provide for a cash payment to an award holder equal to (i) the Acquisition Price times the number of shares of our common stock subject to the holder's

## Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

award (to the extent the exercise, measurement or purchase price does not exceed the Acquisition Price) minus (ii) the aggregate exercise, measurement or purchase price of the holder's outstanding award, in exchange for the termination of such award;

provide that, in connection with a liquidation or dissolution of our company, awards will convert into the right to receive liquidation proceeds (if applicable, net of the exercise, measurement or purchase price thereof and any applicable tax withholdings); and

any combination of the foregoing.

## **Table of Contents**

Unless otherwise provided for in the instrument evidencing any stock option or SAR or any other agreement between us and a 2010 Plan participant, effective immediately prior to a Change in Control Event (as this term is defined in the 2010 Plan), all stock options and SARs then outstanding will immediately become exercisable in full. Unless otherwise provided in the instrument evidencing a restricted stock award or RSU or any other agreement between us and a 2010 Plan participant, effective immediately prior to a Change in Control Event all restrictions and conditions on all restricted stock awards and RSUs then outstanding will automatically be deemed terminated and/or satisfied. Our board of directors may specify in an award at the time of grant the effect of a Change in Control Event on an other stock-based award or cash-based award. The deferred compensation rules of Section 409A of the Code may delay payment where such delay is required to comply with its rules or may cause, in certain circumstances, RSUs to be terminated without any payment in exchange for such termination.

Except as described above, our board of directors or the Compensation Committee may at any time provide that any award will become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

As more fully described above, if any award expires or is terminated, surrendered, canceled or forfeited, the unused shares of our common stock covered by such award will again be available for grant under the 2010 Plan, subject, in the case of incentive stock options, to any limitations under the Code.

### *Substitute Awards*

In connection with a merger or consolidation of an entity with our company, or the acquisition by our company of property or stock of an entity, our board of directors may grant awards in substitution for any stock options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute awards may be granted on such terms as our board deems appropriate in the circumstances, notwithstanding any limitations on awards contained in the 2010 Plan. Substitute awards will not count against the 2010 Plan's overall share limit or any sub-limits contained in the 2010 Plan, except as may be required by the Code.

### *Restrictions on Repricing*

Unless our stockholders approve such action (or it is appropriate and permitted by the 2010 Plan in connection with a change in capitalization, a reorganization event, or a Change in Control Event), the 2010 Plan provides that we may not:

amend any outstanding stock option or SAR granted under the 2010 Plan to provide an exercise or measurement price per share that is lower than the then-current exercise or measurement price per share of such outstanding award;

cancel any outstanding option or SAR (whether or not granted under the 2010 Plan) and grant in substitution therefor new awards under the 2010 Plan (other than as substitute awards as described above) covering the same or a different number of shares of common stock and having an exercise or measurement price per share lower than the then-current exercise or measurement price per share of the cancelled award;

cancel in exchange for cash any outstanding stock options or SARs that then have exercise or measurement prices per share below the then-current fair market value of our common stock; or

take any other action that constitutes a repricing within the meaning of the rules of the NASDAQ Stock Market.

### *Provisions for Foreign Participants*

Our board of directors or the Compensation Committee may establish subplans under the 2010 Plan to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.



## **Table of Contents**

### *Amendment or Termination*

No award may be made under the 2010 Plan after May 24, 2020 but awards previously granted may extend beyond that date. Subject to limitations on repricing and actions requiring stockholder approval, our board may amend, modify or terminate any outstanding award, including but not limited to, substituting therefor another award of the same or a different type, changing the date of exercise or realization, and converting an incentive stock option to a nonstatutory stock option. The participant's consent to such action is required unless our board determines that the action does not materially and adversely affect the participant's rights under the 2010 Plan or the change is otherwise permitted under the 2010 Plan. Our board of directors may at any time amend, suspend or terminate the 2010 Plan or any portion of the 2010 Plan; provided that, to the extent determined by our board, no amendment requiring stockholder approval under any applicable legal, regulatory or listing requirement will become effective until such stockholder approval is obtained.

### **Federal Income Tax Consequences**

The following is a summary of the United States federal income tax consequences that generally will arise with respect to awards granted under the 2010 Plan. This summary assumes that all awards are exempt from, or comply with, the rules under Section 409A of the Code regarding nonqualified deferred compensation. This summary is based on the federal tax laws in effect as of the date of this proxy statement. Changes to these laws could alter the tax consequences described below.

#### *Incentive Stock Options*

A participant will not have income upon the grant of an incentive stock option. Also, except as described below, a participant will not have income upon exercise of an incentive stock option if the participant has been employed by our company or its corporate parent or 50% or more-owned corporate subsidiary at all times beginning with the option grant date and ending three months before the date the participant exercises the option. If the participant has not been so employed during that time, then the participant will be taxed as described below under Nonstatutory Stock Options. The exercise of an incentive stock option may subject the participant to the alternative minimum tax.

A participant will have income upon the sale of the stock acquired under an incentive stock option at a profit (if sales proceeds exceed the exercise price). The type of income will depend on when the participant sells the stock. If a participant sells the stock more than two years after the option was granted and more than one year after the option was exercised, then all of the profit will be long-term capital gain. If a participant sells the stock prior to satisfying these waiting periods, then the participant will have engaged in a disqualifying disposition and a portion of the profit will be ordinary income and a portion may be capital gain. This capital gain will be long-term if the participant has held the stock for more than one year and otherwise will be short-term. If a participant sells the stock at a loss (sales proceeds are less than the exercise price), then the loss will be a capital loss. This capital loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term. *Nonstatutory Stock Options*

A participant will not have income upon the grant of a nonstatutory stock option. A participant will have compensation income upon the exercise of a nonstatutory stock option equal to the value of the stock on the day the participant exercised the option less the exercise price. Upon sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the option was exercised. This capital gain or loss will be long-term if the participant has held the stock for more than one year and otherwise will be short-term.

#### *Stock Appreciation Rights*

A participant will not have income upon the grant of an SAR. A participant generally will recognize compensation income upon the exercise of an SAR equal to the amount of the cash and the fair market value of

## Table of Contents

any stock received. Upon the sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the SAR was exercised. This capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

### *Restricted Stock Awards*

A participant will not have income upon the grant of restricted stock unless an election under Section 83(b) of the Code is made within 30 days of the date of grant. If a timely 83(b) election is made, then a participant will have compensation income equal to the value of the stock less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the date of grant. If the participant does not make an 83(b) election, then when the stock vests the participant will have compensation income equal to the value of the stock on the vesting date less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

### *Restricted Stock Units*

A participant will not have income upon the grant of an RSU. A participant is not permitted to make a Section 83(b) election with respect to an RSU award. When the RSU vests, the participant will have income on the date of distribution of the related shares in an amount equal to the fair market value of the stock on such date less the purchase price, if any. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the distribution date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

### *Other Stock-Based Awards and Cash-Based Awards*

The tax consequences associated with any other stock-based award or cash-based award granted under the 2010 Plan will vary depending on the specific terms of such award. Among the relevant factors are whether or not the award has a readily ascertainable fair market value, whether or not the award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the award and the participant's holding period and tax basis for the award or underlying common stock.

### *Tax Consequences to Infinity*

There will be no tax consequences to our company, except that we will be entitled to a deduction when a participant has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

## **PROPOSAL 3 APPROVAL OF THE 2013 EMPLOYEE STOCK PURCHASE PLAN**

On March 6, 2013, upon the recommendation of the compensation committee, our board of directors adopted, subject to stockholder approval, our 2013 employee stock purchase plan, which we refer to in this proxy statement as the ESPP. The ESPP provides for 250,000 shares to be available for purchase by eligible citizen-owners according to its terms.

The ESPP is intended to benefit our company and our stockholders by attracting, retaining and motivating talented citizen-owners, which we believe to be critical for the success of our company. We believe that the ability to participate in our ESPP is an attractive feature for current and potential citizen-owners by affording them the opportunity to share in the growth and success of our company. **Accordingly, our board of directors**

---

**Table of Contents**

**believes approval of our 2013 Employee Stock Purchase Plan is in the best interests of our company and our stockholders and recommends a vote FOR the approval of the 2013 Employee Stock Purchase Plan.**

**Description of the ESPP**

The following is a brief summary of the ESPP. The following description is only a summary of the material terms of the ESPP, and is qualified in its entirety by reference to the ESPP, a copy of which is attached to this proxy statement as Exhibit B. You can request a copy of the ESPP by writing to Infinity Pharmaceuticals, Inc., Attn: Investor Relations, 780 Memorial Drive, Cambridge, Massachusetts 02139. A copy of the ESPP, which is attached to the electronic copy of this proxy statement filed with the SEC, also may be accessed from the SEC's home page ([www.sec.gov](http://www.sec.gov)).

*Eligibility*

All employees of the company and any subsidiary of the company designated by our board of directors or compensation committee are eligible to participate provided that they are customarily employed for more than 30 hours a week, and they are employees not later than the first day of the offering period. In addition, no employee can be granted an option under the ESPP that would result in the employee owning common stock and/or options to purchase common stock representing five percent or more of the total combined voting power or value for all classes of our outstanding capital stock. As of March 31, 2013, 157 employees would have been eligible to participate in the ESPP, including our named executive officers.

*Plan Operation*

The ESPP permits eligible employees to purchase shares of our common stock at a discount. Eligible employees may elect to participate by completing an enrollment agreement, timely filing it with our payroll office and authorizing after-tax payroll deductions from their pay. Participants can elect to contribute up to ten percent of their compensation (as defined in the ESPP) received on each pay day during the offering period. The ESPP will be implemented by consecutive, overlapping 24-month offering periods, each consisting of four six-month purchase periods. On the first day of each offering period, which shall be the first day on which national stock exchanges and the Nasdaq System are open for trading on or after July 1 and January 1 of each year and which we refer to as the enrollment date, each employee who is enrolled in the ESPP will automatically receive an option to purchase up to a whole number of shares of our common stock, which we refer to as the option shares, determined by dividing \$50,000 by the fair market value (based on the value of the stock on the enrollment date) of a share of common stock. However, no eligible employee may be granted an option under the ESPP to the extent that the employee's rights to purchase shares under the ESPP accrue at a rate that exceeds \$25,000 in fair market value (based on the value of the stock on the enrollment date) of common stock in any given calendar year in which such option is outstanding at any time. The option will become exercisable as to 25% of the option shares on the last day of each purchase period. Unless a participant withdraws from the ESPP, the option will be exercised automatically on the last day of each purchase period as to the largest whole number of shares that are exercisable and can be purchased with the deductions accumulated as of the last day of the purchase period. An option shall expire on the last day of the applicable offering period. We currently anticipate that if the ESPP is approved by stockholders, the initial offering period will begin on July 1, 2013. The purchase price of each of the shares purchased in a given purchase period will be 85% of the closing price of a share of our common stock on the first day of the offering period or the last day of the purchase period, whichever is lower. If the total number of shares of common stock with respect to which options are to be exercised exceeds the number of shares remaining available for issuance under the ESPP, we will only issue to participants in that offering that number of shares remaining available for issuance, on a pro-rata basis.

To the extent permitted by any applicable laws, regulations, or rules of the established stock exchange, national market system, or over-the-counter market on which the common stock trades, if the fair market value of the common stock on the enrollment date of the next offering period is lower than the fair market value of the

## **Table of Contents**

common stock on the enrollment date of any current offering period, then all participants in such current offering period shall be automatically withdrawn from such offering period immediately after the exercise of their option on the last day of the current purchase period and shall be automatically re-enrolled in the next offering period as of the first day thereof.

All payroll deductions received or held by the company under the ESPP may be used by us for any corporate purpose, and we will not be obligated to segregate such payroll deductions. No interest will accrue on the payroll deductions, and an employee participating in the ESPP may not make any additional payments into the account. Employees may purchase common stock under the ESPP only through payroll deductions. A participant's payroll deduction elections remain in effect for successive offering periods unless decreased or terminated by the participant. A participant may decrease the rate of his or her payroll deductions during an offering period by filing a new agreement with our payroll office authorizing a change in payroll deduction rate although our board of directors may, in its discretion, limit the number of participation rate changes during any offering period. In addition, a participant may elect to discontinue his or her payroll deductions during an offering period but not elect to withdraw his or her funds. In such cases, funds deducted prior to his or her election to discontinue shall be applied to the purchase of common stock on the last day of the purchase period in which the funds were deducted. If an employee withdraws from participation during an offering period, the amounts contributed to the ESPP will be refunded promptly without interest and the employee's option granted for such offering period will automatically terminate. At the end of each purchase period, the accumulated payroll contributions of each employee who continues to participate in the plan as of such date will be used to purchase shares of common stock (at the option price described above) subject to the limitations described above. A participant's withdrawal from an offering period will not have any effect upon his or her eligibility to participate in succeeding offering periods or in any other similar plan which the company may adopt.

The value of the common stock purchased will vary based on the fair market value of our common stock on the last day of the offering period. Accordingly, the dollar value and the number of shares that may be purchased in the future pursuant to the ESPP are not currently determinable.

### *Administration*

The ESPP shall be administered by our board of directors or a committee of members of our board. Our board of directors has authority to construe, interpret and apply the terms of the ESPP, to determine eligibility and to adjudicate all disputed claims filed under the ESPP, and its interpretation and decisions with regard thereto shall be final and conclusive.

Our board of directors has the ability to change offering periods and purchase periods (including the commencement dates thereof) with respect to future offerings without stockholder approval. Our board of directors may terminate or amend the ESPP at any time and for any reason. No such termination can affect options previously granted, except that an offering period may be terminated by our board on the last day of any purchase period if our board determines that the termination of the ESPP is in the best interests of the company and its stockholders. Upon termination of the ESPP all amounts in the accounts of participants shall be promptly refunded. The ESPP may not be amended in any way that will cause rights issued thereunder to fail to meet the requirements for employee stock purchase plans as defined in Section 423 of the Internal Revenue Code including stockholder approval if required.

Without stockholder consent and without regard to whether any participant rights may be considered to have been adversely affected, our board shall be entitled to change the offering periods and purchase periods, limit the frequency and/or number of changes in the amount withheld during an offering period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of common stock for each

## **Table of Contents**

participant properly correspond with amounts withheld from the participant's compensation and establish such other limitations or procedures as our board determines in its sole discretion advisable which are consistent with the ESPP.

Our board of directors may allow employees who are citizens or residents of foreign jurisdictions to participate in an offering period or establish sub-plans for the benefit of such foreign employees to the extent such actions are in compliance with Section 423 of the Internal Revenue Code.

### ***Federal Income Tax Consequences***

The following generally summarizes the United States federal income tax consequences that will arise with respect to participation in the ESPP and with respect to the sale of common stock acquired under the plan. This summary is based on the tax laws in effect as of the date of this proxy statement. This summary assumes that the ESPP complies with Section 423 of the Internal Revenue Code. Changes to these laws could alter the tax consequences described below.

#### ***Tax Consequences to Participants***

A participant will not have income upon enrolling in the ESPP or upon purchasing stock at the end of a purchase period. A participant may have both compensation income and a capital gain or loss upon the sale of stock that was acquired under the ESPP. The amount of each type of income and loss will depend on whether the participant disposes of the stock in a qualifying or disqualifying disposition. A qualifying disposition is when the participant sells the stock more than two years after the commencement of the offering during which the stock was purchased and more than one year after the date on which the participant purchased the stock at a profit (i.e., the sales proceeds exceed the purchase price). In a qualifying disposition, the participant will have compensation income equal to the lesser of:

15% of the value of the stock on the day the offering commenced; or

the difference between the fair market value of the stock on the date of disposition and the purchase price.

Any profit in excess of compensation income will be long-term capital gain. If the participant sells the stock at a loss (i.e., if sales proceeds are less than the purchase price) after satisfying these waiting periods, then the loss will be a long-term capital loss.

If the participant sells the stock prior to satisfying these waiting periods, then he or she will have engaged in a disqualifying disposition. Upon a disqualifying disposition, the participant will have compensation income equal to the value of the stock on the day he or she purchased the stock less the purchase price. The participant also will have a capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day he or she purchased the stock. This capital gain or loss will be long-term if the participant has held the stock for more than one year and short-term if held one year or less.

#### ***Tax Consequences to Us***

There will be no tax consequences to us except that we will be entitled to a deduction when a participant recognizes compensation income upon a disqualifying disposition. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

**Table of Contents**

**PROPOSAL 4 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Our Audit Committee has appointed the firm of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013. Although stockholder approval of the appointment of Ernst & Young LLP is not required by law, our board of directors believes that it is advisable to give stockholders an opportunity to ratify this appointment. If this proposal is not approved by our stockholders at the 2013 annual meeting, our Audit Committee will reconsider its appointment of Ernst & Young LLP.

Representatives of Ernst & Young LLP are expected to be present at the 2013 annual meeting. They will have the opportunity to make a statement if they desire to do so and will also be available to respond to appropriate questions from stockholders.

*Our board of directors recommends that you vote FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2013 fiscal year.*

**OTHER MATTERS**

Our board of directors is not aware of any other matters that are likely to be brought before the 2013 annual meeting. If other matters are properly brought before the 2013 annual meeting, including a proposal to adjourn the meeting to permit the solicitation of additional proxies in the event that one or more proposals have not been approved by a sufficient number of votes at the time of the meeting, the persons named in the enclosed proxy will vote on such matters in their own discretion.

**We hope that you will attend the annual meeting. Whether or not you plan to attend, we urge you to vote your shares over the Internet or by telephone, or complete, date, sign and return the enclosed proxy card in the accompanying postage-prepaid envelope. A prompt response will greatly facilitate arrangements for the meeting, and your cooperation will be appreciated.**

Table of Contents

Exhibit A

INFINITY PHARMACEUTICALS, INC.

2010 STOCK INCENTIVE PLAN

1. Purpose

The purpose of this 2010 Stock Incentive Plan (the *Plan*) of Infinity Pharmaceuticals, Inc., a Delaware corporation (the *Company*), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities and performance-based incentives that are intended to better align the interests of such persons with those of the Company's stockholders. Except where the context otherwise requires, the term *Company* shall include any of the Company's present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Internal Revenue Code of 1986, as amended, and any regulations thereunder (the *Code*) and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a controlling interest, as determined by the Board of Directors of the Company (the *Board*).

2. Eligibility

All of the Company's employees, officers and directors, as well as consultants and advisors to the Company (as such terms are defined and interpreted for purposes of Form S-8 under the Securities Act of 1933, as amended (the *Securities Act*), or any successor form) are eligible to be granted Awards under the Plan. Each person who is granted an Award under the Plan is deemed a *Participant*. *Award* means Options (as defined in Section 5), SARs (as defined in Section 7), Restricted Stock (as defined in Section 8), Restricted Stock Units (as defined in Section 8) and Other Stock-Based Awards (as defined in Section 9) and Cash-Based Awards (as defined in Section 9).

3. Administration and Delegation

(a) Administration by Board of Directors. The Plan will be administered by the Board. The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may construe and interpret the terms of the Plan and any Award agreements entered into under the Plan. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. All decisions by the Board shall be made in the Board's sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award.

(b) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a *Committee*). All references in the Plan to the *Board* shall mean the Board or a Committee of the Board or the officers referred to in Section 3(c) to the extent that the Board's powers or authority under the Plan have been delegated to such Committee or officers.

(c) Delegation to Officers. To the extent permitted by applicable law, the Board may delegate to one or more officers of the Company the power to grant Options and other Awards that constitute rights under Delaware law (subject to any limitations under the Plan) to employees or officers of the Company and to exercise such other powers under the Plan as the Board may determine, *provided* that the Board shall fix the terms of such Awards to be granted by such officers (including the exercise price of such Awards, which may include a formula by which the exercise price will be determined) and the maximum number of shares subject to such Awards that the officers may grant; *provided further*, however, that no officer shall be authorized to grant such

---

**Table of Contents**

Awards to any executive officer of the Company (as defined by Rule 3b-7 under the Securities Exchange Act of 1934, as amended (the *Exchange Act* )) or to any officer of the Company (as defined by Rule 16a-1 under the Exchange Act). The Board may not delegate authority under this Section 3(c) to grant Restricted Stock, unless Delaware law then permits such delegation.

(d) Awards to Non-Employee Directors. Discretionary Awards to non-employee directors may be granted and administered only by a Committee, all of the members of which are independent directors as defined by Section 5605(a)(2) of the NASDAQ Marketplace Rules.

4. Stock Available for Awards

(a) Number of Shares: Share Counting.

(1) Authorized Number of Shares. Subject to adjustment under Section 11, Awards may be made under the Plan for up to 3,000,000 shares of common stock, \$.001 par value per share, of the Company (the *Common Stock* ), any or all of which Awards may be in the form of Incentive Stock Options (as defined in Section 5(b)). Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares. The Company shall not make any new Awards under any prior equity plans after the date the Plan is approved by the Company's stockholders (the *Effective Date* ).

(2) Fungible Share Pool. Subject to adjustment under Section 11, any Award that is not a Full-Value Award shall be counted against the share limits specified in Section 4(a)(1) as one share for each share of Common Stock subject to such Award and any Award that is a Full-Value Award shall be counted against the share limits specified in Section 4(a)(1) as 1.35 shares for each one share of Common Stock subject to such Full-Value Award. Full-Value Award means any Restricted Stock Award or Other Stock-Based Award with a per share price or per unit purchase price lower than 100% of Fair Market Value (as defined below) on the date of grant. To the extent a share that was subject to an Award that counted as one share is returned to the Plan pursuant to Section 4(a)(3), each applicable share reserve will be credited with one share. To the extent that a share that was subject to an Award that counts as 1.35 shares is returned to the Plan pursuant to Section 4(a)(3), each applicable share reserve will be credited with 1.35 shares.

(3) Share Counting. For purposes of counting the number of shares available for the grant of Awards under the Plan:

(A) all shares of Common Stock covered by SARs shall be counted against the number of shares available for the grant of Awards under the Plan and against the sublimits listed in the first clause of this Section 4(a)(2); *provided, however*, that (i) SARs that may be settled only in cash shall not be so counted and (ii) if the Company grants an SAR in tandem with an Option for the same number of shares of Common Stock and provides that only one such Award may be exercised (a *Tandem SAR* ), only the shares covered by the Option, and not the shares covered by the Tandem SAR, shall be so counted, and the expiration of one in connection with the other's exercise will not restore shares to the Plan;

(B) if any Award granted under this Plan or the 2000 Stock Incentive Plan of the Company (formerly, the Discovery Partners International, Inc. 2000 Stock Incentive Plan) (i) expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part (including as the result of shares of Common Stock subject to such Award being repurchased by the Company at the original issuance price pursuant to a contractual repurchase right) or (ii) results in any Common Stock not being issued (including as a result of an SAR that was settleable either in cash or in stock actually being settled in cash), the unused Common Stock covered by such Award shall again be available for the grant of Awards; *provided, however*, that (1) in the case of Incentive Stock Options, the foregoing shall be subject to any limitations under the Code, (2) in the case of the exercise of an SAR, the number of shares counted against the shares available under the Plan and against the sublimits listed in the first clause of this Section 4(a)(2) shall be the full number of



---

**Table of Contents**

shares subject to the SAR multiplied by the percentage of the SAR actually exercised, regardless of the number of shares actually used to settle such SAR upon exercise and (3) the shares covered by a Tandem SAR shall not again become available for grant upon the expiration or termination of such Tandem SAR;

(C) shares of Common Stock delivered (either by actual delivery, attestation, or net exercise) to the Company by a Participant to (i) purchase shares of Common Stock upon the exercise of an Award or (ii) satisfy tax withholding obligations (including shares retained from the Award creating the tax obligation) shall not be added back to the number of shares available for the future grant of Awards; and

(D) shares of Common Stock repurchased by the Company on the open market using the proceeds from the exercise of an Award shall not increase the number of shares available for future grant of Awards.

(b) Sub-limits. Subject to adjustment under Section 11, the following sub-limits on the number of shares subject to Awards shall apply:

(1) Section 162(m) Per-Participant Limit. The maximum number of shares of Common Stock with respect to which Awards may be granted to any Participant under the Plan shall be 1,000,000 per calendar year. For purposes of the foregoing limit, the combination of an Option in tandem with an SAR shall be treated as a single Award. The per Participant limit described in this Section 4(b)(1) shall be construed and applied consistently with Section 162(m) of the Code or any successor provision thereto, and the regulations thereunder ( *Section 162(m)* ).

(c) Substitute Awards. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute Awards may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on Awards contained in the Plan. Substitute Awards shall not count against the overall share limit set forth in Section 4(a)(1) or any sublimits contained in the Plan, except as may be required by reason of Section 422 and related provisions of the Code.

5. Stock Options

(a) General. The Board may grant options to purchase Common Stock (each, an *Option* ) and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable.

(b) Incentive Stock Options. An Option that the Board intends to be an incentive stock option as defined in Section 422 of the Code (an *Incentive Stock Option* ) shall only be granted to employees of Infinity Pharmaceuticals, Inc., any of Infinity Pharmaceuticals, Inc.'s present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Code, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code, and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. An Option that is not intended to be an Incentive Stock Option shall be designated a *Nonstatutory Stock Option*. The Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) that is intended to be an Incentive Stock Option is not an Incentive Stock Option or if the Company converts an Incentive Stock Option to a Nonstatutory Stock Option.

(c) Exercise Price. The Board shall establish the exercise price of each Option and specify the exercise price in the applicable Option agreement. The exercise price shall be not less than 100% of the Fair Market Value (as defined in Section 5(j) below); *provided* that if the Board approves the grant of an Option with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the Fair Market Value on such future date.

**Table of Contents**

(d) **Duration of Options.** Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement; *provided, however,* that no Option will be granted with a term in excess of 10 years.

(e) **Exercise of Options.** Options may be exercised by delivery to the Company of a notice of exercise in a form (which may be electronic) approved by the Company, together with payment in full (in the manner specified in Section 5(f)) of the exercise price for the number of shares for which the Option is exercised. Shares of Common Stock subject to the Option will be delivered by the Company as soon as practicable following exercise.

(f) **Payment Upon Exercise.** Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(1) in cash or by check, payable to the order of the Company;

(2) except as may otherwise be provided in the applicable Option agreement or approved by the Board, in its sole discretion, by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;

(3) to the extent provided for in the applicable Option agreement or approved by the Board, in its sole discretion, by delivery (either by actual delivery or attestation) of shares of Common Stock owned by the Participant valued at their Fair Market Value, provided (i) such method of payment is then permitted under applicable law, (ii) such Common Stock, if acquired directly from the Company, was owned by the Participant for such minimum period of time, if any, as may be established by the Board in its discretion and (iii) such Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements;

(4) to the extent provided for in the applicable Option agreement or approved by the Board in its sole discretion, by delivery of a notice of net exercise to the Company, as a result of which the Participant would receive (i) the number of shares underlying the portion of the Option being exercised, less (ii) such number of shares as is equal to (A) the aggregate exercise price for the portion of the Option being exercised divided by (B) the Fair Market Value on the date of exercise.

(5) to the extent permitted by applicable law and provided for in the applicable Option agreement or approved by the Board, in its sole discretion, by payment of such other lawful consideration as the Board may determine; or

(6) by any combination of the above permitted forms of payment.

(g) **No Reload Options.** No Option granted under the Plan shall contain any provision entitling the Participant to the automatic grant of additional Options in connection with any exercise of the original Option.

(h) **No Dividend Equivalents.** No option shall provide for the payment or accrual of dividend equivalents.

(i) **Limitation on Repricing.** Unless such action is approved by the Company's stockholders, the Company may not (except as provided for under Section 11): (1) amend any outstanding Option granted under the Plan to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding Option, (2) cancel any outstanding option (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan (other than Awards granted pursuant to Section 4(c)) covering the same or a different number of shares of Common Stock and having an exercise price per share lower than the then-current

## Table of Contents

exercise price per share of the cancelled option, (3) cancel in exchange for a cash payment any outstanding Option with an exercise price per share below the then-current Fair Market Value, other than pursuant to Section 11, or (4) take any other action under the Plan that constitutes a repricing within the meaning of the rules of the NASDAQ Stock Market ( *NASDAQ* ).

(j) Fair Market Value. Fair Market Value of a share of Common Stock for purposes of the Plan will be determined as follows:

(1) if the Common Stock trades on a national securities exchange, the closing sale price (for the primary trading session) on the date of grant; or

(2) if the Common Stock does not trade on any such exchange, the average of the closing bid and asked prices as reported by an authorized OTCBB market data vendor as listed on the OTCBB website (otcbb.com) on the date of grant; or

(3) if the Common Stock is not publicly traded, the Board will determine the Fair Market Value for purposes of the Plan using any measure of value it determines to be appropriate (including, as it considers appropriate, relying on appraisals) in a manner consistent with the valuation principles under Code Section 409A, except as the Board may expressly determine otherwise.

For any date that is not a trading day, the Fair Market Value of a share of Common Stock for such date will be determined by using the closing sale price or average of the bid and asked prices, as appropriate, for the immediately preceding trading day and with the timing in the formulas above adjusted accordingly. The Board can substitute a particular time of day or other measure of closing sale price or bid and asked prices if appropriate because of exchange or market procedures or can, in its sole discretion, use weighted averages either on a daily basis or such longer period as complies with Code Section 409A.

The Board has sole discretion to determine the Fair Market Value for purposes of the Plan, and all Awards are conditioned on the participants agreement that the Administrator's determination is conclusive and binding even though others might make a different determination.

### 6. Director Options

(a) Initial Grant. Upon the commencement of service on the Board by any individual who is not then an employee of the Company or any subsidiary of the Company, such person shall automatically be granted a Nonstatutory Stock Option to purchase 9,375 shares of Common Stock (subject to adjustment under Section 6(e), 6(f) or 11).

(b) Annual Grant. On the date of each annual meeting of stockholders of the Company, each member of the Board of Directors of the Company who is both serving as a director of the Company immediately prior to and immediately following such annual meeting and who is not then an employee of the Company or any of its subsidiaries, shall automatically be granted a Nonstatutory Stock Option to purchase 5,625 shares of Common Stock (subject to adjustment under Section 6(e), 6(f) or 11); *provided, however*, that a director shall not be eligible to receive an option grant under this Section 6(b) unless such director served on the Board on the last day of the immediately preceding calendar year.

(c) Additional Grants. Upon the commencement of service in the following positions by any individual who is not then an employee of the Company or any of its subsidiaries, and each anniversary thereafter that such individual is continuing to serve in such position, such person shall automatically be granted a Nonstatutory Stock Option to purchase the number of shares of Common Stock (subject to adjustment under Section 6(e), 6(f) or 11) indicated below:

(1) if the individual serves as lead outside director of the Board, a Nonstatutory Stock Option to purchase 9,375 shares of Common Stock;

## Table of Contents

(2) if the individual serves as chair of the research and development committee of the Board, a Nonstatutory Stock Option to purchase 3,750 shares of Common Stock;

(3) if the individual serves as chair of the audit committee of the Board, a Nonstatutory Stock Option to purchase 3,750 shares of Common Stock;

(4) if the individual serves as chair of the compensation committee of the Board, a Nonstatutory Stock Option to purchase 1,875 shares of Common Stock; and

(5) if the individual serves as the chair of the nominating and corporate governance committee of the Board, if such individual is not also lead outside director of the board, a Nonstatutory Stock Option to purchase 1,875 shares of Common Stock.

(d) Terms of Director Options. Options granted under this Section 6 shall (i) have an exercise price equal to the closing sale price (for the primary trading session) of the Common Stock on the national securities exchange on which the Common Stock is then traded on the date of grant (or if the date of grant is not a trading day on such exchange, the trading day immediately prior to the date of grant) or, if the Common Stock is not then traded on a national securities exchange, the Fair Market Value of the Common Stock, (ii) vest in equal quarterly installments on the last day of each calendar quarter provided that the individual is serving on the Board or in the positions listed in Section 6(c), as applicable, on such date, provided that no additional vesting shall take place after the Participant ceases to serve as a director and further *provided* that the Options granted under this Section 6 shall immediately vest in the case of death, disability or change in control, (iii) expire on the earlier of 10 years from the date of grant or one year following cessation of service on the Board and (iv) contain such other terms and conditions as the Board shall determine.

(e) Board Discretion. The Board retains the specific authority to increase or decrease from time to time the number of shares subject to Options granted under this Section 6.

(f) Non-exclusive Grants. The Board retains the specific authority to grant Options, SARs, Restricted Stock, Restricted Stock Units and Other Stock-Based Awards and Cash-Based Awards in addition to or in lieu of some or all of the Options provided for in this Section 6.

## 7. Stock Appreciation Rights

(a) General. The Board may grant Awards consisting of stock appreciation rights ( **SARs** ) entitling the holder, upon exercise, to receive an amount of Common Stock or cash or a combination thereof (such form to be determined by the Board) determined by reference to appreciation, from and after the date of grant, in the Fair Market Value of a share of Common Stock over the measurement price established pursuant to Section 7(b). The date as of which such appreciation is determined shall be the exercise date.

(b) Measurement Price. The Board shall establish the measurement price of each SAR and specify it in the applicable SAR agreement. The measurement price shall not be less than 100% of the Fair Market Value on the date the SAR is granted; *provided* that if the Board approves the grant of an SAR effective as of a future date, the measurement price shall be not less than 100% of the Fair Market Value on such future date.

(c) Duration of SARs. Each SAR shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable SAR agreement; *provided, however*, that no SAR will be granted with a term in excess of 10 years.

(d) Exercise of SARs. SARs may be exercised by delivery to the Company of a notice of exercise in a form (which may be electronic) approved by the Company, together with any other documents required by the Board.

---

**Table of Contents**

(e) Dividend Equivalents. No SAR shall provide for the payment or accrual of dividends.

(f) Limitation on Repricing. Unless such action is approved by the Company's stockholders, the Company may not (except as provided for under Section 11): (1) amend any outstanding SAR granted under the Plan to provide a measurement price per share that is lower than the then-current measurement price per share of such outstanding SAR, (2) cancel any outstanding SAR (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan (other than Awards granted pursuant to Section 4(c)) covering the same or a different number of shares of Common Stock and having an exercise or measurement price per share lower than the then-current measurement price per share of the cancelled SAR, (3) cancel in exchange for a cash payment any outstanding SAR with a measurement price per share below the then-current Fair Market Value, other than pursuant to Section 11, or (4) take any other action under the Plan that constitutes a repricing within the meaning of the rules of the NASDAQ.

8. Restricted Stock; Restricted Stock Units

(a) General. The Board may grant Awards entitling recipients to acquire shares of Common Stock ( *Restricted Stock* ), subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award. The Board may also grant Awards entitling the recipient to receive shares of Common Stock or cash to be delivered at the time such Award vests ( *Restricted Stock Units* ) (Restricted Stock and Restricted Stock Units are each referred to herein as a *Restricted Stock Award* ).

(b) Terms and Conditions for All Restricted Stock Awards. The Board shall determine the terms and conditions of a Restricted Stock Award, including the conditions for vesting and repurchase (or forfeiture) and the issue price, if any.

(c) Additional Provisions Relating to Restricted Stock.

(1) Dividends. Unless otherwise provided in the applicable Award agreement, any dividends (whether paid in cash, stock or property) declared and paid by the Company with respect to shares of Restricted Stock ( *Accrued Dividends* ) shall be paid to the Participant only if and when such shares become free from the restrictions on transferability and forfeitability that apply to such shares. Each payment of Accrued Dividends will be made no later than the end of the calendar year in which the dividends are paid to stockholders of that class of stock or, if later, the 15th day of the third month following the lapsing of the restrictions on transferability and the forfeitability provisions applicable to the underlying shares of Restricted Stock.

(2) Stock Certificates. The Company may require that any stock certificates issued in respect of shares of Restricted Stock, as well as dividends or distributions paid on such Restricted Stock, shall be deposited in escrow by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to his or her Designated Beneficiary. ***Designated Beneficiary*** means (i) the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death or (ii) in the absence of an effective designation by a Participant, the Participant's estate.

(d) Additional Provisions Relating to Restricted Stock Units.

(1) Settlement. Upon the vesting of and/or lapsing of any other restrictions (i.e., settlement) with respect to each Restricted Stock Unit, the Participant shall be entitled to receive from the Company one share of Common Stock or (if so provided in the applicable Award agreement) an amount of cash equal to the Fair Market Value of one share of Common Stock. The Board may, in its discretion, provide that settlement of Restricted Stock Units shall be deferred, on a mandatory basis or at the election of the Participant in a manner that complies with Section 409A of the Code.

---

**Table of Contents**

(2) **Voting Rights**. A Participant shall have no voting rights with respect to any Restricted Stock Units.

(3) **Dividend Equivalents**. The Award agreement for Restricted Stock Units may provide Participants with the right to receive an amount equal to any dividends or other distributions declared and paid on an equal number of outstanding shares of Common Stock ( *Dividend Equivalents* ). Dividend Equivalents may be paid currently or credited to an account for the Participant, may be settled in cash and/or shares of Common Stock and may be subject to the same restrictions on transfer and forfeitability as the Restricted Stock Units with respect to which paid, in each case to the extent provided in the Award agreement.

9. **Other Stock-Based and Cash-Based Awards**

(a) **General**. Other Awards of shares of Common Stock, and other Awards that are valued in whole or in part by reference to, or are otherwise based on, shares of Common Stock or other property, may be granted hereunder to Participants ( *Other Stock-Based-Awards* ). Such Other Stock-Based Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may be paid in shares of Common Stock or cash, as the Board shall determine. The Company may also grant Performance Awards or other Awards denominated in cash rather than shares of Common Stock ( *Cash-Based Awards* ).

(b) **Terms and Conditions**. Subject to the provisions of the Plan, the Board shall determine the terms and conditions of each Other Stock-Based Award or Cash-Based Award, including any purchase price applicable thereto.

10. **Performance Awards**

(a) **Grants**. Restricted Stock Awards and Other Stock-Based Awards under the Plan may be made subject to the achievement of performance goals pursuant to this Section 10(i) ( *Performance Awards* ).

(b) **Committee**. Grants of Performance Awards to any Covered Employee (as defined below) intended to qualify as performance-based compensation under Section 162(m) ( *Performance-Based Compensation* ) shall be made only by a Committee (or a subcommittee of a Committee) comprised solely of two or more directors eligible to serve on a committee making Awards qualifying as performance-based compensation under Section 162(m). In the case of such Awards granted to Covered Employees, references to the Board or to a Committee shall be treated as referring to such Committee (or subcommittee). *Covered Employee* shall mean any person who is, or whom the Committee, in its discretion, determines may be, a covered employee under Section 162(m)(3) of the Code.

(c) **Performance Measures**. For any Award that is intended to qualify as Performance-Based Compensation, the Committee shall specify that the degree of granting, vesting and/or payout shall be subject to the achievement of one or more objective performance measures established by the Committee, which shall be based on the relative or absolute attainment of any combination of the following: (i) the entry into an arrangement or agreement with a third party for the development, commercialization, marketing or distribution of products, services or technologies, or for conducting a research program to discover and develop a product, service or technology, and/or the achievement of milestones under such arrangement or agreement, including events that trigger an obligation or payment right; (ii) achievement of domestic and international regulatory milestones, including the submission of filings required to advance products, services and technologies in clinical development and the achievement of approvals by regulatory authorities relating to the commercialization of products, services and technologies; (iii) the achievement of discovery, preclinical and clinical stage scientific objectives, discoveries or inventions for products, services and technologies under research and development; (iv) the entry into or completion of a phase of clinical development for any product, service or technology, such as the entry into or completion of phase 1, 2 and/or 3 clinical trials; (v) the consummation of debt or equity financing transactions, or acquisitions of business, technologies and assets; (vi) new product or service releases;

**Table of Contents**

(vii) the achievement of qualitative or quantitative performance measures set forth in operating plans approved by the Board from time to time; and/or (viii) specified levels of product sales, net income, earnings before or after discontinued operations, interest, taxes, depreciation and/or amortization, operating profit before or after discontinued operations and/or taxes, sales, sales growth, earnings growth, cash flow or cash position, gross margins, stock price, market share, return on sales, assets, equity or investment, (ix) improvement of financial ratings, (x) achievement of balance sheet or income statement objectives, and/or (xi) total stockholder return. Such goals may reflect, as applicable, absolute entity or business unit performance or a relative comparison to the performance of a peer group of entities or other external measure of the selected performance criteria and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. The Committee may specify that such performance measures shall be adjusted to exclude any one or more of (i) extraordinary items, (ii) gains or losses on the dispositions of discontinued operations, (iii) the cumulative effects of changes in accounting principles, (iv) the writedown of any asset, and (v) charges for restructuring and rationalization programs. Such performance measures: (i) may vary by Participant and may be different for different Awards; (ii) may be particular to a Participant or the department, branch, line of business, subsidiary or other unit in which the Participant works and may cover such period as may be specified by the Committee; and (iii) shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m). Awards that are not intended to qualify as Performance-Based Compensation may be based on these or such other performance measures as the Board may determine.

(d) Adjustments. Notwithstanding any provision of the Plan, with respect to any Performance Award that is intended to qualify as Performance-Based Compensation, the Committee may adjust downwards, but not upwards, the cash or number of shares payable pursuant to such Award, and the Committee may not waive the achievement of the applicable performance measures except in the case of the death or disability of the Participant or a change in control of the Company.

(e) Other. The Committee shall have the power to impose such other restrictions on Performance Awards as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for Performance-Based Compensation.

11. Adjustments for Changes in Common Stock and Certain Other Events

(a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under the Plan, (ii) the share counting rules and sublimits set forth in Sections 4(a) and 4(b), (iii) the number and class of securities and exercise price per share of each outstanding Option and each Option issuable under Section 6, (iv) the share and per-share provisions and the measurement price of each outstanding SAR, (v) the number of shares subject to and the repurchase price per share subject to each outstanding Restricted Stock Award and (vi) the share and per-share-related provisions and the purchase price, if any, of each outstanding Other Stock-Based Award, shall be equitably adjusted by the Company (or substituted Awards may be made, if applicable) in the manner determined by the Board. Without limiting the generality of the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to an outstanding Option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an optionee who exercises an Option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such Option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

(b) Reorganization Events.

(1) Definition. A **Reorganization Event** shall mean: (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or

**Table of Contents**

exchanged for the right to receive cash, securities or other property or is cancelled, (b) any transfer or disposition of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange or other transaction or (c) any liquidation or dissolution of the Company.

(2) Consequences of a Reorganization Event on Awards Other than Restricted Stock.

(A) In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any (or any portion of) outstanding Awards other than Restricted Stock on such terms as the Board determines (except to the extent specifically provided otherwise in an applicable Award agreement or another agreement between the Company and the Participant): (i) provide that such Awards shall be assumed, or substantially equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to a Participant, provide that all of the Participant's unexercised Awards will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the Participant (to the extent then exercisable) within a specified period following the date of such notice, (iii) provide that outstanding Awards shall become exercisable, realizable, or deliverable, or restrictions applicable to an Award shall lapse, in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the *Acquisition Price*), make or provide for a cash payment to Participants with respect to each Award held by a Participant equal to (A) the number of shares of Common Stock subject to the vested portion of the Award (after giving effect to any acceleration of vesting that occurs upon or immediately prior to such Reorganization Event) multiplied by (B) the excess, if any, of (I) the Acquisition Price over (II) the exercise, measurement or purchase price of such Award and any applicable tax withholdings, in exchange for the termination of such Award, (v) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise, measurement or purchase price thereof and any applicable tax withholdings) and (vi) any combination of the foregoing. In taking any of the actions permitted under this Section 11(b)(2), the Board shall not be obligated by the Plan to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically.

(B) Notwithstanding the terms of Section 11(b)(2)(A), in the case of outstanding Restricted Stock Units that are subject to Section 409A of the Code: (i) if the applicable Restricted Stock Unit agreement provides that the Restricted Stock Units shall be settled upon a change in control event within the meaning of Treasury Regulation Section 1.409A-3(i)(5) or in subsequent IRS guidance under Section 409A of the Code (a Section 409A Change in Control Event), and the Reorganization Event constitutes a Section 409A Change in Control Event, then no assumption or substitution shall be permitted pursuant to Section 11(b)(2)(A)(i) and the Restricted Stock Units shall instead be settled in accordance with the terms of the applicable Restricted Stock Unit agreement; and (ii) the Board may only undertake the actions set forth in clauses (iii), (iv) or (v) of Section 11(b)(2)(A) if the Reorganization Event constitutes a change in control event as defined under Treasury Regulation Section 1.409A-3(i)(5)(i) and such action is permitted or required by Section 409A of the Code; if the Reorganization Event is not a change in control event as so defined or such action is not permitted or required by Section 409A of the Code, and the acquiring or succeeding corporation does not assume or substitute the Restricted Stock Units pursuant to clause (i) of Section 11(b)(2)(A), then the unvested Restricted Stock Units shall terminate immediately prior to the consummation of the Reorganization Event without any payment in exchange therefor.

(C) For purposes of Section 11(b)(2)(A)(i), an Award (other than Restricted Stock) shall be considered assumed if, following consummation of the Reorganization Event, such Award confers the right to purchase or receive pursuant to the terms of such Award, for each share of Common Stock subject to the Award immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding



**Table of Contents**

shares of Common Stock); *provided, however*, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise or settlement of the Award to consist solely of such number of shares of common stock of the acquiring or succeeding corporation (or an affiliate thereof) that the Board determined to be equivalent in value (as of the date of such determination or another date specified by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

(3) **Consequences of a Reorganization Event on Restricted Stock**. Upon the occurrence of a Reorganization Event other than a liquidation or dissolution of the Company, the repurchase and other rights of the Company with respect to outstanding Restricted Stock shall inure to the benefit of the Company's successor and shall, unless the Board determines otherwise, apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to such Restricted Stock; *provided, however*, that the Board may provide for termination or deemed satisfaction of such repurchase or other rights under the instrument evidencing any Restricted Stock or any other agreement between a Participant and the Company, either initially or by amendment. Upon the occurrence of a Reorganization Event involving the liquidation or dissolution of the Company, except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock or any other agreement between a Participant and the Company, all restrictions and conditions on all Restricted Stock then outstanding shall automatically be deemed terminated or satisfied.

(c) **Change in Control Events**.

(1) **Definition**. A ***Change in Control Event*** shall mean:

(A) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a ***Person***) of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 under the Exchange Act) 50% or more of either (x) the then-outstanding shares of common stock of the Company (the ***Outstanding Company Common Stock***) or (y) the combined voting power of the then-outstanding securities of the Company entitled to vote generally in the election of directors (the ***Outstanding Company Voting Securities***); *provided, however*, that for purposes of this subsection (A), the following acquisitions shall not constitute a Change in Control Event: (1) any acquisition directly from the Company or (2) any acquisition by any entity pursuant to a Business Combination (as defined below) which complies with clauses (x) and (y) of subsection (C) of this definition; or

(B) a change in the composition of the Board that results in the Continuing Directors (as defined below) no longer constituting a majority of the Board (or, if applicable, the Board of Directors of a successor corporation to the Company), where the term ***Continuing Director*** means at any date a member of the Board (x) who was a member of the Board on the date of the initial adoption of the Plan by the Board or (y) who was nominated or elected subsequent to such date by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Board was recommended or endorsed by at least a majority of the directors who were Continuing Directors at the time of such nomination or election; *provided, however*, that there shall be excluded from this clause (y) any individual whose initial assumption of office occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board; or

(C) the consummation of a merger, consolidation, reorganization, recapitalization or share exchange involving the Company or a sale or other disposition of all or substantially all of the assets of the Company (a ***Business Combination***), unless, immediately following such Business Combination, each of the following two conditions is satisfied: (x) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities

---

**Table of Contents**

immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include, without limitation, a corporation which as a result of such transaction owns the Company or substantially all of the Company's assets either directly or through one or more subsidiaries) (such resulting or acquiring corporation is referred to herein as the *Acquiring Corporation*) in substantially the same proportions as their ownership of the Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively, immediately prior to such Business Combination and (y) no Person (excluding any employee benefit plan (or related trust) maintained or sponsored by the Company or by the Acquiring Corporation) beneficially owns, directly or indirectly, 50% or more of the then-outstanding shares of common stock of the Acquiring Corporation, or of the combined voting power of the then-outstanding securities of such corporation entitled to vote generally in the election of directors (except to the extent that such ownership existed prior to the Business Combination); or

(D) the liquidation or dissolution of the Company.

(2) Effect on Options and SARs. Notwithstanding the provisions of Section 11(b), effective immediately prior to a Change in Control Event, except to the extent specifically provided to the contrary in the instrument evidencing any Option or SAR or any other agreement between a Participant and the Company, all Options and SARs then outstanding shall automatically become immediately exercisable in full.

(3) Effect on Restricted Stock. Notwithstanding the provisions of Section 11(b), effective immediately prior to a Change in Control Event, except to the extent specifically provided to the contrary in the instrument evidencing the Restricted Stock or any other agreement between a Participant and the Company, all restrictions and conditions on all Restricted Stock then-outstanding shall automatically be deemed terminated or satisfied.

(4) Effect on Restricted Stock Units. Notwithstanding the provisions of Section 11(b), effective immediately prior to a Change in Control Event, except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock Unit Award or any other agreement between a Participant and the Company, all restrictions and conditions on all Restricted Stock Units then outstanding shall automatically be deemed terminated and satisfied; provided, however, that for any Restricted Stock Units that are not exempt from Section 409A of the Code, if the Change in Control Event does not also constitute a Section 409 Change in Control Event, then the unvested Restricted Stock Units shall be paid out in accordance with the terms provided in the applicable Restricted Stock Unit Award (other than any terms applicable to payment as a result of a change in control event that is not a Section 409A Change in Control Event), provided however that, in lieu of such payment, if required by Section 409A of the Code to avoid imposition of taxes thereunder, any such unvested Restricted Stock Units shall terminate without any payment in exchange therefor.

(5) Effect on Other Stock-Based Awards. The Board may specify in an Award agreement at the time of grant or otherwise the effect of a Change in Control on an Other Stock-Based Award and Cash-Based Award.

(6) Section 409A. The definition of Change in Control Event for purposes of the Plan is intended to conform to a Section 409A Change in Control Event, pursuant to the description of "Change in Control Events" in Treasury Regulation section 1.409A-3(i)(5), or in subsequent IRS guidance describing what constitutes a change in control event for purposes of Section 409A of the Code when the Award is subject to Section 409A. Accordingly, no Change in Control Event will be deemed to provide for acceleration of payment with respect to a transaction or event described in this Section 11(c) unless the transaction or event would constitute a 409A Change in Control Event.

12. General Provisions Applicable to Awards

(a) Transferability of Awards. Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or

---

**Table of Contents**

the laws of descent and distribution or, other than in the case of an Incentive Stock Option, pursuant to a qualified domestic relations order, and, during the life of the Participant, shall be exercisable only by the Participant; *provided, however*, that the Board may permit or provide in an Award for the gratuitous transfer of the Award by the Participant to or for the benefit of any immediate family member, family trust or other entity established for the benefit of the Participant and/or an immediate family member thereof if the Company would be eligible to use a Form S-8 under the Securities Act for the registration of the sale of the Common Stock subject to such Award to such proposed transferee; *provided further*, that the Company shall not be required to recognize any such permitted transfer until such time as such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument in form and substance satisfactory to the Company confirming that such transferee shall be bound by all of the terms and conditions of the Award. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees. For the avoidance of doubt, nothing contained in this Section 11(a) shall be deemed to restrict a transfer to the Company.

(b) **Documentation**. Each Award shall be evidenced in such form (written, electronic or otherwise) as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

(c) **Board Discretion**. Except as otherwise provided by the Plan, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly.

(d) **Termination of Status**. The Board shall determine the effect on an Award of the disability, death, termination or other cessation of employment, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award.

(e) **Withholding**. The Participant must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations before the Company will deliver stock certificates or otherwise recognize ownership of Common Stock under an Award. The Company may decide to satisfy the withholding obligations through additional withholding on salary or wages. If the Company elects not to or cannot withhold from other compensation, the Participant must pay the Company the full amount, if any, required for withholding or have a broker tender to the Company cash equal to the withholding obligations. Payment of withholding obligations is due before the Company will issue any shares on exercise, vesting or release from forfeiture of an Award or at the same time as payment of the exercise or purchase price, unless the Company determines otherwise. If provided for in an Award or approved by the Board in its sole discretion, a Participant may satisfy such tax obligations in whole or in part by delivery (either by actual delivery or attestation) of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value; *provided, however*, except as otherwise provided by the Board, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Shares used to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(f) **Amendment of Award**. Except as otherwise provided in Section 5(g) with respect to repricings, or Section 13(d) with respect to actions requiring stockholder approval, the Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option. The Participant's consent to such action shall be required unless (i) the Board determines that the action, taking into account any related action, does not materially and adversely affect the Participant's rights under the Plan or (ii) the change is permitted under Section 11.

(g) **Conditions on Delivery of Stock**. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously issued or delivered under the Plan

## Table of Contents

until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and regulations and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(h) Acceleration. The Board may at any time provide that any Award shall become immediately exercisable in whole or in part, free of some or all restrictions or conditions, or otherwise realizable in whole or in part, as the case may be.

### 13. Miscellaneous

(a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award by virtue of the adoption of the Plan, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

(b) No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares.

(c) Term of Plan. No Awards shall be granted under the Plan after the expiration of 10 years from the Effective Date, but Awards previously granted may extend beyond that date.

(d) Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time provided that (i) to the extent required by Section 162(m), no Award granted to a Participant that is intended to comply with Section 162(m) after the date of such amendment shall become exercisable, realizable or vested, as applicable to such Award, unless and until the Company's stockholders approve such amendment in the manner required by Section 162(m); (ii) no amendment that would require stockholder approval under the rules of the NASDAQ may be made effective unless and until the Company's stockholders approve such amendment; and (iii) if the NASDAQ amends its corporate governance rules so that such rules no longer require stockholder approval of material amendments to equity compensation plans, then, from and after the effective date of such amendment to the NASDAQ rules, no amendment to the Plan (A) materially increasing the number of shares authorized under the Plan (other than pursuant to Section 4(c) or 11), (B) expanding the types of Awards that may be granted under the Plan, or (C) materially expanding the class of participants eligible to participate in the Plan shall be effective unless and until the Company's stockholders approve such amendment. In addition, if at any time the approval of the Company's stockholders is required as to any other modification or amendment under Section 422 of the Code or any successor provision with respect to Incentive Stock Options, the Board may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any amendment to the Plan adopted in accordance with this Section 13(d) shall apply to, and be binding on the holders of, all Awards outstanding under the Plan at the time the amendment is adopted, provided the Board determines that such amendment, taking into account any related action, does not materially and adversely affect the rights of Participants under the Plan.

(e) Authorization of Sub-Plans (including for Grants to non-U.S. Employees). The Board may from time to time establish one or more sub-plans under the Plan for purposes of satisfying applicable securities, tax or other laws of various jurisdictions. The Board shall establish such sub-plans by adopting supplements to the Plan containing (i) such limitations on the Board's discretion under the Plan as the Board deems necessary or desirable or (ii) such additional terms and conditions not otherwise inconsistent with the Plan as the Board shall

**Table of Contents**

deem necessary or desirable. All supplements adopted by the Board shall be deemed to be part of the Plan, but each supplement shall apply only to Participants within the affected jurisdiction and the Company shall not be required to provide copies of any supplement to Participants in any jurisdiction which is not the subject of such supplement.

(f) Compliance with Section 409A of the Code. Except as provided in individual Award agreements initially or by amendment, if and to the extent any portion of any payment, compensation or other benefit provided to a Participant in connection with his or her employment termination is determined to constitute nonqualified deferred compensation within the meaning of Section 409A of the Code and the Participant is a specified employee as defined in Section 409A(a)(2)(B)(i) of the Code, as determined by the Company in accordance with its procedures, by which determination the Participant (through accepting the Award) agrees that he or she is bound, such portion of the payment, compensation or other benefit shall not be paid before the day that is six months plus one day after the date of separation from service (as determined under Section 409A of the Code) (the **New Payment Date**), except as Section 409A of the Code may then permit. The aggregate of any payments that otherwise would have been paid to the Participant during the period between the date of separation from service and the New Payment Date shall be paid to the Participant in a lump sum on such New Payment Date, and any remaining payments will be paid on their original schedule.

The Company makes no representations or warranty and shall have no liability to the Participant or any other person if any provisions of or payments, compensation or other benefits under the Plan are determined to constitute nonqualified deferred compensation subject to Section 409A of the Code but do not to satisfy the conditions of that section.

(g) Limitations on Liability. Notwithstanding any other provisions of the Plan, no individual acting as a director, officer, employee or agent of the Company will be liable to any Participant, former Participant, spouse, beneficiary, or any other person for any claim, loss, liability, or expense incurred in connection with the Plan, nor will such individual be personally liable with respect to the Plan because of any contract or other instrument he or she executes in his or her capacity as a director, officer, employee or agent of the Company. The Company will indemnify and hold harmless each director, officer, employee or agent of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been or will be delegated, against any cost or expense (including attorneys' fees) or liability (including any sum paid in settlement of a claim with the Board's approval) arising out of any act or omission to act concerning the Plan unless arising out of such person's own fraud or bad faith.

(h) Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than the State of Delaware.

*Approved by the Board of Directors 11 March 2010*

*Approved by the Stockholders 25 May 2010*

**Table of Contents**

**AMENDMENT NO. 1 TO  
INFINITY PHARMACEUTICALS, INC.  
2010 STOCK INCENTIVE PLAN**

The Infinity Pharmaceuticals, Inc. 2010 Stock Incentive Plan be and hereby is amended by deleting Sections 6(a), 6(b) and 6(c) in their entirety and replacing them with the following:

\* \* \*

**6. Director Options**

(a) **Initial Grant.** Upon the commencement of service on the Board by any individual who is not then an employee of the Company or any subsidiary of the Company, such person shall automatically be granted a Nonstatutory Stock Option to purchase 10,000 shares of Common Stock (subject to adjustment under Section 6(e), 6(f) or 11).

(b) **Annual Grant.** On the date of each annual meeting of stockholders of the Company, each member of the Board of Directors of the Company who is both serving as a director of the Company immediately prior to and immediately following such annual meeting and who is not then an employee of the Company or any of its subsidiaries, shall automatically be granted a Nonstatutory Stock Option to purchase 6,000 shares of Common Stock (subject to adjustment under Section 6(e), 6(f) or 11); *provided, however*, that a director shall not be eligible to receive an option grant under this Section 6(b) unless such director served on the Board on the last day of the immediately preceding calendar year.

(c) **Additional Grants.** Upon the commencement of service in the following positions by any individual who is not then an employee of the Company or any of its subsidiaries, and each anniversary thereafter that such individual is continuing to serve in such position, such person shall automatically be granted a Nonstatutory Stock Option to purchase the number of shares of Common Stock (subject to adjustment under Section 6(e), 6(f) or 11) indicated below:

- (1) if the individual serves as chair of the Board, a Nonstatutory Stock Option to purchase 12,000 shares of Common Stock;
- (2) if the individual serves as lead outside director of the Board, a Nonstatutory Stock Option to purchase 10,000 shares of Common Stock;
- (3) if the individual serves as chair of the research and development committee of the Board, a Nonstatutory Stock Option to purchase 4,000 shares of Common Stock;
- (4) if the individual serves as chair of the audit committee of the Board, a Nonstatutory Stock Option to purchase 4,000 shares of Common Stock;
- (5) if the individual serves as chair of the compensation committee of the Board, a Nonstatutory Stock Option to purchase 2,000 shares of Common Stock; and
- (6) if the individual serves as the chair of the nominating and corporate governance committee of the Board, if such individual is not also lead outside director of the board, a Nonstatutory Stock Option to purchase 2,000 shares of Common Stock.

*Approved by the Board of Directors 10 December 2010*

**Table of Contents**

**AMENDMENT NO. 2 TO  
INFINITY PHARMACEUTICALS, INC.  
2010 STOCK INCENTIVE PLAN**

The 2010 Stock Incentive Plan, as amended (the Plan ) of Infinity Pharmaceuticals, Inc. is hereby amended as follows:

Section 4(a)(1) of the Plan is hereby deleted and a new Section 4(a)(1) is inserted in lieu thereof which shall read as follows:

(1) **Authorized Number of Shares**. Subject to adjustment under Section 11, Awards may be made under the Plan for up to 6,000,000 shares of common stock, \$.001 par value per share, of the Company (the **Common Stock** ), any or all of which Awards may be in the form of Incentive Stock Options (as defined in Section 5(b)). Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares. The Company shall not make any new Awards under any prior equity plans after the date the Plan is approved by the Company s stockholders (the **Effective Date** ).

Except as set forth above, the remainder of the Plan remains in full force and effect.

*Approved by the Board of Directors 8 March 2012*

*Approved by the Stockholders 16 May 2012*

**Table of Contents**

**AMENDMENT NO. 3 TO  
2010 STOCK INCENTIVE PLAN  
OF  
INFINITY PHARMACEUTICALS, INC.**

The 2010 Stock Incentive Plan, as amended (the Plan ) of Infinity Pharmaceuticals, Inc. is hereby amended as follows:

1. Sections 6(a), (b), (c) and (d) of the Plan are hereby deleted and new Sections 6(a), (b), (c) and (d) are inserted in lieu thereof which shall read as follows:

(a) **Initial Grant**. Upon the commencement of service on the Board by any individual who is not then an employee of the Company or any subsidiary of the Company, such person shall automatically be granted a Nonstatutory Stock Option to purchase 30,000 shares of Common Stock (subject to adjustment under Section 6(e), 6(f) or 11).

(b) **Annual Grant**. On the date of each annual meeting of stockholders of the Company, each member of the Board of Directors of the Company who is both serving as a director of the Company immediately prior to and immediately following such annual meeting and who is not then an employee of the Company or any of its subsidiaries, shall automatically be granted a Nonstatutory Stock Option to purchase 15,000 shares of Common Stock (subject to adjustment under Section 6(e), 6(f) or 11); provided, however, that a director shall not be eligible to receive an option grant under this Section 6(b) unless such director served on the Board on the last day of the immediately preceding calendar year.

(c) **Additional Grants**. Upon the commencement of service in the following positions by any individual who is not then an employee of the Company or any of its subsidiaries, and each anniversary thereafter that such individual is continuing to serve in such position, such person shall automatically be granted a Nonstatutory Stock Option to purchase the number of shares of Common Stock (subject to adjustment under Section 6(e), 6(f) or 11) indicated below:

- (1) if the individual serves as chair of the Board, a Nonstatutory Stock Option to purchase 12,000 shares of Common Stock;
- (2) if the individual serves as lead outside director of the Board and is not also chair of the Board, a Nonstatutory Stock Option to purchase 10,000 shares of Common Stock;
- (3) if the individual serves as chair of the research and development committee of the Board, a Nonstatutory Stock Option to purchase 4,000 shares of Common Stock;
- (4) if the individual serves as chair of the audit committee of the Board, a Nonstatutory Stock Option to purchase 4,000 shares of Common Stock;
- (5) if the individual serves as chair of the compensation committee of the Board, a Nonstatutory Stock Option to purchase 2,000 shares of Common Stock; and
- (6) if the individual serves as the chair of the nominating and corporate governance committee of the Board, if such individual is not also lead outside director of the board, a Nonstatutory Stock Option to purchase 2,000 shares of Common Stock.



**Table of Contents**

(d) **Terms of Director Options.** Options granted under this Section 6 shall (i) have an exercise price equal to the closing sale price (for the primary trading session) of the Common Stock on the national securities exchange on which the Common Stock is then traded on the date of grant (or if the date of grant is not a trading day on such exchange, the trading day immediately prior to the date of grant) or, if the Common Stock is not then traded on a national securities exchange, the Fair Market Value of the Common Stock, (ii) vest in equal quarterly installments (with respect to one-eighth (1/8<sup>th</sup>) of the shares subject to the option grant in the case of Initial Grants under Section 6(a) and with respect to one-fourth (1/4<sup>th</sup>) of the shares subject to the option grant in the case of Annual Grants and Additional Grants under Sections 6(b) and (c), respectively) on the last day of each calendar quarter provided that the individual is serving on the Board or in the positions listed in Section 6(c), as applicable, on such date, provided that no additional vesting shall take place after the Participant ceases to serve as a director and further provided that the Options granted under this Section 6 shall immediately vest in the case of death, disability or change in control, (iii) expire on the earlier of 10 years from the date of grant or one year following cessation of service on the Board and (iv) contain such other terms and conditions as the Board shall determine.

Except as set forth above, the remainder of the Plan remains in full force and effect.

*Adopted by the Board of Directors on March 6, 2013.*

**Table of Contents**

**AMENDMENT NO. 4 TO  
INFINITY PHARMACEUTICALS, INC.  
2010 STOCK INCENTIVE PLAN**

The 2010 Stock Incentive Plan, as amended (the Plan ) of Infinity Pharmaceuticals, Inc. is hereby amended as follows:

Section 4(a)(1) of the Plan is hereby deleted and a new Section 4(a)(1) is inserted in lieu thereof which shall read as follows:

(1) **Authorized Number of Shares**. Subject to adjustment under Section 11, Awards may be made under the Plan for up to 7,485,000 shares of common stock, \$.001 par value per share, of the Company (the **Common Stock** ), any or all of which Awards may be in the form of Incentive Stock Options (as defined in Section 5(b)). Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares. The Company shall not make any new Awards under any prior equity plans after the date the Plan is approved by the Company s stockholders (the **Effective Date** ).

Except as set forth above, the remainder of the Plan remains in full force and effect.

*Approved by the Board of Directors 6 March 2013*

*[Approved by the Stockholders ]*

**Table of Contents**

Exhibit B

**INFINITY PHARMACEUTICALS, INC.**

**2013 EMPLOYEE STOCK PURCHASE PLAN**

The following constitute the provisions of the 2013 Employee Stock Purchase Plan of Infinity Pharmaceuticals, Inc.

1. Purpose.

The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an Employee Stock Purchase Plan under Section 423 of the Code. The provisions of the Plan, accordingly, shall be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. Definitions.

(a) Acquisition Price shall have the meaning given such term in Section 18(b)(2) of the Plan.

(b) Board shall mean the Board of Directors of the Company.

(c) Citizen-Owner shall mean any individual who is an employee of the Company for tax purposes whose customary employment with the Company is at least thirty (30) hours per week.

(d) Code shall mean the Internal Revenue Code of 1986, as amended.

(e) Committee shall have the meaning given such term in Section 13 of the Plan.

(f) Common Stock shall mean the Common Stock, par value \$0.001, of the Company.

(g) Company shall mean Infinity Pharmaceuticals, Inc. and any Designated Subsidiary of the Company.

(h) Compensation shall mean the amount of money reportable on the Citizen-Owner's Federal Income Tax Withholding Statement, excluding overtime, shift premium, incentive or bonus awards, allowances and reimbursements for expenses such as relocation allowances for travel expenses, income or gains associated with the grant or vesting of restricted stock, income or gains on the exercise of Company stock options or stock appreciation rights, and similar items, whether or not shown or separately identified on the Citizen-Owner's Federal Income Tax Withholding Statement, but including, in the case of salespersons, sales commissions to the extent determined by the Board.

(i) Designated Subsidiaries shall mean the Subsidiaries which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(j) Enrollment Date shall mean the first day of each Offering Period.

(k) Exercise Date shall mean the last day of each Purchase Period.

(l) Fair Market Value shall mean, as of any date, (a) the closing price (for the primary trading session) on any national securities exchange on which the Common Stock is listed or (b) the average of the closing bid and asked prices in the over-the-counter-market, whichever is applicable, as published in The Wall Street Journal or another source selected by the Board. If no sales of Common Stock were made on such a day, the price of the Common Stock shall be the reported price for the next preceding day on which sales were made.

(m) Offering Period shall mean the period of approximately twenty-four (24) months during which an option granted pursuant to the Plan may be exercised, commencing on the first Trading Day on or after July 1

B-1

## **Table of Contents**

and January 1 of each year and terminating on the last Trading Day in the period ending twenty-four (24) months later. The duration and timing of an Offering Period may be changed pursuant to Section 4 of this Plan.

(n) Option Shares shall have the meaning given such term in Section 7 of the Plan.

(o) Participant shall have the meaning given such term in Section 5(a) of the Plan.

(p) Plan shall mean this 2013 Employee Stock Purchase Plan.

(q) Purchase Period shall mean the period commencing the day after an Exercise Date and ending on the Trading Day closest to the day that is six (6) months after the preceding Exercise Date, except that the first Purchase Period of any Offering Period shall commence on the Enrollment Date and end with the Trading Day that is six (6) months after the Enrollment Date. The duration and timing of Purchase Periods may be changed pursuant to Section 4 of the Plan.

(r) Purchase Price shall mean, unless the Board determines otherwise, an amount equal to 85% of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower.

(s) Reorganization Event shall have the meaning given such term in Section 18(b)(1) of the Plan.

(t) Subsidiary shall mean any present or future subsidiary corporation as defined in Section 424(f) of the Code.

(u) Trading Day shall mean a day on which national stock exchanges and the Nasdaq System are open for trading.

### **3. Eligibility.**

(a) Any Citizen-Owner who shall be employed by the Company on a given Enrollment Date shall be eligible to participate in the Plan; provided, however, that a Citizen-Owner may not participate in more than one Offering Period at the same time.

(b) Any provisions of the Plan to the contrary notwithstanding, no Citizen-Owner shall be granted an option under the Plan (i) to the extent that, immediately after the grant, such Citizen-Owner (or any other person whose stock would be attributed to such Citizen-Owner pursuant to Section 424(d) of the Code) would own capital stock of the Company or of any Subsidiary and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Subsidiary, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Company and its Subsidiaries accrues at a rate which exceeds Twenty-Five Thousand Dollars (\$25,000) worth of stock (determined at the Fair Market Value of the shares at the time such option is granted) for each calendar year in which such option is outstanding at any time. In the event that a Citizen-Owner may not be granted an option under the Plan because of the foregoing restrictions, the Citizen-Owner shall be granted an option to purchase the maximum number of shares that would not violate the foregoing restrictions.

### **4. Offering Periods.**

The Plan shall be implemented by consecutive, overlapping Offering Periods with a new Offering Period commencing on the first Trading Day on or after July 1 and January 1 each year, or on such other date as the Board shall determine, and continuing thereafter until terminated in accordance with Section 19 hereof. The Board shall have the power to change the duration of Offering Periods and Purchase Periods (including the commencement dates thereof) with respect to future offerings without stockholder approval.

## **Table of Contents**

### **5. Participation.**

(a) An eligible Citizen-Owner may become a participant in the Plan (a Participant ) by completing a subscription agreement authorizing payroll deductions in the form designated by the Company from time to time and filing it on or prior to the applicable Enrollment Date with the Company's payroll office or such other office as the Company may direct.

(b) Payroll deductions for a Participant shall commence on the first payroll following the Enrollment Date and shall end on the last payroll in the Offering Period to which such authorization is applicable, unless sooner terminated by the Participant as provided in Section 10 hereof.

### **6. Payroll Deductions.**

(a) At the time a Participant files his or her subscription agreement, he or she shall elect to have payroll deductions made on each pay day during the Offering Period in an amount not exceeding ten percent (10%) of the Compensation which he or she receives on each pay day during the Offering Period. Such payroll deductions shall be in whole percentages only.

(b) All payroll deductions made for a Participant shall be credited to his or her account under the Plan. A Participant may not make any additional payments into such account.

(c) A Participant may discontinue his or her participation in the Plan as provided in Section 10 hereof, or may decrease the rate of his or her payroll deductions during the Offering Period by completing and filing with the Company a new subscription agreement authorizing a change in payroll deduction rate. The Board may, in its discretion, limit the number of participation rate changes during any Offering Period. The change in payroll deduction rate shall be effective with the first full payroll period following ten (10) business days after the Company's receipt of the new subscription agreement. A Participant's subscription agreement shall remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof.

(d) At the time the option (as described in Section 7) is exercised, in whole or in part, or at the time any of the Common Stock issued under the Plan is disposed of, the Participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or other disposition of Common Stock by the Citizen-Owner.

### **7. Grant of Option.**

On the Enrollment Date of each Offering Period, each eligible Citizen-Owner participating in such Offering Period shall be granted an option to purchase (at the applicable Purchase Price) up to a whole number of shares of the Common Stock the (Option Shares ) determined by dividing \$50,000 by the Fair Market Value of a share of Common Stock on the Enrollment Date (subject to any adjustment pursuant to Section 18), and provided that such purchase shall be subject to the limitations set forth in Sections 3(b) and 12 hereof. The option shall be exercisable as to 25% of the Option Shares on each Exercise Date during the Offering Period. Exercise of the option shall occur as provided in Section 8 hereof, unless the Citizen-Owner has withdrawn pursuant to Section 10 hereof. The option shall expire on the last day of the Offering Period.

### **8. Exercise of Option.**

Unless a Participant withdraws from the Plan as provided in Section 10 hereof, his or her option for the purchase of shares shall be exercised automatically on each Exercise Date during the Offering Period, and a number of full shares not exceeding the number of shares as to which such Participant's option is exercisable on such Exercise Date shall be purchased for such Participant at the applicable Purchase Price with the accumulated

## Table of Contents

payroll deductions in his or her account. No fractional shares shall be purchased. Any payroll deductions accumulated in a Participant's account which are not sufficient to purchase a full share of Common Stock shall be retained in the Participant's account for the subsequent Purchase Period or Offering Period, subject to earlier withdrawal by the Participant as provided in Section 10 hereof. Any other monies left over in a Participant's account after the Exercise Date shall be returned to the Participant. During a Participant's lifetime, a Participant's option to purchase shares hereunder is exercisable only by him or her.

### 9. Delivery.

As promptly as practicable after each Exercise Date on which a purchase of shares occurs, the Company shall arrange the delivery to each Participant or to his or her designee, as appropriate, of a certificate representing the shares purchased upon exercise of his or her option. The Company may, in its sole discretion and in compliance with applicable laws, authorize the use of book entry registration of shares in lieu of issuing certificates.

### 10. Withdrawal; Termination of Employment.

(a) A Participant may withdraw all but not less than all the payroll deductions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by giving written notice to the Company in the form designated by the Company. All of the Participant's payroll deductions credited to his or her account shall be paid to such Participant promptly after receipt of notice of withdrawal and such Participant's option for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of shares shall be made for such Offering Period. If a Participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the succeeding Offering Period unless the Participant delivers to the Company a new subscription agreement.

(b) Upon a Participant's ceasing to be a Citizen-Owner, for any reason, he or she shall be deemed to have elected to withdraw from the Plan and the payroll deductions credited to such Participant's account during the Offering Period but not yet used to exercise the option shall be returned to such Participant or, in the case of his or her death, to the person or persons entitled thereto under Section 14 hereof, and such Participant's option shall be automatically terminated. If, prior to the last day of the Offering Period, the Designated Subsidiary by which the Citizen-Owner is employed shall cease to be a Subsidiary of the Company, or if the Citizen-Owner is transferred to a Subsidiary of the Company that is not a Designated Subsidiary, the Citizen-Owner shall be deemed to have terminated employment for purposes of this Plan.

(c) A Participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods.

### 11. Interest.

No interest shall accrue on the payroll deductions of a Participant in the Plan.

### 12. Stock.

(a) The maximum number of shares of the Common Stock which shall be made available for sale under the Plan shall be 250,000 shares, subject to adjustment as provided in Section 18(a) hereof. If, on a given Exercise Date, the number of shares with respect to which options are to be exercised exceeds the number of shares then available under the Plan, the Company shall make a pro rata allocation of the shares remaining available for purchase in as uniform a manner as shall be practicable and as it shall determine to be equitable.

(b) The Participant shall have no interest or voting right in shares covered by his or her option until such option has been exercised and then only with respect to the Option Shares actually purchased for the account of the Participant.

## Table of Contents

(c) Shares to be delivered to a Participant under the Plan shall be registered pursuant to instructions (whether written, electronic, or otherwise, but in any case as specified by the Company) provided to the Company by the Participant in the name of the Participant or in the name of the Participant and his or her spouse.

### 13. Administration.

The Plan shall be administered by the Board or a committee of members of the Board appointed by the Board (a Committee ). The Board or its Committee shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan. Every finding, decision and determination made by the Board or its Committee shall, to the full extent permitted by law, be final and binding upon all parties. Any reference to the authority of the Committee to act under this Plan shall be contingent upon the Board having delegated such authority to the Committee. All references to the Board contained herein shall also refer to its Committee, as applicable.

### 14. Designation of Beneficiary.

(a) A Participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such Participant of such shares and cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death prior to exercise of the option. If a Participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the Participant at any time by written notice. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

### 15. Transferability.

Neither payroll deductions credited to a Participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 14 hereof) by the Participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

### 16. Use of Funds.

All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

### 17. Reports.

Individual accounts shall be maintained for each Participant in the Plan. Statements of account shall be given to Participants at least annually, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of shares purchased and the remaining cash balance, if any.



---

**Table of Contents**

18. Adjustments Upon Changes in Capitalization: Reorganization Events.

(a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under this Plan, (ii) the share limitations set forth in Sections 3 and 7, and (iii) the Purchase Price shall be equitably adjusted to the extent determined by the Board.

(b) Reorganization Events.

(1) Definition. A Reorganization Event shall mean: (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (b) any transfer or disposition of all of the Common Stock for cash, securities or other property pursuant to a share exchange or other transaction or (c) any liquidation or dissolution of the Company.

(2) Consequences of a Reorganization Event on Options. In connection with a Reorganization Event, the Board may take any one or more of the following actions as to outstanding options on such terms as the Board determines: (i) provide that options shall be assumed, or substantially equivalent options shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to Citizen-Owners, provide that all outstanding options will be terminated immediately prior to the consummation of such Reorganization Event and that all such outstanding options will become exercisable to the extent of accumulated payroll deductions as of a date specified by the Board in such notice, which date shall not be less than ten (10) days preceding the effective date of the Reorganization Event, (iii) upon written notice to Citizen-Owners, provide that all outstanding options will be cancelled as of a date prior to the effective date of the Reorganization Event and that all accumulated payroll deductions will be returned to participating Citizen-Owners on such date, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the Acquisition Price), change the last day of the Offering Period to be the date of the consummation of the Reorganization Event and make or provide for a cash payment to each Citizen-Owner equal to (A) (i) the Acquisition Price times (ii) the number of shares of Common Stock that the Citizen-Owner's accumulated payroll deductions as of immediately prior to the Reorganization Event could purchase at the Purchase Price, where the Acquisition Price is treated as the fair market value of the Common Stock on the last day of the applicable Plan Period for purposes of determining the Purchase Price under Section 2(r) hereof, and where the number of shares that could be purchased is subject to the limitations set forth in Sections 3 and 7, minus (B) the result of multiplying such number of shares by such Purchase Price, (v) provide that, in connection with a liquidation or dissolution of the Company, options shall convert into the right to receive liquidation proceeds (net of the Purchase Price thereof) and (vi) any combination of the foregoing.

For purposes of clause (i) above, an option shall be considered assumed if, following consummation of the Reorganization Event, the replacement option confers the right to purchase, for each share of Common Stock subject to the option immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise of options to consist solely of such number of shares of common stock of the acquiring or succeeding corporation (or an affiliate thereof) that the Board determines to be equivalent in value (as of the date of such determination or another date specified by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

## Table of Contents

### 19. Amendment or Termination.

(a) The Board may at any time and for any reason terminate or amend the Plan. Except as provided in Section 18 hereof, no such termination can affect options previously granted, provided that an Offering Period may be terminated by the Board on any Exercise Date if the Board determines that the termination of the Plan is in the best interests of the Company and its stockholders. Except as provided in Section 18 hereof, no amendment may make any change in any option theretofore granted which adversely affects the rights of any Participant. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other applicable law or regulation), the Company shall obtain stockholder approval in such a manner and to such a degree as required.

(b) Without stockholder consent and without regard to whether any Participant rights may be considered to have been adversely affected, the Board shall be entitled to change the Offering Periods and Purchase Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with amounts withheld from the Participant's Compensation and establish such other limitations or procedures as the Board determines in its sole discretion advisable which are consistent with the Plan.

### 20. Notices.

All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

### 21. Conditions Upon Issuance of Shares.

Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

### 22. Effective Date.

The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the stockholders of the Company, which approval must be obtained within 12 months of the date the Plan is adopted by the Board.

### 23. Automatic Transfer to Low Price Offering Period.

To the extent permitted by any applicable laws, regulations, or rules of the established stock exchange, national market system, or over-the-counter market on which the Common Stock trades, if the Fair Market Value of the Common Stock on the Enrollment Date of the next Offering Period is lower than the Fair Market Value of the Common Stock on the Enrollment Date of any current Offering Period, then all Participants in such current

**Table of Contents**

Offering Period shall be automatically withdrawn from such Offering Period immediately after the exercise of their option on the Exercise Date and shall be automatically re-enrolled in the next Offering Period as of the first day thereof.

24. Governmental Regulations.

The Company's obligation to sell and deliver Common Stock under this Plan is subject to listing on an established stock exchange or quotation on a national market system or an over the counter market (to the extent the Common Stock is then so listed or quoted) and the approval of all governmental authorities required in connection with the authorization, issuance, or sale of such stock.

25. Governing Law.

The Plan shall be governed by Delaware law except to the extent that such law is preempted by federal law.

26. Source of Shares.

Shares may be issued upon exercise of an option from authorized but unissued Common Stock, from shares held in the treasury of the Company, or from any other proper source.

27. Notification Upon Sale of Shares.

Each Citizen-Owner agrees, by participating in the Plan, to promptly give notice to the Company of any disposition of shares purchased under the Plan where such disposition occurs within two years after the Enrollment Date with respect to the option pursuant to which such shares were purchased or within one year of the date of exercise of such option pursuant to which such shares were purchased.

28. Grants to Employees in Foreign Jurisdictions.

The Company may, to comply with the laws of a foreign jurisdiction, grant options to Citizen-Owners of the Company or a Designated Subsidiary who are citizens or residents of such foreign jurisdiction (without regard to whether they are also citizens of the United States or resident aliens (within the meaning of Section 7701(b)(1)(A) of the Code)) with terms that are less favorable (but not more favorable) than the terms of options granted under the Plan to Citizen-Owners of the Company or a Designated Subsidiary who are resident in the United States. Notwithstanding the preceding provisions of this Plan, Citizen-Owners of the Company or a Designated Subsidiary who are citizens or residents of a foreign jurisdiction (without regard to whether they are also citizens of the United States or resident aliens (within the meaning of Section 7701(b)(1)(A) of the Code)) may be excluded from eligibility under the Plan if (a) the grant of an option under the Plan to a citizen or resident of the foreign jurisdiction is prohibited under the laws of such jurisdiction or (b) compliance with the laws of the foreign jurisdiction would cause the Plan to violate the requirements of Section 423 of the Code. The Company may add one or more appendices to this Plan describing the operation of the Plan in those foreign jurisdictions in which Citizen-Owners are excluded from participation or granted less favorable options.

29. Authorization of Sub-Plans.

The Board may from time to time establish one or more sub-plans under the Plan with respect to one or more Designated Subsidiaries, provided that such sub-plan complies with Section 423 of the Code.

*Adopted by the Board of Directors on March 6, 2013*

*Approved by the stockholders on [            ], 2013*



**Table of Contents**

**VOTE BY INTERNET [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

The Board of Directors recommends you vote FOR the following proposal(s):

1. Election of Directors

For            Against            Abstain

Edgar Filing: INFINITY PHARMACEUTICALS, INC. - Form DEF 14A

01	Martin Babler	..	..	..
02	Anthony B. Evnin, Ph.D.	..	..	..
03	Gwen A. Fyfe, M.D.	..	..	..
04	Eric S. Lander, Ph.D.	..	..	..
05	Thomas J. Lynch, M.D.	..	..	..
06	Adelene Q. Perkins	..	..	..
07	Norman C. Selby	..	..	..
08	Ian F. Smith	..	..	..
09	Michael C. Venuti, Ph.D.	..	..	..

Please sign exactly as your name appears hereon. Joint owners should each sign personally. Trustees and other fiduciaries should indicate the capacity in which they sign. If a corporation or partnership, this signature should be that of an authorized officer who should state his or her title.

Signature [PLEASE SIGN WITHIN BOX]

Date

**The Board of Directors recommends you vote FOR the following proposals:**

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
2. To approve Amendment No. 4 to the 2010 Stock Incentive Plan and to reserve an additional 1,485,000 shares of common stock for issuance thereunder.	..	..	..
3. To approve the 2013 Employee Stock Purchase Plan and the reservation of 250,000 shares of common stock for issuance thereunder.	..	..	..
4. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2013 fiscal year.	..	..	..

**NOTE:** Such other business as may properly come before the meeting or any adjournment thereof.

Signature (Joint Owners)

Date

**Table of Contents**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Notice & Proxy Statement and Annual Report are available at [www.infi.com/proxy](http://www.infi.com/proxy).

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

**INFINITY PHARMACEUTICALS, INC.**

**ANNUAL MEETING OF STOCKHOLDERS**

**June 11, 2013**

Those signing on the reverse side, revoking any prior proxies, hereby appoint(s) Adelene Q. Perkins and Lawrence E. Bloch, or each of them, with full power of substitution, as proxies for those signing on the reverse side to act and vote at the 2013 Annual Meeting of Stockholders of Infinity Pharmaceuticals, Inc. and at any adjournments or postponements thereof as indicated upon all matters referred to on the reverse side and described in the Proxy Statement for the Annual Meeting, and, in their discretion, upon any other matters which may properly come before the Annual Meeting.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED BY THE UNDERSIGNED STOCKHOLDER. IF NO SUCH DIRECTIONS ARE MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF EACH OF THE NOMINEES LISTED ON THE REVERSE SIDE FOR THE BOARD OF DIRECTORS, AND FOR PROPOSALS NUMBER 2, 3 and 4.

Please sign this proxy exactly as your name appears hereon. Joint owners should each sign personally. Trustees and other fiduciaries should indicate the capacity in which they sign. If a corporation or partnership, this signature should be that of an authorized officer who should state his or her title.

**UNLESS SUBMITTING A PROXY FOR THESE SHARES OVER THE INTERNET OR BY TELEPHONE, PLEASE MARK, SIGN, DATE, AND RETURN THIS PROXY CARD PROMPTLY IN THE ENCLOSED REPLY ENVELOPE.**

**CONTINUED AND TO BE SIGNED ON THE REVERSE SIDE**