

INFINITY PHARMACEUTICALS, INC.  
Form DEFA14A  
May 01, 2012

**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:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- 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:

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(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:



Supplemental Materials in Support of  
Equity Plan Proposal  
May 2012

Reasons to Vote FOR  
the Equity Plan  
Proposal

1.  
We have a strong track record of aligning executive pay with performance.

2.  
We have a broad-based, options-only equity program that optimally aligns compensation with shareholder return. Moreover, our Citizen-Owners have demonstrated their belief in the long-term success of our company by holding their vested, in-the-money options.

3.  
Our  
burn  
rate  
from  
options  
is  
well  
below  
ISS  
thresholds,  
as  
well  
as  
the  
more stringent commitment we made to our shareholders.

4.  
We have been extremely successful in funding our clinical development programs through vehicles other than dilutive equity financings.

This  
success has the result of overstating the impact of options when performing shareholder value transfer (SVT) and voting power dilution analyses.

In  
addition,  
recent  
appreciation  
in  
INFI  
stock  
is

not  
reflected  
in  
ISS analyses.

5.

We do not anticipate requesting additional shares under our equity  
incentive plan until at least our 2014 annual meeting.

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INFI Aligns Pay with Performance and Shareholder Value Creation

Say on Pay proposal received 96% support at our 2011 annual meeting

We score a LOW level of concern under each of ISS's pay for performance tests:

Relative Degree of Alignment score of 32.4  
TSR performance ranking has outpaced our CEO pay ranking over the combined one and three year periods

Multiple of Median  
our CEO pay for the last year was approximately 0.8x of our peer group median

Pay/TSR Alignment score of 4.6% --  
TSR performance has trended higher than our CEO compensation

We have a broad based, options-only equity program

Over 76% of option grants are to non-NEOs  
a higher percentage of grants to non-  
officers than our compensation peer group

Options-only approach better aligns compensation to shareholder return than does use  
of less dilutive, full value  
awards

Sources: Internal analysis using ISS Compass Model, 24 February 2012; Glass Lewis Proxy Paper, 22 April 2012

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Our Citizen-Owners Share Our  
Shareholders  
Long-Term Focus  
Number  
Weighted-Average  
Exercise Price  
Outstanding stock options  
7,992,966  
\$8.36  
Vested stock options  
5,037,061  
\$9.08  
Vested and in-the-money stock options

3,624,292

\$7.15

Expected term of outstanding stock options  
(using internal Black-Scholes valuation model)

6.1 years\*

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Our Citizen-Owners are focused on creating long-term value for shareholders. This is manifest in their practice of holding their vested, in-the-money stock options. This practice has the result of magnifying our overhang from stock options.

Calculated as of 3/31/12.

\* Our stock options generally vest over 4 years.

Our Burn Rate from Options Is Well Managed  
ISS Burn Rate Cap  
GIC Code 3520  
(Pharmaceuticals, Biotechnology & Life Sciences)  
7.49%  
INFI 3-year burn rate commitment made upon  
approval of 2010 equity incentive plan  
7.31%  
INFI 1-year burn rate  
FY 2011  
4.85%  
INFI 3-year average burn rate  
FY 2009-11  
4.72%



Our Track Record of Non-Dilutive Financing  
Overstates the Impact of Stock Options

Date	Shares of INFI Stock Outstanding
December 31, 2011	26,721,739
December 31, 2009	26,238,954

Aggregate Shares Issued in FY 2010-11

482,785

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Fiscal Year

Non-Dilutive R&D

Funding from Alliance

Partner

Average Closing

Price Per Share

Share Dilution

Avoided

2011

\$85,000,000

\$7.06

~ 12 million

2010

\$65,000,000

\$6.11

~ 10.6 million

Total

\$150,000,000

~ 22.6 million

Management's strategy to avoid dilution while enabling robust R&D investment has provided significant benefits to shareholders. Focusing solely on dilution from stock options could create a perverse disincentive with respect to seeking non-dilutive sources of R&D financing in the future.

Recent INFI Stock Appreciation Not Reflected  
in ISS Calculations Using 12/1/11 Data

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INFI stock has  
appreciated > 45%  
since the 12/1/11  
data download used  
by ISS, and has  
substantially  
outpaced growth in  
the NASDAQ Biotech  
Index during this

period. We believe that this stock price appreciation, if considered, would have a favorable impact on the results of ISS's SVT analysis.



#### Forward-Looking Statements

The foregoing contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause actual results to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties are described in detail under the caption Risk Factors included in our annual report on Form 10-K for the year ended December 31, 2011, which we filed with the Securities and Exchange Commission on March 13, 2012. We expressly disclaim any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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