

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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