

INFINITY PHARMACEUTICALS, INC.
Form DEF 14A
April 30, 2009
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:

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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

INFINITY PHARMACEUTICALS, INC.

780 Memorial Drive

Cambridge, Massachusetts 02139

NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS

To Be Held on June 17, 2009

To our stockholders:

We invite you to our 2009 annual meeting of stockholders, which will be held at the Stonehedge Inn, 160 Pawtucket Boulevard, Tyngsboro, Massachusetts 01879 on Wednesday, June 17, 2009 at 8:00 a.m., local time. At the meeting, stockholders will consider and act upon the following matters:

1. To elect 11 directors to serve for a one-year term expiring at the 2010 annual meeting of stockholders;
2. To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the current fiscal year; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record as of April 20, 2009 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.

It is important that your shares be represented at the annual meeting whether or not you expect to attend the annual meeting. If you are a stockholder of record, you may submit your proxy (1) over the internet, (2) by telephone or (3) by mail, or you may vote in person at the meeting. For specific instructions, please refer to the second page of the proxy statement and the instructions on the proxy card relating to the annual meeting.

If you are a stockholder whose shares are held in street name, you may vote by following the instructions that you will receive from your broker or other nominee. If you plan to attend the meeting, you will need to bring a proxy from your broker or other nominee issued in your name giving you the right to vote your shares.

By Order of the Board of Directors,

Gerald E. Quirk
Vice President, General Counsel and Secretary

Cambridge, Massachusetts

April 30, 2009

Table of Contents

TABLE OF CONTENTS

	Page
<u>EXPLANATORY NOTE</u>	1
<u>IMPORTANT INFORMATION ABOUT THE ANNUAL MEETING AND VOTING</u>	2
<u>Delivery of Security Holder Documents</u>	4
<u>Stock Ownership of Certain Beneficial Owners and Management</u>	4
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	7
<u>CORPORATE GOVERNANCE</u>	10
<u>General</u>	10
<u>Corporate Governance Guidelines</u>	10
<u>Board Determination of Independence</u>	10
<u>Director Nomination Process</u>	10
<u>Board Meetings and Attendance</u>	11
<u>Director Attendance at Annual Meeting of Stockholders</u>	11
<u>Board Committees</u>	11
<u>Executive and Director Compensation Processes</u>	13
<u>Communicating with the Independent Directors</u>	13
<u>Code of Business Conduct and Ethics</u>	14
<u>Report of the Audit Committee</u>	14
<u>Auditors Fees</u>	15
<u>TRANSACTIONS WITH RELATED PERSONS</u>	16
<u>Agreements with Entities Associated with Beacon Company and Rosebay Medical Company L.P.</u>	16
<u>Agreement with Novartis Institute for BioMedical Research, Inc.</u>	17
<u>POLICIES AND PROCEDURES FOR RELATED PERSON TRANSACTIONS</u>	18
<u>COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS</u>	19
<u>Compensation Discussion and Analysis</u>	19
<u>Summary Compensation Table</u>	29
<u>Grants of Plan-Based Awards Table</u>	30
<u>Outstanding Equity Awards at Fiscal Year-End Table</u>	31
<u>Option Exercises and Stock Vested Table</u>	31
<u>Potential Payments Upon Termination or Change-in-Control</u>	32
<u>Director Compensation Table</u>	32
<u>Securities Authorized for Issuance under Equity Compensation Plans</u>	35
<u>Compensation Committee Interlocks and Insider Participation</u>	35
<u>Compensation Committee Report</u>	35
<u>PROPOSAL 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	36
<u>OTHER MATTERS</u>	37
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	37
<u>Stockholder Proposals for the 2010 Annual Meeting</u>	37

Table of Contents

INFINITY PHARMACEUTICALS, INC.

780 Memorial Drive

Cambridge, Massachusetts 02139

PROXY STATEMENT FOR THE 2009 ANNUAL MEETING OF STOCKHOLDERS

We are pleased to take advantage of Securities and Exchange Commission rules that allow us to furnish proxy materials to you via the Internet. On or about April 30, 2009, we mailed to our stockholders of record as of April 20, 2009 either a printed set of proxy materials or a Notice of Internet Availability of Proxy Materials, or Notice. If you received the Notice by mail, you will not receive a printed copy of the proxy materials in the mail unless you request a copy. Instead, the Notice contains instructions on how to access our proxy statement for our 2009 annual meeting of stockholders and our annual report on Form 10-K for the year ended December 31, 2008. The Notice also contains instructions on how to vote online or by telephone, and how to receive a printed copy of the proxy materials by mail at no additional cost to you. We believe that this approach provides a convenient way for you to access your proxy materials and vote your shares, while lowering our printing and delivery costs and reducing the environmental impact associated with our annual meeting.

**IMPORTANT NOTE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 17, 2009**

The proxy statement and annual report are available at www.infi.com/proxy.

Whether you own few or many shares of stock, it is important that your shares be represented and voted at the annual meeting. If you are a stockholder of record, you can vote your shares by telephone or via the Internet. Instructions for using these convenient services are provided in the proxy statement. You also can vote your shares by requesting a paper proxy card to complete, sign and return by mail. If you decide to attend the annual meeting, you will be able to vote in person, even if you previously have voted by another means.

If your shares are held in street name, that is, held for your account by a broker or other nominee, you will receive instructions from the holder of record that you must follow for your shares to be voted. If you decide to attend the annual meeting, you will need to bring a proxy from your broker or other nominee issued in your name giving you the right to vote your shares.

These proxy materials are being made available to you because our board of directors is soliciting your vote at our 2009 annual meeting of stockholders.

EXPLANATORY NOTE

In September 2006, we completed our reverse merger in which a wholly-owned subsidiary of Discovery Partners International, Inc. or DPI, merged with Infinity Pharmaceuticals, Inc., or IPI, such that IPI became a wholly-owned subsidiary of DPI. In that transaction, which we refer to as the reverse merger, IPI changed its name to Infinity Discovery, Inc., or Old Infinity. In addition, DPI changed its name to Infinity Pharmaceuticals, Inc., or Infinity. After completion of the reverse merger, the business conducted by the combined company became the one operated by Old Infinity prior to the reverse merger. Except as specifically identified, the information contained herein with respect to periods prior to the reverse merger reflects the business of Old Infinity, and not DPI, and the information contained herein with respect to periods following the reverse merger reflect the business of the combined company. Further, the terms Infinity, we, us, and our refer to the combined company after the reverse merger, while Old Infinity refers to IPI prior to completion of the merger and DPI refers to Discovery Partners International, Inc. prior to completion of the reverse merger.

Table of Contents

IMPORTANT INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Q. Who can vote at the annual meeting?

A. To be able to vote, you must have been a stockholder of record at the close of business on April 20, 2009, the record date for our annual meeting. The number of outstanding shares entitled to vote at the meeting is 26,155,570 shares of common stock.

If you were a stockholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the annual meeting, or at any postponements or adjournments of the meeting.

Q. What are the voting rights of holders of our common stock?

A. Each outstanding share of our common stock will be entitled to one vote on each matter considered at the annual meeting.

Q. How do I vote?

A. If you are a record holder, meaning your shares are registered in your name, you may vote:

(1) **By Submitting a Proxy Over the Internet or by Telephone:** You may submit a proxy over the Internet by following the instructions at *www.proxyvote.com* or by telephone by calling 1-800-690-6903. You must specify how you want your shares voted. Your shares will be voted according to your instructions.

(2) **By Submitting a Proxy By Mail:** If you received a paper copy of these proxy materials, included with such copy is a proxy card. Complete and sign the proxy card and return it by mail in the postage prepaid envelope enclosed with the proxy card. Your shares will be voted according to your instructions. If you do not specify how you want your shares voted, they will be voted as recommended by our board of directors.

(3) **In Person at the Meeting:** If you attend the meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which we will provide to you at the meeting.

If your shares are held in street name, meaning they are held for your account by a broker or other nominee, you may vote:

(1) **By Submitting Voting Instructions Over the Internet or by Telephone:** You will receive instructions from your broker or other nominee if they permit Internet or telephone voting instructions. You should follow those instructions.

(2) **By Submitting Voting Instructions By Mail:** You will receive instructions from your broker or other nominee explaining how you can submit voting instructions for your shares by mail. You should follow those instructions.

(3) **In Person at the Meeting:** Contact your broker or other nominee who holds your shares to obtain a brokers proxy card and bring it with you to the meeting. **You will not be able to vote in person at the meeting unless you have a proxy from your broker issued in your name giving you the right to vote your shares.**

Q. Can I change my vote?

A. Yes. You may revoke your proxy and change your vote at any time before the annual meeting. To do so, you must do one of the following:

(1) Submit a proxy over the Internet or by telephone as instructed above. Only your latest Internet or telephone proxy is counted.

(2) Sign a new proxy and submit it as instructed above. Only your latest dated proxy will be counted.

Table of Contents

- (3) Attend the meeting, request that your proxy be revoked and vote in person as instructed above. Attending the meeting will not revoke your proxy unless you specifically request it.
- Q. Will my shares be voted if I don't return my proxy?**
- A.** If your shares are registered directly in your name, your shares will not be voted if you do not submit a proxy over the Internet or by telephone, return your proxy, or vote by ballot at the meeting. If your shares are held in street name, your brokerage firm may, under certain circumstances, vote your shares if you do not return your proxy. Brokerage firms can vote customers' unvoted shares on routine matters. If you do not return a proxy to your brokerage firm to vote your shares, your brokerage firm may, on routine matters, either vote your shares or leave your shares unvoted. Your brokerage firm cannot vote your shares on any matter that is not considered routine.
- Proposal 1, the election of directors, and Proposal 2, the ratification of the selection of our independent registered public accounting firm, are both considered routine matters. We encourage you to provide voting instructions to your brokerage firm by giving your proxy to your brokerage firm. This ensures that your shares will be voted at the meeting according to your instructions. You should receive directions from your brokerage firm about how to submit your proxy to your brokerage.
- Q. How many shares must be present to hold the meeting?**
- A.** A majority of our outstanding shares of common stock must be present at the meeting to hold the meeting and conduct business. This is called a quorum. For purposes of determining whether a quorum exists, we count as present any shares that are represented by proxy or that are represented in person at the meeting. For purposes of establishing a quorum, we will count as present shares that a stockholder holds even if the stockholder votes to abstain or does not vote on one or more of the matters to be voted upon. If a quorum is not present, we expect to adjourn the meeting until we obtain a quorum.
- Q. What vote is required to approve each matter and how are votes counted?**
- A. Proposal 1 Election of 11 Directors**
- To elect any of the nominees for director, a majority of the votes cast by stockholders present in person or represented by proxy and entitled to vote with respect to that director's election must be voted FOR such nominee. You may vote FOR, AGAINST, or ABSTAIN for each nominee. If your shares are held by your broker in street name, and you do not vote your shares, your brokerage firm may vote your unvoted shares on Proposal 1 or leave your shares unvoted. Broker non-votes and abstentions are not votes cast and, therefore, will have no effect on the outcome of voting on this matter.
- Proposal 2 Ratification of Selection of Independent Registered Public Accounting Firm**
- To approve Proposal 2, stockholders holding a majority in voting power of the shares of our stock that are present in person or represented by proxy and entitled to vote thereon must vote FOR the proposal. If your shares are held by your broker in street name, and you do not vote your shares, your brokerage firm may vote your unvoted shares on Proposal 2. If you vote to ABSTAIN on Proposal 2, your shares will not be voted in favor of or against the proposal and will also not be counted as votes cast or shares voting on the proposal. As a result, voting to ABSTAIN will have the same effect as votes against the proposal.

Table of Contents

Although stockholder approval of our Audit Committee's selection of Ernst & Young LLP as our independent registered public accounting firm is not required, we believe that it is advisable to give stockholders an opportunity to ratify this selection. If this proposal is not approved at the annual meeting, our Audit Committee will reconsider its selection of Ernst & Young LLP.

Q. Are there other matters to be voted on at the meeting?

A. We do not know of any other matters that may come before the meeting other than the election of 11 directors and the ratification of the selection of our independent registered public accounting firm. If any other matters are properly presented at the meeting, the persons named in the accompanying proxy intend to vote, or otherwise act, in accordance with their judgment on the matters.

Q. Where can I find the voting results?

A. We expect to report the voting results in our Quarterly Report on Form 10-Q for the quarter ending June 30, 2009, which we anticipate filing with the Securities and Exchange Commission in August 2009.

Q. What are the costs of soliciting these proxies?

A. We will bear the cost of soliciting proxies. In addition to these proxy materials, our directors, officers and employees may solicit proxies by telephone, e-mail, facsimile and in person, without additional compensation. Upon request, we will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for distributing proxy materials.

Delivery of Security Holder Documents

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 us at the following address or telephone number: 780 Memorial Drive, Cambridge, Massachusetts 02139, Attention: Investor Relations; 617-453-1015. 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.

Stock Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information, as of February 28, 2009, or such other date as indicated below, with respect to the beneficial ownership of our common stock by:

each person whom we know beneficially owns more than 5% of the outstanding shares of our common stock;

each of our current directors and nominees for director;

each of our executive officers named below under the heading "Compensation of Executive Officers and Directors" Summary Compensation Table ; and

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

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 February 28, 2009 through the exercise of any stock option or other right.

Table of Contents

Unless otherwise indicated, each person has sole voting and investment power, or shares such power with his or her spouse, with respect to the shares set forth in the following table. The inclusion in this table of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of those shares.

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

Name and Address of Beneficial Owner	Number of Shares of Common Stock Owned	+	Common Stock Underlying Options and Other Rights Acquirable Within 60 days	=	Total Beneficial Ownership (#)	Percentage of Common Stock Beneficially Owned (%) (2)
			(1)			
5% Stockholders						
Beacon Company(3)	3,000,000		3,000,000		6,000,000	20.6%
Rosebay Medical Company L.P.(4)	3,000,000		3,000,000		6,000,000	20.6%
Entities affiliated with Biotechnology Value Fund, L.P.(5)	2,157,613				2,157,613	8.3%
Entities affiliated with Prospect Venture Partners II, L.P.(6)	2,102,445				2,102,445	8.0%
Novartis AG(7)	1,434,478				1,434,478	5.5%
Directors						
Steven H. Holtzman(8)	347,284		216,292		563,576	2.1%
Martin Babler			9,375		9,375	*
Anthony B. Evnin, Ph.D.(9)	1,176,284		36,095		1,212,379	4.6%
Harry F. Hixson, Jr., Ph.D.			50,398		50,398	*
Eric S. Lander, Ph.D.(10)	82,758		25,648		108,406	*
Patrick P. Lee			29,063		29,063	*
Arnold J. Levine, Ph.D.(11)	15,287		34,613		49,900	*
Franklin H. Moss, Ph.D.(12)	56,128		25,648		81,776	*
Vicki L. Sato, Ph.D.	11,051		51,665		62,716	*
Ian F. Smith			11,250		11,250	*
James B. Tananbaum, M.D.(13)	1,552,198		24,845		1,577,043	6.0%
Michael C. Venuti, Ph.D.	50,000		35,938		85,938	*
Other Named Executive Officers						
Julian Adams, Ph.D.(14)	262,945		163,478		426,423	1.6%
Adelene Q. Perkins(15)	243,180		213,297		456,477	1.7%
All current directors and executive officers as a group (14 persons)	3,797,115		927,605		4,724,720	17.5%

* Represents holdings of less than one percent.

- (1) All stock options assumed by us in the reverse merger were granted under the Infinity Pharmaceuticals, Inc. Pre-Merger Stock Incentive Plan, and are subject to a right of early exercise, pursuant to which an optionee could exercise unvested stock options and receive, in lieu thereof, shares of restricted stock that are subject to a right of repurchase by us that lapses in accordance with the vesting schedule of the original option. For purposes of this table, however, options that will not vest within 60 days after February 28, 2009 have not been deemed exercisable.
- (2) Percentage of beneficial ownership is based on 26,133,330 shares of our common stock outstanding as of February 28, 2009. In addition, shares of common stock subject to options or other rights currently exercisable, or exercisable within 60 days of February 28, 2009, 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.
- (3) Includes 3,000,000 shares of common stock issuable upon the exercise of currently exercisable warrants. Beacon Company's partners are Stanhope Gate Corp., a British Virgin Islands company and Beacon Trust Company Limited, as Trustee under Settlement dated 31 December 1993. Beacon Company's principal executive offices are located at Don Street, St. Helier, Jersey JE4 9WG, Channel Islands. For information regarding Beacon Company, we have relied on the Schedule 13D filed by Beacon Company and Rosebay Medical Company L.P. with the SEC on December 1, 2008 and the Schedule 13D/A filed by Beacon Company and Rosebay Medical Company L.P. with the SEC on January 7, 2009.

Table of Contents

- (4) Includes 3,000,000 shares of common stock issuable upon the exercise of currently exercisable warrants. Rosebay Medical Company L.P.'s general partner is Rosebay Medical Company, Inc., a Delaware corporation. Rosebay Medical Company L.P.'s principal executive offices are located at 14000 Quail Springs Parkway #2200, Oklahoma City, Oklahoma 73134. For information regarding Rosebay Medical Company L.P., we have relied on the Schedule 13D filed by Beacon Company and Rosebay Medical Company L.P. with the SEC on December 1, 2008 and the Schedule 13D/A filed by Beacon Company and Rosebay Medical Company L.P. with the SEC on January 7, 2009.
- (5) Consists of 492,613 shares of common stock held by Biotechnology Value Fund, L.P., 340,000 shares of common stock held by Biotechnology Value Fund II, L.P., 1,181,000 shares of common stock held by BVF Investments, L.L.C., and 144,000 shares of common stock held by Investment 10, L.L.C. The address of Biotechnology Value Fund, L.P. is 900 North Michigan Avenue, Suite 1100, Chicago, Illinois 60611. For information regarding Biotechnology Value Fund, L.P., we have relied on the Schedule 13G filed by Biotechnology Value Fund, L.P. with the SEC on January 30, 2009.
- (6) Consists of 1,417,508 shares of common stock held by Prospect Venture Partners II, L.P. and 684,937 shares of common stock held by Prospect Venture Partners, L.P. The general partner of Prospect Venture Partners II, L.P. is Prospect Management Co. II, L.L.C. The managing directors of Prospect Management Co. II, L.L.C., Dr. Tananbaum, David Schnell, Alexander Barkas and Russell Hirsch, share voting and investment power over the shares held of record by Prospect Venture Partners II, L.P. The general partner of Prospect Venture Partners, L.P. is Prospect Management Co., L.L.C. The managing directors of Prospect Management Co., L.L.C., David Schnell and Alexander Barkas, share voting and investment power over the shares held of record by Prospect Venture Partners, L.P. Each of the managing directors listed above disclaims beneficial ownership of the shares over which he shares voting and investment power, except to the extent of his pecuniary interest therein. The address of Prospect Venture Partners is 435 Tasso Street, Suite 200, Palo Alto, California 94301.
- (7) Consists of 1,134,809 shares of common stock held by Novartis Pharma AG and 299,669 shares of common stock held by Novartis BioVentures Ltd. Novartis AG, as the parent of each of Novartis Pharma AG and Novartis BioVentures Ltd., may be deemed to beneficially own such shares. The address of Novartis AG is Lichtstrasse 35, 4056-Basel, Switzerland. For information regarding Novartis AG, we have relied on the Schedule 13G filed by Novartis AG with the SEC on February 14, 2007.
- (8) Of the shares of common stock held by Mr. Holtzman, 6,907 shares were subject to a right of repurchase in our favor as of February 28, 2009.
- (9) Includes 211,504 shares of common stock held by Venrock Associates, 941,249 shares of common stock held by Venrock Associates III, L.P. and 23,531 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. The General Partners of Venrock Associates, Dr. Evnin, Michael Brooks, Eric Copeland, Bryan Roberts, Ray Rothrock, Anthony Sun and Michael Tyrrell, share voting and investment power with respect to securities held of record by Venrock Associates. Venrock Associates III, L.P. is a limited partnership of which Venrock Management III LLC is the General Partner. The Members of Venrock Management III, LLC, Dr. Evnin, Michael Brooks, Eric Copeland, Bryan Roberts, Ray Rothrock, Anthony Sun and Michael Tyrrell, share voting and investment power 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. The Members of VEF Management III, LLC, Dr. Evnin, Michael Brooks, Eric Copeland, Bryan Roberts, Ray Rothrock, Anthony Sun and Michael Tyrrell, share voting and investment power 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.
- (10) Consists of 71,707 shares of common stock held by Dr. Lander and 11,051 shares of common stock held by the Lander-Weiner Family Trust, of which Dr. Lander serves as a trustee. Dr. Lander shares voting and investment power with the other trustee over the shares held by the Lander-Weiner Family Trust.
- (11) Of the shares of common stock held by Dr. Levine, 1,691 shares were subject to a right of repurchase in our favor as of February 28, 2009.
- (12) Consists of 22,974 shares of common stock held by Dr. Moss, and 33,154 shares of common stock held by Dr. Moss, together with Kimberley S. Moss, as joint tenants with the right of survivorship.
- (13) Includes 134,690 shares of common stock held by a trust for which Dr. Tananbaum serves as trustee and has voting and investment power, and 1,417,508 shares of common stock held by Prospect Venture Partners II, L.P. Dr. Tananbaum is a managing director of Prospect Management Co. II, L.L.C., the general partner of Prospect Venture Partners II, L.P. Dr. Tananbaum disclaims beneficial ownership of the shares of common stock held by Prospect Venture Partners II, L.P., except to the extent of his pecuniary interest therein.
- (14) Of the shares of common stock held by Dr. Adams, 22,478 shares were subject to a right of repurchase in our favor as of February 28, 2009.
- (15) Of the shares of common stock held by Ms. Perkins, 8,358 shares were subject to a right of repurchase in our favor as of February 28, 2009.

Table of Contents

PROPOSAL 1 ELECTION OF DIRECTORS

All of our directors stand for election annually. The board of directors has set the number of directors at 11. The persons named in the accompanying proxy will vote to elect Messrs. Babler, Holtzman, Lee and Smith and Drs. Evnin, Hixson, Lander, Levine, Moss, Tananbaum and Venuti as directors unless you indicate otherwise on your proxy. Each of the nominees is currently a member of our board of directors.

Dr. Sato, who is currently a member of our board of directors, is retiring effective June 17, 2009 and is not standing for re-election as a director. Dr. Sato, age 60, has served as a member of Infinity's board of directors since September 2006 and a member of the board of directors of Old Infinity from 2001 through the completion of the reverse merger. She is currently a professor at Harvard University. From 1992 to 2005, Dr. Sato held various positions with Vertex Pharmaceuticals, Inc., a publicly-traded pharmaceutical company, most recently serving as President from 2000 to 2005. Prior to joining Vertex Pharmaceuticals, Inc., from 1984 to 1992, Dr. Sato held various positions with Biogen, Inc., a publicly traded biotechnology company, most recently serving as Vice President of Research and a member of its Scientific Advisory Board. Since 1993, Dr. Sato has served on the Board of Tutors, Department of Biochemistry and Molecular Biology at Harvard University and also served as an Assistant Professor and Associate Professor in the Department of Biology at Harvard University from 1975 to 1983. Dr. Sato is a business advisor to Atlas Ventures, a venture capital firm, and other enterprises in the biotechnology and pharmaceutical industries. Dr. Sato serves as a director of Bristol-Myers Squibb Company and Alnylam Pharmaceuticals, Inc., publicly traded biopharmaceutical companies, Perkin-Elmer, Inc., a diversified company with businesses in the life and analytical sciences and optoelectronics, and Avila Therapeutics, a private biopharmaceutical company. Dr. Sato received an A.B. in Biology from Radcliffe College and an M.A. and Ph.D. in Biology from Harvard University.

If they are elected, each of the nominees will each hold office until our annual meeting of stockholders in 2010 and until his successor is duly elected and qualified. Each of the nominees has indicated his willingness to serve, if elected; however, if any nominee should be unable to serve, the shares of common stock represented by proxies may be voted for a substitute nominee designated by the board of directors.

There are no family relationships between or among any of our officers or directors.

Below are the names, ages and certain other information of each of the nominees for director. Information with respect to the number of shares of common stock beneficially owned by each of these individuals, directly or indirectly, as of February 28, 2009 appears above under the heading "Stock Ownership of Certain Beneficial Owners and Management."

Martin Babler, age 44, has served as a member of our board of directors since May 2008. Mr. Babler is Chief Executive Officer of Talima Therapeutics, Inc., a privately-held drug delivery company, a position he has held since February 2008. 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. 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 ETH in Zurich, Switzerland and attended the Executive Development Program at Kellogg Graduate School of Management.

Anthony B. Evnin, Ph.D., age 68, has served as a member of our board of directors since September 2006 and a member of the board of directors of Old Infinity from June 2001 through the completion of the reverse merger. Since 1980, Dr. Evnin has served as Managing General Partner of Venrock, a venture capital firm, and has been employed by Venrock since 1974. Dr. Evnin also serves as a director of several private companies, as well as the following publicly-traded biopharmaceutical companies: Icagen, Inc., Sunesis Pharmaceuticals, Inc. and Pharmos Corporation. Dr. Evnin received an A.B. in Chemistry from Princeton University and a Ph.D. in Chemistry from the Massachusetts Institute of Technology.

Table of Contents

Harry F. Hixson, Jr., Ph.D., age 70, has served as a member of our board of directors and of the board of directors of DPI since May 2001 and as Chairman of DPI from November 2005 through the completion of the reverse merger. Dr. Hixson is currently Chairman of BrainCells, Inc., a private biopharmaceutical company, and served as Chief Executive Officer from its founding until 2005. From 1998 to 2002, Dr. Hixson served as Chief Executive Officer of Elitra Pharmaceuticals, a private biopharmaceutical company, and as its Chairman from 1998 to 2003. Dr. Hixson is also Chairman of SEQUENOM, a publicly-traded human genetics products and services company, a director of Arena Pharmaceuticals, a publicly-traded pharmaceutical company, and a director of NovaBay Pharmaceuticals, Inc., a publicly-traded biopharmaceuticals company. Dr. Hixson received a B.S. in Chemical Engineering from Purdue University, an M.B.A. from The University of Chicago and a Ph.D. in Physical Biochemistry from Purdue University.

Steven H. Holtzman, age 55, has served as our Chief Executive Officer and Chair of our board of directors since September 2006, and as our president from October 2007 to October 2008. Mr. Holtzman is also a co-founder of Old Infinity and served as its Chief Executive Officer and as Chair of its board of directors from inception in 2001 through completion of the reverse merger. Mr. Holtzman has also served as President of Old Infinity from July 2001 to February 2006. From 1994 to 2001, Mr. Holtzman served as Chief Business Officer of Millennium Pharmaceuticals, Inc., a publicly-traded pharmaceutical company. From 1996 to 2001, Mr. Holtzman served as a presidential appointee to the National Bioethics Advisory Commission, the principal advisory body to the President and Congress on ethical issues in the biomedical and life sciences. Prior to joining Millennium Pharmaceuticals, Inc., from 1986 to 1994, Mr. Holtzman was a founder and Executive Vice President of DNX Corporation, a publicly-traded biotechnology company. Mr. Holtzman is a director of Anadys Pharmaceuticals, Inc., a publicly-traded biopharmaceutical company, and a trustee of the Berklee College of Music. Mr. Holtzman received a B.A. in Philosophy from Michigan State University and a B.Phil. in Philosophy from Oxford University, which he attended as a Rhodes Scholar.

Eric S. Lander, Ph.D., age 52, 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 Old Infinity from 2001 through the completion of the reverse merger. 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. From 1993 to 2003, Dr. Lander was the Director of the Whitehead/MIT Center for Genome Research. 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.

Patrick P. Lee, age 53, has served as a member of our board of directors since September 2006 and a member of the board of directors of Old Infinity from September 2002 through the completion of the reverse merger. Mr. Lee has been a General Partner of Ares Life Sciences, an investment firm, since February 2009. Prior to joining Ares Life Sciences, Mr. Lee was a General Partner of Advent Venture Partners, a venture capital firm, and was employed by Advent Venture Partners from 1999 through February 2009. Prior to joining Advent Venture Partners, from 1989 to 1999, Mr. Lee held various positions with Rhone-Poulenc Rorer in the United States, and Rhone Poulenc in Paris, France, where he was most recently Group Vice President for Mergers & Acquisitions. Prior to that he had been with Baxter International, a publicly-traded healthcare products and services company, and Booz Allen and Hamilton, a consulting firm. Mr. Lee received a B.A. in Biology from Vassar College and an M.B.A. from the Stanford Graduate School of Business.

Arnold J. Levine, Ph.D., age 69, has served as a member of our board of directors since September 2006 and a member of the board of directors of Old Infinity from 2001 through the completion of the reverse merger. Since 2002, Dr. Levine has been a Professor at the Institute for Advanced Study and Professor at The Cancer Institute of New Jersey, Robert Wood Johnson School of Medicine and a Professor at the Institute for Advanced Study. From 1998 to 2002, Dr. Levine was President of Rockefeller University. Prior to joining Rockefeller University, Dr. Levine was the Harry C. Weiss Professor in the Life Sciences and Chairman of the Department of

Table of Contents

Molecular Biology at Princeton University from 1984 to 1996. Dr. Levine also serves as a director of Theravance, Inc., and Life Technologies, publicly-traded life science companies. Dr. Levine received a B.A. in Biology from Harpur College, State University of New York at Binghamton and a Ph.D. in Microbiology from The University of Pennsylvania.

Franklin H. Moss, Ph.D., age 60, has served as a member of our board of directors since September 2006. Dr. Moss was a co-founder and a member of the board of directors of Old Infinity from 2001 through the completion of the reverse merger. Since 1998, Dr. Moss has been President of Strategic Software Ventures LLC, a firm that nurtures enterprise software startup companies, and since February 2006, Dr. Moss has served as Director of The Media Lab and Weisner Professor of Media Arts and Sciences at the Massachusetts Institute of Technology. From 2001 through 2003, Dr. Moss served as Chairman of the Informatics Advisory Board of Old Infinity. From 1991 to 1996, Dr. Moss served as Chief Executive Officer and Chairman of Tivoli Systems, a private software company sold to IBM in 1996. Prior to joining Tivoli Systems, Dr. Moss held a variety of positions with Lotus Development, Stellar Computer, Apollo Computer and IBM Research. Dr. Moss received a B.S. in Aerospace and Mechanical Sciences from Princeton University and an S.M. and Ph.D. in Aeronautics and Astronautics from the Massachusetts Institute of Technology.

Ian F. Smith, age 43, 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., and Epix Pharmaceuticals, Inc., both publicly-traded biopharmaceutical companies. 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.

James B. Tananbaum, M.D., age 45, has served as a member of our board of directors since September 2006. Dr. Tananbaum was a co-founder and a member of the board of directors of Old Infinity from 2001 through the completion of the reverse merger. From 2000 to the present, Dr. Tananbaum has served as Managing Director of Prospect Venture Partners L.P. II and III, venture partnerships he co-founded. From 1997 to 2000, Dr. Tananbaum served as Chief Executive Officer of Theravance, Inc., a publicly-traded biopharmaceutical company. From 1993 to 1997, Dr. Tananbaum served as a partner of Sierra Ventures, a venture capital firm. Dr. Tananbaum also serves as a director of Jazz Pharmaceuticals, Inc. and Novavax, Inc., both publicly-held biopharmaceutical companies, and the following privately-held biopharmaceutical companies: Vitae Pharmaceuticals, Inc., Patient Care, Inc., Pathwork Diagnostics, Inc., RoxRo Pharma, Inc., Cogentus Pharmaceuticals, Inc., Amira Pharmaceuticals, Inc. and Lapis Therapeutics, Inc. Dr. Tananbaum received a B.S.E.E. from Yale University and an M.D. and M.B.A. from Harvard University.

Michael C. Venuti, Ph.D., age 55, has served as a member of our board of directors and the board of directors of DPI since May 2003. Dr. Venuti has been Chief Executive Officer of BioSeek, Inc., a privately-held drug discovery company, since November 2007. 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 DPI prior to the completion of the reverse merger 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 Axys Pharmaceuticals, Inc. in 2001. From 1994 through 2001, Dr. Venuti was Director of Medicinal Chemistry, and then Chief Technical Officer, for Axys Pharmaceuticals and its predecessor company, Arris Pharmaceutical Corporation. Dr. Venuti has also held an appointment as Adjunct Professor of Chemistry at the University of California, San Francisco since 1992. Dr. Venuti received an A.B. in Chemistry from Dartmouth College and a Ph.D. in Organic Chemistry from the Massachusetts Institute of Technology.

Table of Contents

CORPORATE GOVERNANCE

General

This section describes key corporate governance guidelines and practices that we have adopted. Complete copies of our corporate governance guidelines, committee charters and code of business conduct and ethics described below are available on our website, www.infi.com. Alternatively, you can request a copy of any of these documents by writing to: Investor Relations, Infinity Pharmaceuticals, Inc., 780 Memorial Drive, Cambridge, Massachusetts 02139. Our board of directors believes that good corporate governance is important to ensure that Infinity is managed for the long-term benefit of our stockholders.

Corporate Governance Guidelines

Our board of directors has adopted corporate governance guidelines to assist the board 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 the 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 board and its committees will conduct a self-evaluation to determine whether they are functioning effectively.

Board 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 or Smith or Drs. Evin, Hixson, Lander, Levine, Moss, or Tananbaum has a relationship which 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 4200(a)(15) of the NASDAQ Stock Market, Inc. Marketplace Rules. Further, our board of directors had previously determined that Dr. Vicki Sato, who served on our board of directors during the year ended December 31, 2008, did not have a relationship that would have interfered with the exercise of independent judgment in carrying out the responsibilities of a director and that she was an independent director as defined above. Mr. Holtzman and Dr. Venuti are not independent as defined under applicable NASDAQ rules.

Director Nomination Process

The process followed by the Nominating and Corporate Governance Committee of our board 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.

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 applies the criteria as set forth in our corporate governance

Table of Contents

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 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.

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 Gerald E. Quirk, Esq., Vice President and General Counsel, 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 under *Stockholder Proposals for the 2010 Annual Meeting*.

Board Meetings and Attendance

Our board of directors held ten meetings, either in person or by teleconference, during the year ended December 31, 2008, or *Fiscal 2008*. During *Fiscal 2008*, each director attended at least 75% of the aggregate of the number of board meetings and the number of meetings held by all committees on which he or she then served, other than Dr. Levine who attended 69% of such meetings.

Director Attendance at Annual Meeting of Stockholders

Our corporate governance guidelines provide that directors are responsible for attending annual stockholder meetings. All of our directors other than Dr. Lander attended our 2008 annual meeting of stockholders. We anticipate that all or substantially all of our directors will attend our 2009 annual meeting of stockholders.

Board Committees

Our board of directors currently has standing Audit, Compensation, Nominating and Corporate Governance, and Research and Development Committees. The board of directors has determined that all of the members of each of these committees, other than the Research and Development Committee, are independent as defined under the rules of the NASDAQ Stock Market, including, in the case of all members of the Audit Committee, the independence requirements contemplated by Rule 10A-3 under the Securities Exchange Act of 1934, or the Exchange Act.

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;

Table of Contents

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 on page 14 of this proxy statement).

The Audit Committee is authorized to retain advisors and consultants and to compensate them for their services. The Audit Committee has a charter, which is available on our website, www.infi.com.

The current members of the Audit Committee are Messrs. Smith (Chair) and Lee and Dr. Hixson. 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 Messrs. Smith and Lee and Dr. Hixson 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 nine meetings in Fiscal 2008. See Report of the Audit Committee below.

Compensation Committee

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

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 19 of this proxy statement); and

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preparing the Compensation Committee report required by SEC rules (which is included on page 35 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 a charter, which is available on our website, www.infi.com.

The current members of the Compensation Committee are Drs. Sato (Chair) and Moss and Mr. Babler. Our board has determined that each of Drs. Sato and Moss and Mr. Babler is independent as defined under the applicable NASDAQ rules. The Compensation Committee held six meetings during Fiscal 2008. See Compensation of Executive Officers and Directors Compensation Committee Report below.

Table of Contents

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 to the board corporate governance principles; and

overseeing annual evaluations of the board.

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.

The current members of the Nominating and Corporate Governance Committee are Drs. Evnin (Chair), Lander and Tananbaum. Our board of directors has determined that each of these members is independent, as that term is defined by applicable NASDAQ rules. The Nominating and Corporate Governance Committee held five meetings during Fiscal 2008.

Executive and Director Compensation Processes

The Compensation Committee of our board of directors oversees our compensation program. In this role, the Compensation Committee determines and, after consultation with the entire board of directors, approves annually all compensation decisions relating to our executive officers.

In addition, in accordance with its charter, our Compensation Committee periodically reviews and makes recommendations to the board of directors with respect to director compensation. A description of the processes and procedures for the consideration and determination of executive compensation is contained in the section entitled "Compensation Discussion and Analysis" beginning on page 19 below.

The Compensation Committee has delegated to the Stock Option Administration Committee, comprised solely of Mr. Holtzman, our Chief Executive Officer, the authority to grant stock options and restricted stock under our 2000 Stock Incentive Plan, subject to the following limitations. The Stock Option Administration Committee is not authorized to: (a) grant options or restricted stock to our executive officers, (b) grant to any person, in any one calendar year, options and/or restricted stock with respect to more than 50,000 shares of our common stock, (c) grant in the aggregate in any one fiscal quarter, options and/or restricted stock with respect to more than 250,000 shares of our common stock or (d) grant options with an exercise price, or restricted stock with a purchase price, that is below the fair market value of our common stock on the date of grant (as determined under our 2000 Stock Incentive Plan). The Stock Option Administration Committee must report to the Compensation Committee on a quarterly basis regarding the options and restricted stock granted during the prior quarter.

Communicating with the Independent Directors

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.

Table of Contents

Stockholders who wish to send communications on any topic to the board of directors should address such communications to Board of Directors, c/o Gerald E. Quirk, Esq., Vice President and General Counsel, Infinity Pharmaceuticals, Inc., 780 Memorial Drive, Cambridge, MA 02139, or by email to contactboard@infi.com.

Code of Business Conduct and Ethics

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

Report of the Audit Committee

The Audit Committee has reviewed our audited financial statements for the fiscal year ended December 31, 2008 and has discussed these financial statements with our management and independent registered public accounting firm.

The Audit Committee has also received from, and discussed with, Ernst & Young LLP, our independent registered public accounting firm, 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 Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees).

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, 2008.

By the Audit Committee of the Board of Directors,

Ian F. Smith (Chair)

Patrick P. Lee

Harry F. Hixson, Jr., Ph.D.

Table of Contents**Auditors Fees**

The following table summarizes the fees of Ernst & Young LLP, our independent registered public accounting firm, billed to us for each of the last two fiscal years.

Fee Category	Fiscal 2008	Fiscal 2007
Audit Fees(1)	\$ 452,700	\$ 382,750
Audit-Related Fees(2)	2,940	3,000
Tax Fees(3)	79,050	193,250
Total Fees	\$ 534,690	\$ 579,000

- (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 registration statements on Form S-8, and other professional services provided in connection with statutory and regulatory filings or engagements.
- (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 fiscal 2008, tax fees include analyses by Ernst and Young LLP related to the tax treatment of our alliances with Purdue Pharmaceutical Products L.P. and Mundipharma International Corporation Limited. For fiscal 2007, tax fees include analyses by Ernst & Young LLP related to (i) Section 382 of the Internal Revenue Code of 1986, (ii) tax treatment of our collaborations with MedImmune, Inc. and Novartis Institutes for BioMedical Research, Inc. and (iii) research and development tax credits.

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 Infinity 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.

During Fiscal 2008, 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.

Table of Contents

TRANSACTIONS WITH RELATED PERSONS

Agreements with Entities Associated with Beacon Company and Rosebay Medical Company L.P.

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. In connection with the execution of the securities purchase agreement, we amended our rights agreement with American Stock Transfer & Trust Company, LLC.

Under the terms of the securities purchase agreement, in November 2008, we issued and sold an aggregate of four million shares of our common stock at a purchase price of \$11.25 per share, for an aggregate purchase price of \$45 million, which, immediately after such issuance, represented approximately 16.6% of our then outstanding common stock. Of such shares, two million shares of our common stock were purchased by each of Purdue and PPLP. In January 2009, we conducted a second closing where we issued and sold an aggregate of two million shares of our common stock, and warrants to purchase up to an aggregate of six million shares of our common stock, for an aggregate purchase price of \$30 million. Immediately after such issuance, these securities, together with the shares sold in November 2008, represented approximately 37.3% of our then outstanding common stock, assuming exercise of such warrants. Of such second closing shares and warrants, an equal number were purchased by each of Purdue and PPLP. All of such shares, as well as all of such warrants, were subsequently transferred through associated entities of each of Purdue and PPLP to Beacon and Rosebay. Beacon and Rosebay each owned approximately 18.7% of our common stock as of February 28, 2009, assuming exercise of the warrants by both entities.

Under the terms of the amendment to our rights agreement, Purdue, PPLP and their independent associated companies may own up to 33.3% of our fully-diluted common stock outstanding (which assumes the exercise or conversion of all exercisable or convertible securities then outstanding) without such ownership causing such parties to be deemed Acquiring Persons for purposes of the rights agreement and thereby triggering the stockholder rights under the rights agreement. Should Purdue, PPLP and their independent associated companies' aggregate ownership percentage exceed 33.3% of our fully-diluted common stock outstanding as a result of an acquisition of common stock by us or the exercise or cancellation of outstanding securities that are exercisable, convertible or exchangeable for shares of common stock, the amendment to the rights agreement provides that such excess ownership shall not result in such parties being deemed Acquiring Persons for the purposes of the rights agreement.

Under the terms of the strategic alliance agreements, we agreed with each of Mundipharma and Purdue to develop and commercialize certain product candidates including those that inhibit or target the Hedgehog pathway and fatty acid amide hydrolase, or FAAH, and product candidates arising out of all our discovery projects in all disease fields that achieve development candidate status on or before December 31, 2011 (with Mundipharma having the right, through the exercise of two consecutive one-year options, to extend such period through December 31, 2013). Our heat shock protein 90 and Bcl-2 programs are expressly excluded from the alliances. The agreement with Purdue is focused on the development and commercialization of products targeting FAAH for sale in the United States. The agreement with Mundipharma is focused on the development and commercialization of all products and product candidates covered by the alliance, including those targeting FAAH, for sale outside of the United States. Both agreements include terms for opting out of participation in individual research and development programs. We are recording revenue for reimbursable research and development services we perform for Mundipharma and Purdue. We recorded \$2.7 million in such revenue in the year ended December 31, 2008. We may be entitled to receive or required to pay royalties on net sales of commercialized products resulting from the strategic alliances.

Under the terms of the line of credit agreement, we may borrow one or more unsecured loans up to an aggregate maximum principal amount of \$50 million. The loans may be drawn by us during the three-year period

Table of Contents

that began on April 1, 2009. The loans, which may be used by us for any proper corporate purpose, mature on April 1, 2019, which we refer to as the maturity date, and will be subordinate to any senior indebtedness that we may incur. Borrowings made under the line of credit agreement will bear interest, payable on the maturity date, at a fluctuating rate set at the prime rate on the business day prior to the funding of each loan and will be reset on the last business day of each month ending thereafter. Interest will be compounded on each successive three-month anniversary of the funding of each loan. Outstanding loans may be prepaid without penalty or premium prior to the maturity date. Amounts borrowed under the credit agreement, once borrowed, may not be borrowed again. We have certain rights to repay outstanding amounts under the line of credit agreement in shares of our common stock. In March 2009, Purdue assigned its interest under the line of credit agreement to PPLP.

Agreement with Novartis Institute for BioMedical Research, Inc.

In February 2006, we entered into a collaboration agreement with the Novartis Institutes for BioMedical Research, Inc., or Novartis, to discover, develop and commercialize drugs targeting Bcl protein family members for the treatment of a broad range of cancers. Under the terms of this agreement, we granted to Novartis an exclusive, worldwide license to research, develop and commercialize pharmaceutical products that are based upon our proprietary Bcl inhibitors. Novartis paid us a \$15 million up-front license fee, an affiliate of Novartis made a \$5 million equity investment in Old Infinity that converted in the reverse merger into 266,313 shares of our common stock, and Novartis committed to provide us research funding of approximately \$10 million over the initial two-year research term, which expired in February 2008. Novartis has agreed to make milestone payments totaling over \$370 million if certain specified research, development and commercialization milestones under the alliance are achieved for multiple products for multiple indications, such that total payments to us could exceed \$400 million. Novartis has also agreed to pay us royalties upon successful commercialization of any products developed under the alliance. For the year ended December 31, 2008, we recognized \$8.1 million in revenue related to the amortization of the up-front license fee and \$0.8 million in revenue related to the reimbursable research and development services we performed for Novartis under this agreement.

Table of Contents

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 General Counsel. 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 any profit or loss;

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

whether the terms of the transaction are no less favorable to us than terms that could have been reached with an unrelated third 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 by-laws.

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.

Table of Contents

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Compensation Discussion and Analysis

The Compensation Committee of our Board of Directors oversees our compensation program. In this role, the Compensation Committee determines and approves annually all compensation decisions relating to our executive officers.

Our Executive Officers

Our current executive officers are Steven H. Holtzman, Chief Executive Officer, Adelene Q. Perkins, President and Chief Business Officer, and Julian Adams, Ph.D., President of Research & Development and Chief Scientific Officer. Mr. Holtzman served as our President until October 2008.

Objectives and Philosophy of our Compensation Program

The primary objectives of the Compensation Committee with respect to compensation for all of our employees (whom we call citizen-owners) are to:

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

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.

To achieve these objectives, the Compensation Committee evaluates our compensation program with the goal of setting compensation at levels the committee believes are competitive with those of other companies in our industry that compete with us for talent. In addition, our compensation program ties a substantial portion of our 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.

We also provide a portion of our compensation in the form of stock options that vest over time. We believe this helps to retain our citizen-owners, including our executive officers, and aligns their interests with those of our non-employee stockholders by allowing them to participate in the longer term success of our company as reflected in stock price appreciation.

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In making compensation decisions regarding our executive officers, one factor our Compensation Committee considers is a comparison of our executive compensation with the compensation of executives in similar roles in peer companies. Historically, we obtained this information through biopharmaceutical industry compensation surveys such as the 2008 Radford Global Life Sciences Survey, or Radford Survey, using a data sample reflecting all participating organizations with 150 to 499 employees. We believe that this data sample is appropriate, as we would seek executive talent from a nationwide pool and the data indicate that there is not a material compensation difference in executive compensation levels between Massachusetts biopharmaceutical companies and all biopharmaceutical companies nationwide.

Table of Contents

The Radford Survey reflects compensation data as of April 1, 2008. As a result, when using the Radford Survey to benchmark 2008 total cash compensation, we increased such amount by 3.5%, which we believed was a reasonable estimate of increases in market compensation that would occur during the ensuing year. In addition, for purposes of benchmarking compensation for Ms. Perkins and Dr. Adams, we used data for chief operating officers rather than chief business and chief scientific officers, respectively, because each officer has broader leadership responsibilities than that connoted by her or his title. Specifically, Ms. Perkins is responsible for all finance, business development, portfolio management, legal and intellectual property, human resources and facilities/operations functions, and Dr. Adams is responsible for all discovery, clinical development, medical, regulatory/quality assurance, pharmaceutical development and information technology functions.

We did not retain a compensation consultant during 2008 to review our policies and procedures with respect to executive compensation. Our Compensation Committee's charter, however, expressly authorizes the Compensation Committee to retain and terminate any compensation consultant and to approve the fees and other terms associated with the engagement of such compensation consultant.

Performance Evaluation Process

Annually, our 11-member 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. Upon ratification of the overall corporate goals, departmental and individual goals are set focusing on contributions that facilitate the achievement of these company goals.

For 2008, our company goals included:

executing on the following near-term drivers of stockholder value:

launching and advancing a phase 3 clinical trial of IPI-504 in refractory gastrointestinal stromal tumors, or GIST;

advancing phase 2 clinical trials of IPI-504 in additional indications;

commencing a phase 1 clinical trial of IPI-493, our orally-available inhibitor of heat shock protein 90;

commencing a phase 1 clinical trial of IPI-926, our proprietary inhibitor of the hedgehog signaling pathway; and

identifying strategic opportunities to enhance our corporate profile, and

maintaining and enhancing the foundations for our future success, including:

a strong financial profile;

excellence in all of our scientific, business and operational activities; and

maintaining our integrated culture of citizen-ownership during a period of rapid organizational growth.

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

against goals at one of the following levels:

below industry standards, or performance that neither resulted in the achievement of the stated goals, nor was consistent with performance that should reasonably be expected of a biopharmaceutical company of comparable size, resources or stage of development;

Table of Contents

met industry standards, or performance that resulted in the stated goals 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;

met Infinity expectations, or performance that exceeded industry standards and met essentially all of our goals (including some stretch goals) and exceeded some of them, with any failure to achieve a major goal being the result of factors outside of our reasonable control; and

exceeded Infinity expectations, or performance that far exceeded industry standards and resulted in our goals largely being exceeded. 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 November 2008, the Compensation Committee conducted its assessment of company performance, which it in turn reviewed with our Board of Directors in December 2008. Following those reviews, it was determined that our 2008 performance was convincingly at the exceeds Infinity expectations level. In making this determination, the Compensation Committee considered, among other things, the following achievements:

Research and Development

the filing of two investigational drug applications with the U.S. Food and Drug Administration, or FDA, and the advancement of two new drug candidates, IPI-493 and IPI-926, into clinical development;

obtaining operational control of clinical development of IPI-504 in GIST from AstraZeneca and commencing an international phase 3 clinical trial of IPI-504 in GIST under a special protocol assessment agreement from the FDA and pursuant to scientific advice received from the European Medicines Agency;

the expansion of the phase 2 clinical trial of IPI-504 in non-small cell lung cancer, having met the pre-specified durability criteria for both arms of the trial;

enhancement of the supply chain for IPI-926 by both securing additional starting material and improving process yields;

advancement of the FAAH program to the point where a development candidate, IPI-940, was able to be selected in January 2009;

advancement of new oncology discovery programs; and

the successful transition of the Bcl-2 program to Novartis.

Business, Finance and Operations

entry into a global strategic alliance with Mundipharma and PPLP that extended our cash runway by nearly three years in an uncertain market environment, while simultaneously reserving for Infinity full U.S. commercialization rights to our entire discovery

and early clinical portfolio;

consciously redirecting efforts to augment our product development pipeline to efforts to raise capital as economic conditions deteriorated, which decision resulted in the execution of the Mundipharma alliance;

success in attracting and retaining high-performing citizen-owners, as evidenced by strong company survey results and an attrition rate substantially below industry comparables; and

strong financial management, including managing spending to budgets and forecasts.

Table of Contents

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. The manager solicits input from others within and/or outside of our company and then prepares a written performance review representing the manager's assessment of the citizen-owner's annual performance. In the case of our executive officers, Ms. Perkins and Dr. Adams submit their respective self-assessments to Mr. Holtzman, who prepares their written performance reviews based on:

each officer's self-assessment;

feedback received from individual members of our Board of Directors, members of our executive leadership team, and any direct reports of the officer who do not sit on our executive leadership team; and

Mr. Holtzman's personal assessment.

Mr. Holtzman also prepares a written self-assessment and submits it to the chair of the Compensation Committee. Additional assessments of Mr. Holtzman's individual performance for 2008 were 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 Mr. Holtzman regularly interacts.

On the basis of this feedback, the Compensation Committee evaluates Mr. Holtzman's performance based on the company's performance against its goals, Mr. Holtzman's performance in providing leadership of the company in the pursuit of these goals, Mr. Holtzman's performance in providing mentorship to our other executive officers and, finally, Mr. Holtzman's progress against his personal and professional development goals.

Components of our Compensation Program

The primary elements of our compensation program are:

cash compensation, which includes base salary and discretionary annual cash bonuses, which we refer to as contingent cash compensation;

annual merit stock option awards; and

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

Each of these elements is available to all of our citizen-owners generally, although the amounts of contingent cash compensation and the size of annual merit 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, determines subjectively 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 sum of base salary and contingent cash compensation constitutes total cash compensation. For a year in which company performance is equivalent to what should

Table of Contents

reasonably be expected of a biopharmaceutical company of comparable size, resources and stage of development, the Compensation Committee believes that the average total cash compensation for our executive officers should be targeted near the 50th percentile of actual total cash compensation for individuals in similar positions at comparable companies; for a year in which company performance far exceeds industry standards, the Compensation Committee believes it should be at approximately the 75th percentile of actual total cash compensation. In addition to using the Radford Survey, the Compensation Committee uses a variety of other factors in evaluating the appropriate level of total cash compensation, including the individual's level of responsibility, his or her leadership role in achieving our company goals, his or her annual contributions to company performance, and the ability and impact on our company of replacing the individual.

In December 2007, the Compensation Committee set each of our executive officers' 2008 base salaries at the following levels, after considering market data for officers in comparable positions and the amount of contingent cash compensation for which each of our executive officers would be eligible under our contingent cash compensation program:

	2008 Base Salary
Steven H. Holtzman	\$ 480,000
Adelene Q. Perkins	390,000
Julian Adams, Ph.D.	390,000

These amounts would place Mr. Holtzman in approximately the 45th percentile, and each of Ms. Perkins and Dr. Adams in approximately the 55th percentile, of base compensation using the Radford Survey in the manner described above.

Under our contingent cash compensation program, the aggregate amount of cash available for award to all of our citizen-owners, including our executive officers, is established by the Compensation Committee as a percentage of total company payroll based on its assessment of overall company performance. Once the aggregate amount available for potential award under our contingent cash compensation program is established, the Compensation Committee then determines how much of this amount to award to each of our executive officers based upon his or her individual performance. We believe our contingent cash compensation program provides the following advantages:

it is consistent with the growing practice in the biopharmaceutical industry to keep restrained executive base salaries while granting discretionary, performance-based cash bonuses;

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 executive officers' total compensation is dependent on the achievement of company goals.

During 2007, we made a number of changes to our contingent cash compensation program designed both to simplify it and to address perceptions of inequity between our executive officers and our other citizen-owners. Among the modifications made was to allocate a single pool of cash for contingent cash compensation awards that would be available for all citizen-owners, including our executive officers, rather than allocating separate pools based on citizen-owner level. In other words, the percentage of base salary to which each citizen-owner,

Table of Contents

including each of our executive officers, would be eligible under our contingent cash compensation program would be the same for similar levels of performance. This percentage, which is considered on a continuum rather than as step functions based on levels of company performance, is as follows:

	Below Industry Standards		Meets Industry Standards		Meets Infinity Expectations		Exceeds Infinity Expectations	
All Citizen-Owners, including Executive Officers	0%	< > 5%	< >	10%	< >	15%	< >	20%

This change resulted in the redistribution of contingent cash compensation from our senior-most citizen-owners, including our executive officers, to more junior citizen-owners, and the Compensation Committee evaluated, prior to approving this change, whether it would have an adverse impact on the retention value of these awards. Ultimately, however, the Compensation Committee approved the change because it had the unanimous support of our executive leadership team and was consistent with our overall compensation policy and objectives. The Compensation Committee also acknowledged, however, that further adjustments to executive officer compensation may be warranted to ensure that total cash compensation remained competitive.

In April 2008, the Compensation Committee considered whether the structure of our contingent cash compensation program remained competitive for Mr. Holtzman. As part of its analysis, the Compensation Committee noted that Mr. Holtzman's total cash compensation in a year in which company performance was established at the exceeds Infinity expectations level and his contingent cash compensation award would be equal to 20% of base salary, Mr. Holtzman's total cash compensation for the year would fall below the 25th percentile based on the Radford Survey in the manner described above. Consequently, the Compensation Committee determined that, while the amount of Mr. Holtzman's contingent cash compensation would continue to be evaluated as a function of company and individual performance in the same manner as other citizen-owners, there would be a separate pool of cash reserved for potential award to Mr. Holtzman. The percentages available for potential award were then established as follows:

	Below Industry Standards		Meets Industry Standards		Meets Infinity Expectations		Exceeds Infinity Expectations	
Chief Executive Officer	0%	< > 10%	< >	25%	< >	40%	< >	60%
All Citizen-Owners, including Executive Officers, other than Chief Executive Officer	0%	< > 5%	< >	10%	< >	15%	< >	20%

In December 2008, our Board of Directors, based upon the Compensation Committee's recommendation and its assessment that 2008 company performance was at the exceeds Infinity expectations level, funded the contingent cash compensation pool for Mr. Holtzman at 60% of his base salary. At the same time, the Compensation Committee also recommended that there be a departure from the formula described above in connection with contingent cash compensation awards to be made to Ms. Perkins and Dr. Adams in light of company performance and each officer's role in enabling us to surpass our annual company goals. Specifically, the Compensation Committee considered, in the case of Ms. Perkins, her contributions in enabling the successful completion of the strategic alliance with Mundipharma, developing a vision for establishing a commercial presence in the United States, leading the activities of our executive leadership team and developing her senior staff, and for Dr. Adams, his contributions in advancing our discovery and clinical development programs, nurturing relationships with key scientific and clinical thought-leaders, and developing his senior staff. This recommendation was also made following a further review of the Radford Survey, which demonstrated that if the formula described above were to apply, total cash compensation for each of Ms. Perkins and Dr. Adams would be at approximately the 35th percentile of comparably-situated executives. The Compensation Committee instead recommended a contingent cash compensation award for each of Ms. Perkins and Dr. Adams equal to 50% of each officer's base salary.

Table of Contents

In connection with this analysis, the Compensation Committee decided to identify and retain an appropriate compensation consultant to provide independent advice regarding executive officer compensation going forward.

Our Board of Directors, upon the recommendation of the Compensation Committee, authorized in December 2008 an aggregate contingent cash compensation pool for our citizen-owners, including our executive officers, of approximately \$3.9 million. From such pool, our Board of Directors authorized the following contingent cash compensation awards for our executive officers following the Compensation Committee's assessment of their individual performance.

	2008 Contingent Cash Award
Steven H. Holtzman	\$ 288,000
Adelene Q. Perkins	195,000
Julian Adams, Ph.D.	195,000

Consequently, the total cash compensation for each of our executive officers for 2008 was the following:

	2008 Total Cash Compensation
Steven H. Holtzman	\$ 768,000
Adelene Q. Perkins	585,000
Julian Adams, Ph.D.	585,000

Mr. Holtzman's total cash compensation for 2008 would place him in the 60th percentile of total cash compensation, and Ms. Perkins and Dr. Adams' total cash compensation for 2008 would place each of them in the 5th percentile of total cash compensation, using the Radford Survey in the manner described above.

In connection with its annual review of executive compensation during December 2008, the Compensation Committee did not authorize a base salary increase for our executive officers for 2009, electing instead to defer a determination of appropriate base salary amounts until a compensation consultant had been engaged by the Compensation Committee and the competitive compensation analysis to be conducted by such consultant had been completed.

Stock Options

Our equity award program is the primary vehicle for offering long-term incentives to all of our citizen-owners, including our 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. In addition, the vesting feature of our equity grants are intended to further our goal of retention because it provides an incentive for our citizen-owners, including our 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 monthly over the following 36 months. Stock options granted annually under our merit stock option program vest monthly over four years. Stock options have a term of ten years; however, vesting and exercise rights cease shortly after termination of employment. 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 NASDAQ Global Market on the date of grant. All equity-based awards made to our executive officers are approved by the Compensation Committee.

Table of Contents

We do not time option grants to our executive officers in coordination with our release of material non-public information, although the Compensation Committee generally intends to make annual merit-based stock option awards, if any, in December of each year in part to ensure that such awards are made prior to our year-end earnings blackout period. We have not adopted stock ownership guidelines for our executive officers.

All of our citizen-owners, including our executive officers, are eligible to receive merit stock option grants in connection with the annual performance review process. The aggregate number of shares available for potential award to each of our executive officers under our merit stock option program is based on the Compensation Committee's assessment of the achievement of company goals for the prior year, and is equal to a percentage of the number of stock options that would be granted to such officers if they were to be newly hired into that position:

	Below Industry Standards		Meets Industry Standards		Meets Infinity Expectations		Exceeds Infinity Expectations	
All Executive Officers	0%	< >	20%	< >	25%	< >		33%

For example, if the Compensation Committee concluded that it would be required to grant options to purchase 720,000 shares of our common stock, or approximately 3% of our issued and outstanding common stock, in order to hire a new chief executive officer, in a year in which we met Infinity expectations, Mr. Holtzman, our current chief executive officer, would be eligible to receive an option to purchase 25% of 720,000 shares of common stock, or 180,000 shares of our common stock.

In determining the size of annual equity grants to our executive officers, the Compensation Committee 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 such equity 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, as well as the number of shares of our common stock that are available for award under our equity incentive plan.

In November 2008, the Compensation Committee determined that, based on its recommended assessment of company performance and the application of the formula described above, it would recommend to our Board of Directors that our executive officers receive a merit stock option grant equal to 33% of the number of stock options that would be granted to such officer if he or she were to be newly hired into that position. The Compensation Committee also determined that a new hire stock option grant for a chief executive officer would equal 3% of the number of issued and outstanding shares of our common stock, or approximately 720,000 shares, and that a new hire stock option grant for a chief operating officer (which was the benchmark employed for Ms. Perkins and Dr. Adams) would equal 2% of the number of issued and outstanding shares of our common stock, or approximately 480,000 shares.

Assuming a merit stock option grant of 240,000 shares for Mr. Holtzman and 160,000 shares for each of Ms. Perkins and Dr. Adams, the Compensation Committee also determined that there were not a sufficient number of shares available under our stock incentive plan to grant such number of options to our executive officers. Consequently, the Compensation Committee determined that it would recommend to our Board of Directors that a portion of each executive officer's stock option award be granted in December 2008, with the remainder to be granted by the Compensation Committee at a meeting convened as early as possible in 2009, following the increase in the size of the stock option pool that would take effect on January 1, 2009 by operation of the "evergreen" formula set forth in our stock incentive plan.

In December 2008, following the Compensation Committee's report on its assessment of company performance and each of our executive officer's individual performance for 2008, our Board of Directors granted to our executive officers options to purchase the number of shares of our common stock set forth in the following chart. In January 2009, the Compensation Committee subsequently granted each of our executive officers options

Table of Contents

to purchase the number of shares of our common stock set forth in the following chart. The exercise price per share for each set of options is equal to the closing price of a share of our common stock on the NASDAQ Global Market on the date of grant.

	Stock Options Granted in December 2008	Stock Options Granted in January 2009
Steven H. Holtzman	160,000	80,000
Adelene Q. Perkins	110,000	50,000
Julian Adams, Ph.D.	110,000	50,000

Promotion of Ms. Perkins

In October 2008, Ms. Perkins was promoted from Executive Vice President and Chief Business Officer to President and Chief Business Officer. No changes to Ms. Perkins' compensation were made at the time of her promotion. In December 2008, our Board of Directors, upon the recommendation of the Compensation Committee, awarded Ms. Perkins an option to purchase 130,000 shares of our common stock in connection with this promotion. The size of this stock option award was determined based on the following criteria:

the size of stock option award required to hire for this role externally,

Ms. Perkins' existing equity position, and

the number of shares of our common stock that were 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 and dental 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 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 date of the match.

We have not provided any material perquisites or other personal benefits to our executive officers.

Engagement of Compensation Consultant

In February 2009, the Compensation Committee retained Towers Perrin as an executive compensation advisor. As part of this engagement, Towers Perrin was asked to conduct a competitive compensation analysis for our executive officers in order to provide the Compensation Committee with market data to enable the Committee to set 2009 cash compensation for those officers. Upon completion of this analysis, Towers Perrin will review our overall compensation program and, to the extent necessary, recommend to the Compensation Committee potential changes to the design of this program for implementation in 2010.

Towers Perrin reviewed a potential compensation peer group with the Compensation Committee and members of our executive leadership team so that Infinity could establish an appropriate list of publicly-traded peer companies that could be used to supplement the Radford Survey in analyzing executive compensation. The criteria used to evaluate potential peer group companies included the following:

financial metrics, including revenue and research and development expense;

Table of Contents

market capitalization;

number of employees;

stage of development of product pipeline; and

area of therapeutic focus.

As a result of this review, the Compensation Committee agreed that the following 22 companies would constitute an appropriate compensation peer group:

Acorda Therapeutics Inc.	Affymax Inc.	Allos Therapeutics Inc.
Alnylam Pharmaceuticals Inc.	Anadys Pharmaceuticals Inc.	Arena Pharmaceuticals Inc.
ARIAD Pharmaceuticals Inc.	ArQule Inc.	Array BioPharma Inc.
Curis Inc.	Cytokinetics Inc.	Dendreon Corporation
Exelixis Inc.	Idenix Pharmaceuticals Inc.	ImmunoGen Inc.
Lexicon Pharmaceuticals Inc.	Micromet Inc.	Momenta Pharmaceuticals Inc.
Poniard Pharmaceuticals Inc.	Rigel Pharmaceuticals Inc.	SuperGen Inc.
Synta Pharmaceuticals Corp.		

Towers Perrin then presented to the Compensation Committee a competitive compensation analysis for our executive officers that included both Radford Survey data and proxy statement compensation data from each of the peer companies. The Compensation Committee considered the data provided by Towers Perrin, and set our executive officers' 2009 base compensation and target opportunity for award under our contingent cash compensation program at the following levels, based on the general principle that base salary levels should be targeted between the 50th and 75th percentiles of the market and that total cash compensation (i.e., base salary plus contingent cash compensation) should be targeted at approximately the 50th, 75th and above the 75th percentile in years in which company performance meets industry standards, meets Infinity expectations and exceeds Infinity expectations, respectively:

	2009 Base Salary
Steven H. Holtzman	\$ 520,000
Adelene Q. Perkins	410,000
Julian Adams, Ph.D.	410,000

	Below Industry Standards	Meets Industry Standards	Meets Infinity Expectations	Exceeds Infinity Expectations (Maximum)
Steven H. Holtzman	0%	40%	50%	80%
Adelene Q. Perkins and Julian Adams, Ph.D.	0%	35%	45%	75%

We anticipate that Towers Perrin's review of our compensation program will continue through the middle of 2009.

Severance Benefits

We entered into an offer letter with each of our executive officers when they were initially hired by our predecessor company. The letter with Mr. Holtzman provides that if his employment is terminated by us without cause or by Mr. Holtzman for good reason, as each of those terms is defined in the offer letter, and contingent upon execution by Mr. Holtzman of a severance agreement and release of claims, he will be eligible to receive salary continuation until the first anniversary of the date of his termination or, if earlier, the date on which he begins work with another employer or as a consultant or independent contractor, on either a full-time or part-time basis.

Table of Contents

In addition, the offer letters for Dr. Adams and Ms. Perkins provide that, if his or her employment is terminated by us without cause, as that term is defined in the offer letter, or if he or she resigns due to a material diminution in job responsibilities or title or as a result of our failure to fulfill our obligations in the offer letter, and contingent upon execution by such officer of a severance agreement and release of claims, he or she will be eligible to receive a severance payment equal to his or her then-current base salary for a period of six months for Dr. Adams, and 12 months for Ms. Perkins, following the effective date of termination. The offer letters also provide for the continued vesting of each officer's unvested shares of common stock for a period of six months for Dr. Adams, and 12 months for Ms. Perkins, from the date of termination.

Accounting and Tax Considerations

We account for stock-based payments in accordance with the requirements of Financial Accounting Standards Board Statement No. 123(R), *Share-Based Payment*, or FAS 123(R). To date, the adoption of this accounting standard has not impacted our stock option granting practices.

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction for compensation in excess of \$1,000,000 paid to our executive officers. Qualifying performance-based compensation is not subject to the deduction limitation if specified requirements are met. At this time, we do not have a policy to factor Section 162(m) limitations into the determination of base salary or contingent cash compensation amounts.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	Change in Pension Value and Nonqualified Deferred Earnings (\$)	All Other Compensation (\$)	Total (\$)
Steven H. Holtzman, Chief Executive Officer (3)(4)	2008	\$ 480,000	\$	\$ 1,550	\$ 784,827	\$ 288,000	\$	\$ 7,332(5)	\$ 1,561,709
	2007	450,000		8,765	565,034	112,500		7,182(6)	1,143,481
	2006	399,712		198,417	117,764	182,000		365,306(7)	1,263,199
Adelene Q. Perkins, President and Chief Business Officer(3)	2008	\$ 390,000	\$	\$	\$ 629,874	\$ 195,000	\$	\$ 7,332(5)	\$ 1,222,206
	2007	350,000			413,137	87,500		7,182(6)	857,819
	2006	294,711		58,464	12,339	94,900		81,586(7)	542,000
Julian Adams, Ph.D. President of R&D and Chief Scientific Officer(3)	2008	\$ 390,000	\$	\$ 1,456	\$ 609,933	\$ 195,000	\$	\$ 432(8)	\$ 1,196,821
	2007	375,000		38,044	449,364	37,500		432(8)	900,340
	2006	339,711		144,583	50,797	109,500		311,672(7)	956,263

- (1) The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the applicable calendar year under FAS 123(R) of awards made to each of our named executive officers. The assumptions we used in calculating these amounts are discussed in Note 3 to our consolidated financial statements for the year ended December 31, 2008, which are contained in our Annual Report on Form 10-K, as filed with the SEC on March 13, 2009, except that in calculating the amounts in this column, we did not include an estimate of forfeitures.
- (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) Compensation in the Summary Compensation Table includes compensation paid to each of our named executive officers by Old Infinity prior to the closing of the reverse merger in September 2006.
- (4) Mr. Holtzman, who serves on our board of directors, has received no compensation for such service. During the year ended December 31, 2008, Mr. Holtzman was granted option awards with the grant date fair values set forth below under the heading Grants of Plan-Based Awards Table. As of December 31, 2008, Mr. Holtzman held stock awards representing an aggregate of 321,939 shares of our common stock and options to purchase an aggregate of 577,000 shares of our common stock. For purposes of this footnote, 18,279 shares of common stock held by Mr. Holtzman that were obtained upon the conversion of shares of Old Infinity preferred stock in the reverse merger, as well as 5,000 shares of common stock purchased by Mr. Holtzman in the market, have not been treated as stock awards.

Table of Contents

- (5) Includes \$432 in life insurance premiums paid on behalf of the officer and \$6,900 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 \$6,750 in value of the shares of our common stock contributed to the officer's 401(k) plan account as a matching contribution.
- (7) Includes loan forgiveness in the amount of \$364,874, \$311,240 and \$81,154 for Mr. Holtzman, Dr. Adams and Ms. Perkins, respectively.
- (8) Represents life insurance premiums paid on behalf of Dr. Adams.

For a more detailed discussion of the compensation paid to our named executive officers, see above under the heading "Compensation Discussion and Analysis - Components of our Compensation Program."

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 of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Option Stock and Awards
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Steven H. Holtzman	12/4/08								160,000(3)	\$ 7.18	\$ 592,400(2)
Adelene Q. Perkins	12/4/08								110,000(3)	\$ 7.18	\$ 407,275(2)
	12/4/08								130,000(4)	\$ 7.18	\$ 481,325(2)
Julian Adams, Ph.D.	12/4/08								110,000(3)	\$ 7.18	\$ 407,275(2)

- (1) Each of our citizen-owners, including our named executive officers, is eligible to participate in a discretionary cash bonus program, which we refer to as our contingent cash compensation 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 - Cash Compensation" above.
- (2) Based on a grant date fair value of approximately \$3.70 per share.
- (3) Vests as to 1/48th of the shares on December 31, 2008 and as to 1/48th of the shares at the end of each calendar month thereafter.
- (4) Immediately vested as to 2/48ths of the shares, vests as to 1/48th of the shares on December 31, 2008 and vests as to 1/48th of the shares at the end of each calendar month thereafter.

For a more detailed discussion of the compensation paid to our named executive officers, see above under the heading "Compensation Discussion and Analysis - Components of our Compensation Program, *Stock Options*."

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

Name	Option Awards					Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Shares, Units or Other Rights That Have Not Vested (\$)
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) (1)	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 (#) (2)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	
Steven H. Holtzman	125,000	125,000(4)		13.59	1/25/2017				
	45,229	121,771(5)		9.80	12/13/2017				
	3,333	156,667(6)		7.18	12/4/2018				
						1,205(3)	\$ 9,628		
						7,774(3)	\$ 62,114		
Adelene Q. Perkins	16,448	5,986(3)		3.48	3/31/2016				
	100,000	100,000(4)		13.59	1/25/2017				
	34,667	93,333(5)		9.80	12/13/2017				
	2,292	107,708(6)		7.18	12/4/2018				
	8,124	121,876(7)		7.18	12/4/2018				
					9,117 (4)	\$ 72,845			
Julian Adams, Ph.D.	100,000	100,000(4)		13.59	1/25/2017				
	30,117	81,083(5)		9.80	12/13/2017				
	2,292	107,708(6)		7.18	12/4/2018				
						8,186(4)	\$ 65,406		
						10,056(4)	\$ 80,347		
						7,483(3)	\$ 59,789		

(1) All stock options assumed by us in the reverse merger were granted under the Infinity Pharmaceuticals, Inc. Pre-Merger Stock Incentive Plan, and are subject to a right of early exercise, pursuant to which an optionee could exercise unvested stock options and receive, in lieu thereof, shares of restricted stock that are subject to a right of repurchase by us that lapses in accordance with the vesting schedule of the original option. For purposes of this table, however, options that are not vested as of December 31, 2008 have not been deemed exercisable.

(2) Consists of shares of restricted stock acquired by the early exercise of options granted under the Infinity Pharmaceuticals, Inc. Pre-Merger Stock Incentive Plan.

(3) Vests in equal monthly installments on the first day of the month through January 1, 2010.

(4) Vests in equal monthly installments on the last day of the month through December 31, 2010.

(5) Vests in equal monthly installments on the last day of the month through November 30, 2011.

(6) Vests in equal monthly installments on the last day of the month through November 30, 2012.

(7) Vests in equal monthly installments on the last day of the month through September 30, 2012.

The offer letters for Dr. Adams and Ms. Perkins provide for the continued vesting of each officer's unvested shares of common stock for a period of six months for Dr. Adams, and 12 months for Ms. Perkins, from the date of termination.

Option Exercises and Stock Vested Table

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on	Value Realized on Exercise	Number of Shares Acquired on	Value Realized on Vesting

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	Exercise (#) (1)	(\$)	Vesting (#) (2)	(\$)
Steven H. Holtzman	74,928	\$ 135,288	6,671	\$ 51,637
Adelene Q. Perkins			11,805	\$ 83,773
Julian Adams, Ph.D.	104,836	\$ 193,376	8,412	\$ 65,797

Table of Contents

- (1) All stock options assumed by us in the reverse merger were granted under the Infinity Pharmaceuticals, Inc. Pre-Merger Stock Incentive Plan, and are subject to a right of early exercise, pursuant to which an optionee could exercise unvested stock options and receive, in lieu thereof, shares of restricted stock that are subject to a right of repurchase by us that lapses in accordance with the vesting schedule of the original option. For purposes of this column, however, shares of restricted stock acquired by the early exercise of options that remain restricted as of December 31, 2008 are not included.
- (2) Represents shares of restricted stock acquired by the early exercise of options granted under the Infinity Pharmaceuticals, Inc. Pre-Merger Stock Incentive Plan that have vested during the year ended December 31, 2008.

Potential Payments Upon Termination or Change-in-Control

For a discussion of severance benefits that may become due to each of Mr. Holtzman, Ms. Perkins and Dr. Adams, see Compensation of Executive Officers and Directors Compensation Discussion and Analysis Components of our Compensation Program Severance Benefits above. If the employment of Mr. Holtzman had been terminated on December 31, 2008, under circumstances that entitled him to severance benefits described in such section, Mr. Holtzman would be entitled to receive salary continuation until either he commenced employment with a new employer or December 31, 2009, whichever came first, the amount of which would have been up to \$480,000. If the employment of Ms. Perkins had been terminated on December 31, 2008, under circumstances that entitled her to severance benefits described in such section, Ms. Perkins would have been entitled to receive a severance payment in the amount of \$390,000. If the employment of Dr. Adams had been terminated on December 31, 2008, under circumstances that entitled him to severance benefits described in such section, Dr. Adams would have been entitled to receive a severance payment in the amount of \$195,000.

Director Compensation Table

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	Option Awards \$(1)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Martin Babler	\$ 24,500		\$ 27,086(2)				\$ 51,586
D. Ronald Daniel	\$ 4,500		\$ 163,790(3)				\$ 168,290
Anthony B. Evnin, Ph.D.	\$ 50,500		\$ 109,250(4)				\$ 159,750
Harry F. Hixson, Jr., Ph.D.	\$ 26,500		\$ 82,164(5)				\$ 108,664
Eric S. Lander, Ph.D.	\$ 26,000		\$ 82,164(6)				\$ 108,164
Patrick P. Lee	\$ 37,500		\$ 108,865(7)				\$ 146,365
Arnold J. Levine, Ph.D.	\$ 26,000		\$ 91,641(8)				\$ 117,641
Franklin H. Moss, Ph.D.	\$ 25,000		\$ 82,164(9)				\$ 107,164
Vicki L. Sato, Ph.D.	\$ 30,500		\$ 99,428(10)				\$ 129,928
Ian F. Smith	\$ 23,000		\$ 29,770(11)				\$ 52,770
James B. Tananbaum, M.D.	\$ 23,500		\$ 82,164(12)				\$ 105,664
Michael C. Venuti, Ph.D.	\$ 39,500		\$ 93,001(13)				\$ 132,501

- (1) The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for Fiscal 2008 under FAS 123(R) of awards made to such individual. The assumptions we used in calculating these amounts are discussed in Note 3 to our consolidated financial statements for the year ended December 31, 2008, which are contained in our Annual Report on Form 10-K, as filed with the SEC on March 13, 2009, except that in calculating the amounts in this column, we did not include an estimate of forfeitures.
- (2) Mr. Babler was granted an option award on May 22, 2008 that had a grant date fair value of \$36,115. As of December 31, 2008, Mr. Babler did not hold any stock awards, but held options to purchase 9,375 shares of our common stock.

Table of Contents

- (3) Mr. Daniel was granted option awards on June 12, 2006, September 12, 2006 and June 4, 2007 that had grant date fair values of \$4,549, \$246,375 and \$11,512, respectively. As of December 31, 2008, Mr. Daniel held stock awards representing an aggregate of 13,261 shares of our common stock and options to purchase an aggregate of 32,210 shares of our common stock. The board of directors also modified Mr. Daniel's awards upon his retirement from the board in May 2008. This resulted in additional FAS 123(R) expense of \$21,495.
- (4) Dr. Evinin was granted two option awards on September 12, 2006, which had grant date fair values of \$16,425 and \$246,375, an option award on September 12, 2007 that had a grant date fair value of \$9,477, and an option award on May 22, 2008 that had a grant fair value of \$36,115. As of December 31, 2008, Dr. Evinin did not hold any stock awards, but held options to purchase an aggregate of 40,782 shares of our common stock. For purposes of this footnote, 1,176,284 shares of our common stock held by entities affiliated with Venrock, which are identified as being beneficially owned by Dr. Evinin in the table entitled "Stock Ownership of Certain Beneficial Owners and Management" above, have not been treated as stock awards.
- (5) Dr. Hixson was granted an option award on September 12, 2006 that had a grant date fair value of \$246,375. As of December 31, 2008, Dr. Hixson did not hold any stock awards, but held options to purchase an aggregate of 55,625 shares of our common stock.
- (6) Dr. Lander was granted option awards on June 12, 2006 and September 12, 2006 that had grant date fair values of \$4,549 and \$246,375, respectively. As of December 31, 2008, 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 the Lander-Weiner Family Trust) and options to purchase an aggregate of 30,335 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 Old Infinity preferred stock in the reverse merger have not been treated as stock awards.
- (7) Mr. Lee was granted an option award on September 12, 2006 that had a grant date fair value of \$246,375, and granted option awards on January 2, 2008 and May 22, 2008 that had grant date fair values of \$19,478 and \$14,446, respectively. As of December 31, 2008, Mr. Lee did not hold any stock awards, but held options to purchase 35,625 shares of our common stock.
- (8) Dr. Levine was granted an option award on June 12, 2006 that had a grant date fair value of \$4,549, two option awards on September 12, 2006 which had grant date fair values of \$32,850 and \$246,375, respectively, and an option award on September 12, 2007 that had a grant date fair value of \$18,953. As of December 31, 2008, Dr. Levine held stock awards representing an aggregate of 15,287 shares of our common stock and options to purchase an aggregate of 39,526 shares of our common stock.
- (9) Dr. Moss was granted option awards on June 12, 2006 and September 12, 2006 that had grant date fair values of \$4,549 and \$246,375, respectively. As of December 31, 2008, Dr. Moss held stock awards representing an aggregate of 38,818 shares of our common stock (including 33,154 shares of our common stock held by Dr. Moss, together with Kimberley S. Moss, as joint tenants with the right of survivorship) and options to purchase an aggregate of 30,335 shares of our common stock. For purposes of this footnote, 17,310 shares of common stock held by Dr. Moss that were obtained upon the conversion of shares of Old Infinity preferred stock in the reverse merger have not been treated as stock awards.
- (10) Dr. Sato was granted an option award on June 12, 2006 that had a grant date fair value of \$4,549, two option awards on September 12, 2006 which had grant date fair values of \$82,125 and \$246,375, respectively, an option award on September 12, 2007 which had a grant date fair value of \$47,383 and an option award on May 22, 2008 which had a grant date fair value of \$7,223. As of December 31, 2008, Dr. Sato held stock awards representing an aggregate of 11,051 shares of our common stock and options to purchase an aggregate of 58,695 shares of our common stock.
- (11) Mr. Smith was granted option awards on May 22, 2008 and October 23, 2008 that had grant date fair values of \$36,115 and \$10,731, respectively. As of December 31, 2008, Mr. Smith did not hold any stock awards, but held options to purchase 13,125 shares of our common stock.
- (12) Dr. Tananbaum was granted two option awards on September 12, 2006 which had grant date fair values of \$16,425 and \$246,375, respectively. As of December 31, 2008, 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 held options to purchase an aggregate of 30,000 shares of our common stock. For purposes of this footnote, 1,417,508 shares of our common stock held by Prospect Venture Partners II, L.P., which are identified as being beneficially owned by Dr. Tananbaum in the table entitled "Stock Ownership of Certain Beneficial Owners and Management" above, have not been treated as stock awards.
- (13) Dr. Venuti was granted an option award on September 12, 2006 that had a grant date fair value of \$246,375 and an option grant on May 22, 2008 which had a grant date fair value of \$14,446. As of December 31, 2008, Dr. Venuti held stock awards representing an aggregate of 50,000 shares of our common stock and options to purchase an aggregate of 36,875 shares of our common stock.

The following is a summary of the standard compensation of our non-employee directors as of December 31, 2008:

a \$15,000 annual retainer;

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

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 Audit Committee;

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

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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;

Table of Contents

\$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 are compensated at a rate of \$1,500 per day.

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.

No director who is an employee receives compensation for services rendered as a director.

In addition to the cash compensation discussed above, non-employee directors are eligible to receive non-statutory stock options under our 2000 Stock Incentive Plan as follows:

Each non-employee director initially elected to the board will receive, on the date of his or her initial election to the board, a non-statutory option to purchase 9,375 shares of our common stock. Shares subject to each such option will become exercisable in equal quarterly installments beginning at the end of the first quarter after the date of grant, provided that the holder of the option continues to serve as a director.

Each non-employee director shall, on the date of the 2009 annual stockholders meeting and on the date of each annual stockholders meeting thereafter, receive a non-statutory option to purchase 5,625 shares of common stock. Shares of common stock subject to each such option will be exercisable in equal quarterly installments beginning at the end of the first quarter after the date of grant, provided that the holder of the option continues to serve as a director.

Each non-employee director who serves in the following positions will receive additional non-statutory 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. Each of these grants will be exercisable in equal quarterly installments beginning at the end of the first quarter after the date of grant, provided that the holder of such option continues to serve in the applicable position; however, the shares will immediately vest in full upon certain changes in control or ownership or upon the optionee's death or disability while a board member:

Position	Stock Option Grant
Lead Outside Director	9,375 shares
Chair of Research and Development Committee	3,750 shares
Chair of Audit Committee	3,750 shares
Chair of Compensation Committee	1,875 shares
Chair of Nominating and Corporate Governance Committee, if not Lead Outside Director	1,875 shares

Each automatic grant will have an exercise price per share equal to the fair market value per share of our common stock on the grant date and will have a term of 10 years, subject to earlier termination following the optionee's cessation of board service.

Table of Contents**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, 2008:

Plan Category	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1) (a)	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	3,958,144	\$ 10.62	27,758(2)
Equity compensation plans not approved by security holders			
Total	3,958,144	\$ 10.62	27,758(2)

- (1) This table excludes an aggregate of 804,675 shares of our common stock issuable upon exercise of outstanding options granted by Old Infinity and assumed by us in connection with the reverse merger. The weighted average exercise price of the excluded options is \$4.76. This table also excludes an aggregate of 246,629 shares of our common stock issuable upon exercise of outstanding warrants issued by Old Infinity and assumed by us in connection with the reverse merger. The weighted average exercise price of the excluded warrants is \$12.75.
- (2) Consists of shares of our common stock available for future issuance under our 2000 Stock Incentive Plan. In addition, the number of shares of our common stock available for future issuance under our 2000 Stock Incentive Plan automatically increases on the first trading day of each calendar year by an amount equal to 4% of the total number of shares of our common stock that were outstanding on the last trading day of the preceding calendar year, but in no event shall any such annual increase exceed 2,000,000 shares.

Compensation Committee Interlocks and Insider Participation

The current members of the Compensation Committee are Drs. Sato and Moss and Mr. Babler. Other than Dr. Moss, who was an employee of Old Infinity in 2003, no member of the Compensation Committee was at any time during 2008, 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.

No executive officer of Infinity has served as a director or member of the Compensation Committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served as a director of or member of our 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

Vicki L. Sato, Ph.D. (Chair)

Franklin H. Moss, Ph.D.

Martin Babler

Table of Contents

PROPOSAL 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our Audit Committee has selected the firm of Ernst & Young LLP as our independent registered public accounting firm for the current fiscal year. Ernst & Young LLP has served as our independent registered public accounting firm since the completion of the reverse merger, and as the independent registered public accounting firm of Old Infinity since 2001. Although stockholder approval of the selection of Ernst & Young LLP is not required by law, the board of directors believes that it is advisable to give stockholders an opportunity to ratify this selection. If this proposal is not approved at our 2009 annual meeting, our Audit Committee will reconsider its selection of Ernst & Young LLP. Representatives of Ernst & Young LLP are expected to be present at the annual meeting and 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.

Board Recommendation

The board of directors believes that the selection of Ernst & Young LLP as our independent registered public accounting firm is in our best interests and the best interests of our stockholders and therefore recommends a vote FOR this proposal.

Table of Contents

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the 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. Based solely on our review of copies of Section 16(a) reports furnished to us and representations made to us, we believe that during Fiscal 2008, our officers, directors and holders of more than 10% of our common stock complied with all Section 16(a) filing requirements.

Stockholder Proposals for the 2010 Annual Meeting

In order for any stockholder proposal to be included in the proxy statement for our 2010 annual meeting of stockholders, such proposal must be received at our principal executive offices, c/o Gerald E. Quirk, Esq., Vice President and General Counsel, Infinity Pharmaceuticals, Inc., 780 Memorial Drive, Cambridge, Massachusetts 02139, not later than December 31, 2009 and must be in compliance with applicable laws and certain rules of the SEC.

Stockholder proposals, including nominations of director candidates, may also be submitted to us for consideration at the 2010 annual meeting of stockholders if the stockholder gives advance notice to us in accordance with our by-laws. We must receive such proposals not later than the close of business on March 19, 2010, nor earlier than the close of business on February 17, 2010. However, if the date of our 2010 annual meeting of stockholders is prior to May 18, 2010 or after August 26, 2010, we must receive such proposals not earlier than the close of business on the one hundred and twentieth day prior to the 2010 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 by-laws to our Secretary at the address provided above.

By Order of the Board of Directors,

STEVEN H. HOLTZMAN

Chair and Chief Executive Officer

April 30, 2009

OUR BOARD OF DIRECTORS ENCOURAGES STOCKHOLDERS TO ATTEND THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND, YOU ARE URGED TO VOTE YOUR SHARES. YOU CAN VOTE YOUR SHARES BY TELEPHONE OR VIA THE INTERNET. INSTRUCTIONS FOR USING THESE CONVENIENT SERVICES ARE PROVIDED IN THE PROXY STATEMENT. YOU ALSO CAN VOTE YOUR SHARES BY REQUESTING A PAPER PROXY CARD TO COMPLETE, SIGN AND RETURN BY MAIL. A PROMPT RESPONSE WILL GREATLY FACILITATE ARRANGEMENTS FOR THE MEETING AND YOUR COOPERATION WILL BE APPRECIATED.

Table of Contents

INFINITY PHARMACEUTICALS, INC.
C/O AMERICAN STOCK TRANSFER
6201 15TH AVE.
BROOKLYN, NY 11219

SUBMIT A PROXY BY INTERNET 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 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 STOCKHOLDER COMMUNICATIONS
 If you would like to reduce the costs incurred by Infinity Pharmaceuticals, Inc. 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 stockholder communications electronically in future years.

SUBMIT A PROXY 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 meeting date. Have your proxy card in hand when you call and then follow the instructions.

SUBMIT A PROXY BY MAIL
 Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Infinity Pharmaceuticals, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

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

INFPH1 KEEP THIS PORTION FOR YOUR RECORDS

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. DETACH AND RETURN THIS PORTION ONLY

INFINITY PHARMACEUTICALS, INC.

A VOTE FOR ALL OF THE DIRECTOR NOMINEES AND FOR PROPOSAL NUMBER 2 IS RECOMMENDED BY THE BOARD OF DIRECTORS

Vote On Directors

1. To elect 11 directors to serve for a one-year term expiring at the 2010 annual meeting of stockholders:

	For	Against	Abstain		For	Against	Abstain
1a) Martin Babler				
1b) Anthony B. Evnin, Ph.D.	1i) Ian F. Smith			
1c) Harry F. Hixson, Jr., Ph.D.	1j) James B. Tananbaum, M.D.
1d) Steven H. Holtzman	1k) Michael C. Venuti, Ph.D.
1e) Eric S. Lander, Ph.D.				

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1f) Patrick P. Lee		For	Against	Abstain
1g) Arnold J. Levine, Ph.D.	Vote On Proposal
1h) Franklin H. Moss, Ph.D.	2. To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the current fiscal year.			

For address changes/comments, please check this box and write them on the back where indicated. ..

Please indicate if you plan to attend this meeting. ..

Yes No

Signature [PLEASE SIGN WITHIN BOX]

Date

Signature (Joint Owners)

Date

Table of Contents

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

INFINITY PHARMACEUTICALS, INC.

ANNUAL MEETING OF STOCKHOLDERS

JUNE 17, 2009

Those signing on the reverse side, revoking any prior proxies, hereby appoint(s) Steven H. Holtzman, Adelene Q. Perkins and Gerald E. Quirk, or each of them, with full power of substitution, as proxies for those signing on the reverse side to act and vote at the 2009 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 PROPOSAL NUMBER 2.

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

Address Changes/Comments:

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

CONTINUED AND TO BE SIGNED ON THE REVERSE SIDE