

IDERA PHARMACEUTICALS, INC.

Form DEF 14A

April 29, 2010

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
(RULE 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No.    )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**IDERA PHARMACEUTICALS, INC.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

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

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:



**Table of Contents**

**IDERA PHARMACEUTICALS, INC.  
167 Sidney Street  
Cambridge, Massachusetts 02139**

**NOTICE OF 2010 ANNUAL MEETING OF STOCKHOLDERS**

**Date and Time:** June 15, 2010 at 10:00 a.m., local time

**Place:** Le Méridien Cambridge-MIT  
20 Sidney Street  
Cambridge, Massachusetts 02139

**Items of Business:** At the annual meeting, we will ask our stockholders to:

Elect two Class III Directors to our board of directors for terms to expire at the 2013 annual meeting of stockholders;

Ratify the selection by our audit committee of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010; and

Transact any other business as may properly come before the annual meeting or any postponement or adjournment of the annual meeting.

The board of directors has no knowledge of any other business to be transacted at the annual meeting.

**Record Date:** You may vote at this annual meeting if you were a stockholder of record at the close of business on April 20, 2010.

**Proxy Voting:** It is important that your shares be represented and voted at the annual meeting. Whether or not you plan to attend the annual meeting, please mark, sign, date and promptly mail your proxy card in the enclosed postage-paid envelope or follow the instructions on the proxy card to vote by telephone or internet. You may revoke your proxy at any time before its exercise at the annual meeting.

By order of the board of directors,

Louis J. Arcudi, III  
*Secretary*

Cambridge, Massachusetts  
April 29, 2010

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**TABLE OF CONTENTS**

<u>INFORMATION ABOUT THE ANNUAL MEETING</u>	1
<u>Who may vote?</u>	1
<u>How do I vote my shares if I am a stockholder of record?</u>	1
<u>How do I vote my shares if I hold them in street name?</u>	2
<u>How may I change or revoke my vote?</u>	2
<u>What constitutes a quorum?</u>	3
<u>What vote is required to approve each matter?</u>	3
<u>How will votes be counted?</u>	3
<u>How does the board of directors recommend that I vote?</u>	3
<u>Will any other business be conducted at the annual meeting?</u>	3
<u>Who is making and paying for the solicitation of proxies and how is it made?</u>	3
<u>How and when may I submit a proposal for the 2011 annual meeting?</u>	4
<u>Are annual meeting materials householded?</u>	4
<u>PROPOSAL ONE ELECTION OF DIRECTORS</u>	5
<u>General Information</u>	5
<u>Information about our Directors</u>	5
<u>Director Compensation</u>	7
<u>PROPOSAL TWO RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	9
<u>CORPORATE GOVERNANCE INFORMATION</u>	10
<u>Board of Directors</u>	10
<u>Board Leadership Structure</u>	10
<u>Board's Role in Risk Oversight</u>	10
<u>Board Committees</u>	11
<u>Director Independence</u>	12
<u>Director Nomination Process</u>	12
<u>Stockholder Nominees</u>	13
<u>Communicating with our Board of Directors</u>	13
<u>Director Attendance at Annual Meeting of Stockholders</u>	14
<u>Compensation Committee Interlocks and Insider Participation</u>	14
<u>Executive Officers of Idera Pharmaceuticals</u>	14
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	16
<u>EXECUTIVE COMPENSATION</u>	18
<u>Compensation Discussion and Analysis</u>	18
<u>Compensation Committee Report</u>	24
<u>Summary Compensation Table</u>	24
<u>Agreements with our Named Executive Officers</u>	25
<u>Grants of Plan-Based Awards</u>	27
<u>Outstanding Equity Awards At Fiscal Year-End</u>	28
<u>Option Exercises and Stock Vested</u>	29
<u>Potential Payments under Termination or Change in Control</u>	29
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	31
<u>ACCOUNTING MATTERS</u>	33
<u>Report of the Audit Committee</u>	33
<u>Independent Registered Public Accounting Firm Fees</u>	33

<u>Pre-Approval Policies and Procedures</u>	34
<u>TRANSACTIONS WITH RELATED PERSONS</u>	34
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	36

**Table of Contents**

**IDERA PHARMACEUTICALS, INC.  
167 Sidney Street  
Cambridge, Massachusetts 02139**

**PROXY STATEMENT  
For our Annual Meeting of Stockholders to be held on June 15, 2010**

Idera Pharmaceuticals, Inc., a Delaware corporation, which is referred to as we or us in this proxy statement, is sending you this proxy statement and the enclosed proxy card because our board of directors is soliciting your proxy to vote at our 2010 annual meeting of stockholders. The annual meeting will be held on Tuesday, June 15, 2010, at 10:00 a.m., local time, at Le Méridien Cambridge-MIT, 20 Sidney Street, Cambridge, Massachusetts 02139. If the annual meeting is adjourned for any reason, then proxies submitted may be used at any adjournments of the annual meeting.

This proxy statement summarizes information about the proposals to be considered at the annual meeting and other information you may find useful in determining how to vote. The proxy card is the means by which you actually authorize another person to vote your shares in accordance with your instructions.

We are mailing this proxy statement and the enclosed proxy card to stockholders on or about May 7, 2010.

In this mailing, we are also including copies of our annual report to stockholders for the year ended December 31, 2009. Our annual report on Form 10-K for the year ended December 31, 2009, as filed with the Securities and Exchange Commission, or the SEC, including our audited financial statements, is included in our annual report to stockholders and is also available free of charge on our website, [www.iderapharma.com](http://www.iderapharma.com), and can be accessed by clicking Investors and then SEC Filings or through the SEC's electronic data system at [www.sec.gov](http://www.sec.gov). **To request a printed copy of our Notice of Annual Meeting, Proxy Statement and Annual Report on Form 10-K, which we will provide to you free of charge, or to obtain directions to be able to attend the annual meeting and vote in person, write to Investor Relations, Idera Pharmaceuticals, Inc., 167 Sidney Street, Cambridge, Massachusetts, 02139, call our toll-free number 1 (877) 888-6550, or email Investor Relations at [ir@iderapharma.com](mailto:ir@iderapharma.com).**

**Important Notice Regarding the Availability of  
Proxy Materials for the Annual Meeting of Stockholders  
to Be Held on June 15, 2010:**

**The Notice of Annual Meeting, Proxy Statement and 2009 Annual Report are available at <http://ir.iderapharma.com/phoenix.zhtml?c=208904&p=proxy>.**

**INFORMATION ABOUT THE ANNUAL MEETING**

**Who may vote?**

Holders of record of our common stock at the close of business on April 20, 2010, the record date for the annual meeting, are entitled to one vote per share on each matter properly brought before the annual meeting. As of the close of business on April 20, 2010, we had 23,488,925 shares of our common stock outstanding.

**How do I vote my shares if I am a stockholder of record?**

If you are a stockholder of record (meaning that you hold shares in your name in the records of our transfer agent, BNY Mellon Shareowner Services, and that your shares are not held in street name by a bank or brokerage firm), you

may vote your shares in any one of the following ways:

*You may vote by mail.* To vote by mail, you need to complete, date and sign the proxy card that accompanies this proxy statement and promptly mail it in the enclosed postage-prepaid envelope. You do not need to put a stamp on the enclosed envelope if you mail it from within the United States.



## **Table of Contents**

*You may vote by telephone.* To vote by telephone through services provided by BNY Mellon Shareowner Services call, 1-866-540-5760, and follow the instructions provided on each proxy card. If you vote by telephone, you do not need to complete and mail your proxy card.

*You may vote by Internet.* To vote over the Internet through services provided by BNY Mellon Shareowner Services, please go to the following website: <http://www.proxyvoting.com/idra> and follow the instructions at that site for submitting your proxy card. If you vote on the Internet, you do not need to complete and mail your proxy card.

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

Your proxy will only be valid if you complete and return the proxy card, vote by telephone or vote by Internet at or before the annual meeting. The persons named in the proxy card will vote the shares you own in accordance with your instructions on your proxy card, in your vote by telephone or in your vote by Internet. If you return the proxy card, vote by telephone or vote by Internet, but do not give any instructions on a particular matter described in this proxy statement, the persons named in the proxy card will vote the shares you own in accordance with the recommendations of our board of directors.

The proxy card enclosed with this proxy statement states the number of shares you are entitled to vote if you are a stockholder of record.

### **How do I vote my shares if I hold them in street name?**

If the shares you own are held in street name by a bank or brokerage firm, your bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your bank or brokerage firm provides you. Many banks and brokerage firms solicit voting instructions over the internet or by telephone.

If you do not give instructions to your bank or brokerage firm, it will still be able to vote your shares with respect to certain discretionary items. The ratification of Ernst & Young LLP, our independent registered public accounting firm (Proposal Two), is considered a discretionary item. Accordingly, your bank or brokerage firm may vote your shares with respect to that proposal if you do not give instructions. The election of directors (Proposal One) is not considered a discretionary item. Therefore, if you do not give instructions with respect to that proposal, your shares will be treated as broker non-votes. Broker non-votes are shares with respect to which a bank or brokerage firm does not receive voting instructions from the beneficial holder and does not have or exercise discretionary authority in voting on a proposal.

Regardless of whether your shares are held in street name, you are welcome to attend the annual meeting. If your shares are held in street name, you may not vote your shares in person at the annual meeting unless you obtain a proxy, executed in your favor, from the holder of record (i.e., your brokerage firm or bank). If you hold your shares in street name and wish to vote in person, please contact your brokerage firm or bank before the annual meeting to obtain the necessary proxy from the holder of record.

### **How may I change or revoke my vote?**

If you are a stockholder of record, even if you complete and return a proxy card, you may change or revoke it at any time before it is exercised by taking one of the following actions:

send written notice to our Secretary, Louis J. Arcudi, III, at our address above, stating that you wish to revoke your proxy;

deliver to us another signed proxy card with a later date or vote by telephone or by internet; or

attend the annual meeting, notify our Secretary that you are present and then vote by ballot.

If you own shares in street name, your bank or brokerage firm should provide you with instructions for changing or revoking your vote.

## **Table of Contents**

### **What constitutes a quorum?**

In order for business to be conducted at the annual meeting, a quorum must be present. A quorum consists of the holders of at least 11,744,463 shares, representing a majority of the shares of common stock issued, outstanding and entitled to vote at the annual meeting.

Shares of common stock present in person or represented by proxy (including broker non-votes and shares that are abstained or withheld, or with respect to which no voting instructions are provided for one or more of the matters to be voted upon) will be counted for the purpose of determining whether a quorum exists.

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

### **What vote is required to approve each matter?**

*Proposal One Election of Directors:* Directors will be elected by a plurality of the votes cast by our stockholders entitled to vote on the election. In other words, the two nominees for director receiving the highest number of votes FOR election will be elected as directors, regardless of whether any of those numbers represents a majority of the votes cast.

You may vote FOR all of the nominees, WITHHOLD your vote from all of the nominees or WITHHOLD your vote from either of the nominees.

*Proposal Two Ratification of the Selection of Ernst & Young LLP:* The affirmative vote of the holders of a majority of the shares of common stock present or represented and voting on the matter is needed to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010.

### **How will votes be counted?**

Each share of common stock will be counted as one vote. Shares will not be voted in favor of a matter, and will not be counted as voting on a matter, if the holder of the shares either withholds authority to vote for a particular director nominee or nominees, or abstains from voting on a particular matter, or if the shares are broker non-votes. As a result, withheld shares, abstentions and broker non-votes will have no effect on the outcome of voting on the election of directors and the ratification of the selection of Ernst & Young LLP.

### **How does the board of directors recommend that I vote?**

Our board of directors recommends that you vote to elect the two nominees to the board of directors and FOR the ratification of the selection of Ernst & Young LLP.

### **Will any other business be conducted at the annual meeting?**

Our board of directors does not know of any other business to be conducted or matters to be voted upon at the annual meeting. If any other matter properly comes before the annual meeting, the persons named in the proxy card that accompanies this proxy statement will exercise their judgment in deciding how to vote or otherwise act with respect to that matter at the annual meeting.

### **Who is making and paying for the solicitation of proxies and how is it made?**

We are making the solicitation and will bear the costs of soliciting proxies. In addition to solicitations by mail, our directors, officers and regular employees, without additional remuneration, may solicit proxies by telephone, facsimile, email, personal interviews and other means. We have requested that brokerage houses, custodians, nominees and fiduciaries forward copies of the proxy materials to the persons for whom they hold shares and request instructions for voting the proxies. We will reimburse the brokerage houses and other persons for their reasonable out-of-pocket expenses in connection with this distribution.

**Table of Contents**

**How and when may I submit a proposal for the 2011 annual meeting?**

If you are interested in submitting a proposal for inclusion in the proxy statement and the proxy card for our 2011 annual meeting, you need to follow the procedures outlined in Rule 14a-8 of the Securities Exchange Act of 1934. We must receive your proposal intended for inclusion in the proxy statement at our principal executive offices, 167 Sidney Street, Cambridge, Massachusetts 02139, Attention: Secretary, no later than December 30, 2010. SEC rules set standards for the types of stockholder proposals and the information that must be provided by the stockholder making the request.

If you wish to present a proposal at the 2011 annual meeting, but do not wish to have the proposal considered for inclusion in the proxy statement and proxy card or have not complied with the requirements for inclusion of such proposal in our proxy statement under SEC rules, you must also give written notice to us at the address noted above. Our bylaws specify the information that must be included in any such notice, including a brief description of the business to be brought before the annual meeting, the name of the stockholder proposing such business and stock ownership information for such stockholder. In accordance with our bylaws, we must receive this notice at least 60 days, but not more than 90 days, prior to the date of the 2011 annual meeting and the notice must include specified information regarding the proposal and the stockholder making the proposal. Notwithstanding the foregoing, if we provide less than 70 days notice or prior public disclosure of the date of the annual meeting to the stockholders, notice by the stockholders must be received by our Secretary no later than the close of business on the tenth day following the date on which the notice of the annual meeting was mailed or such public disclosure was made, whichever occurs first. If a stockholder who wished to present a proposal fails to notify us by this date, the proxies that management solicits for that meeting will have discretionary authority to vote on the stockholder's proposal if it is otherwise properly brought before that meeting. If a stockholder makes timely notification, the proxies may still exercise discretionary authority to vote on stockholder proposals under circumstances consistent with the SEC's rules.

**Are annual meeting materials householded?**

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that the brokers and nominee record holders send only one copy of this proxy statement and the accompanying annual report to multiple stockholders in the same household. Upon request, we will promptly deliver separate copies of this proxy statement and our annual report. To make such a request, please call (617) 679-5500 or write to Investor Relations, 167 Sidney Street, Cambridge, Massachusetts 02139 or [ir@iderapharma.com](mailto:ir@iderapharma.com). To receive separate copies of our annual report and proxy statement in the future, or to receive only one copy for the household, please contact your bank, broker, or other nominee record holder, or contact us at the above address and phone number.

**Table of Contents**

**PROPOSAL ONE ELECTION OF DIRECTORS**

**General Information**

Our board of directors is divided into three classes and currently consists of three Class I directors: C. Keith Hartley, Hans Mueller, Ph.D. and William S. Reardon, C.P.A.; three Class II directors: Robert W. Karr, M.D., Malcolm MacCoss, Ph.D., and James B. Wyngaarden, M.D.; and three Class III directors: Sudhir Agrawal, D. Phil., Youssef El Zein and Alison Taunton-Rigby, Ph.D. The terms of the three classes are staggered so that one class is elected each year. Members of each class are elected for three-year terms. The Class I, Class II and Class III directors were elected to serve until the annual meeting of stockholders to be held in 2011, 2012 and 2010, respectively, and until their respective successors are elected and qualified.

Our board of directors, on the recommendation of our nominating and corporate governance committee, has nominated Dr. Agrawal and Mr. El Zein for election as Class III directors. Dr. Taunton-Rigby has elected not to stand for re-election at the annual meeting. The persons named in the enclosed proxy card will vote to elect Dr. Agrawal and Mr. El Zein as Class III directors unless you withhold authority to vote for the election of any or all nominees by marking the proxy to that effect. The proxy card may not be voted for more than two directors. Each Class III director will be elected to hold office until the 2013 annual meeting of stockholders and until his successor is elected and qualified or until his earlier resignation, death or removal. Each of the nominees is presently a director and each has indicated a willingness to serve as a director, if elected. If a nominee becomes unable or unwilling to serve, however, the persons acting under the proxy may vote for substitute nominees selected by the board of directors.

**Information about our Directors**

Set forth below are the names of each of the nominees for election as Class III directors, the names of each of our other continuing directors, the years in which each first became a director, their ages as of March 31, 2010, their positions and offices with our company, their principal occupations and business experience during at least the past five years and the names of other public companies for which they currently serve, or have served within the past five years, as a director. We have also included information about each director's specific experience, qualifications, attributes or skills that led our board of directors to conclude that such individual should serve as one of our directors. We also believe that all of our directors, including our nominees, have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to Idera and our board.

**Our board of directors recommends that you vote FOR the election of Dr. Agrawal and Mr. El Zein as Class III directors.**

**Class III Nominees Terms to Expire in 2013**

**Sudhir Agrawal, D. Phil.**

**Director since 1993**

Dr. Agrawal, age 56, is our President, Chief Executive Officer and Chief Scientific Officer. Dr. Agrawal has served as our President since September 2008, our Chief Executive Officer since August 2004 and our Chief Scientific Officer since January 1993. He also served as our President from February 2000 to October 2005 and as Acting Chief Executive Officer from February 2000 until September 2001. Dr. Agrawal joined us in 1990 and served in various capacities before his appointment as Chief Scientific Officer, including Vice President of Discovery and Senior Vice President of Discovery. Prior to joining us, Dr. Agrawal served as a Foundation Scholar at the Worcester Foundation

for Experimental Biology and carried out his post-doctoral research at the Medical Research Council's Laboratory of Molecular Biology in Cambridge, England from 1985 to 1986. We believe that Dr. Agrawal's qualifications to sit on our board of directors include his unique insights into our challenges, opportunities and operations that he has as a result of the roles he has played with us since our founding, including scientific founder, chief scientific officer and chief executive officer.

**Table of Contents**

**Youssef El Zein**

**Director since 1992**

Mr. El Zein, age 61, has been vice chairman of our board of directors since February 1997. Mr. El Zein has been managing partner of Pillar Investment Limited, a private investment firm, since 1991. Mr. El Zein is also a managing partner of Search Dynamics Corporation and Optima Strategic Corporation, two special purpose vehicles founded by Pillar that invest in early stage technology-based companies. We believe that Mr. El Zein's qualifications to sit on our board of directors include his knowledge of our industry, his financial experience and role in various financings we have conducted, and his 18 years of service on our board of directors.

***Continuing Members of the Board of Directors***

**Class I Directors Terms to Expire in 2011**

**C. Keith Hartley**

**Director since 2000**

Mr. Hartley, age 67, has been President of Hartley Capital Advisors, a financial consulting firm, since June 2000. Mr. Hartley was Managing Partner of Forum Capital Markets LLC, an investment banking firm, from August 1995 to May 2000. Mr. Hartley also serves as a director of Universal Display Corporation, a publicly traded company that develops flat panel displays. We believe that Mr. Hartley's qualifications to sit on our board of directors include his business and finance background, his investment banking background and knowledge of the capital markets and his relationship with us since 1997 when his investment banking firm led our debt financing.

**Hans Mueller, Ph.D.**

**Director since 2007**

Dr. Mueller, age 69, most recently served as Senior Vice President of Global Business Development at Wyeth Pharmaceuticals, a pharmaceutical company, from 1993 to 2004. Upon his retirement in 2004, Dr. Mueller began consulting for a number of private life science companies. From 1985 to 1993, Dr. Mueller served as Executive Vice President, President and Chief Executive Officer of Nova Pharmaceutical Corporation (now part of Johnson & Johnson), a drug research and development company. Previously, he held roles with increasing levels of responsibility at Sandoz, now part of Novartis AG, a pharmaceutical company, in the areas of research, regulatory affairs, manufacturing, systems development, new product planning, licensing and business development. Dr. Mueller served as a director of SCOLR Pharma, Inc., a publicly traded pharmaceuticals company, from September 2004 to June 2007, and currently serves on the board of directors of two privately-held pharmaceutical companies. We believe that Dr. Mueller's qualifications to sit on our board of directors include his extensive pharmaceutical industry background and his expertise in business development, which is a key part of our strategy.

**William S. Reardon, C.P.A.**

**Director since 2002**

Mr. Reardon, age 63, was an audit partner at PricewaterhouseCoopers LLP, where he led the Life Science Industry Practice for New England and the Eastern United States from 1986 until his retirement from the firm in July 2002. Mr. Reardon served on the board of the Emerging Companies Section of the Biotechnology Industry Organization from June 1998 to June 2000 and the board of directors of the Massachusetts Biotechnology Council from April 2000 to April 2002. He also serves as a director of Synta Pharmaceuticals, Inc., a publicly-traded biopharmaceutical company, and Oscient Pharmaceuticals Corporation, a publicly-traded pharmaceutical company. We believe that Mr. Reardon's qualifications to sit on our board of directors include his accounting and financial experience, including as a partner at a leading accounting firm leading its life science practice, his role in keeping the board of directors and senior management team abreast of current accounting regulations and his experience as a member of several boards of directors of biotechnology companies.





**Table of Contents****Class II Directors    Terms to Expire in 2012****Robert W. Karr, M.D.****Director since 2005**

Dr. Karr, age 61, has been Managing Director of Karr Pharma Consulting LLC, a consulting firm serving pharmaceutical and biotechnology clients since January 2008. Dr. Karr served as our President from December 2005 until December 2007. Prior to joining us, Dr. Karr was an independent consultant. From June 2000 through December 2004, Dr. Karr was a senior executive in Global Research & Development for Pfizer, Inc., a pharmaceutical company, where he served as Senior Vice President, Strategic Management from 2003 to 2004 and Vice President, Strategic Management from 2000 to 2003. Prior to its merger with Pfizer, Dr. Karr served as Vice President, Research & Development Strategy for Warner-Lambert Company, a pharmaceutical company. He also serves on the board of directors of GTX, Inc., a publicly-traded biotechnology company. We believe that Dr. Karr's qualifications to sit on our board of directors include his broad managerial and scientific experience in the pharmaceutical industry, his understanding of our company given his role as our former President and his continuing role as a director and consultant, and his contribution to the board of directors in discussions of our drug discovery programs, clinical development strategy and clinical programs.

**Malcolm MacCoss, Ph.D.****Director since 2010**

Dr. MacCoss, age 62, has been a Member of Bohicket Pharma Consulting LLC since January 2010. Dr. MacCoss served as the Group Vice President for Chemical Research at the Schering-Plough Research Institute of Schering-Plough Corporation, a pharmaceutical company that is now part of Merck & Co., Inc., from August 2008 to January 2010, as well as the Head of Chemistry at the Schering-Plough Kenilworth, New Jersey site and as the chair of the Schering-Plough Global Chemistry Council, a forum for formulating global chemistry strategies. From 1999 to August 2008, Dr. MacCoss served as Vice President, Basic Chemistry at the Rahway, New Jersey site of Merck Research Laboratories, of Merck & Co., Inc., a pharmaceutical company. He also served as the Vice President of Basic Chemistry and Drug Discovery Sciences, as the Deputy Site-Head of the Rahway site and as the Chairman of the Merck World-Wide Chemistry Council. Dr. MacCoss is a Fellow of the Royal Society of Chemistry, and in 2009 he was admitted into the American Chemical Society Medicinal Chemistry Hall of Fame. He serves on the Advisory Committee of the Executive Dean for the School of Arts and Sciences, Rutgers University, and on the Advisory Board of the Rutgers University Chemistry and Chemical Biology Department. We believe that Dr. MacCoss's qualifications to sit on our board of directors include his extensive scientific background, his 20 plus years experience with pharmaceutical companies, and his contribution to the board of directors in discussions of our drug discovery programs, clinical development strategy and clinical programs.

**James B. Wyngaarden, M.D.****Director since 1990**

Dr. Wyngaarden, age 85, has been chairman of our board of directors since February 2000 and was vice chairman from February 1997 to February 2000. Dr. Wyngaarden co-founded the Washington Advisory Group LLC, a consulting firm, in 1996 and remained a principal until January 2002. He was Senior Associate Dean, International Affairs at the University of Pennsylvania Medical School from 1995 to 1997. Dr. Wyngaarden was Foreign Secretary of the National Academy of Sciences and the Institute of Medicine from 1990 to 1994. He was Director of the Human Genome Organization from 1990 to 1991 and a council member from 1990 to 1993. Dr. Wyngaarden was Director of the National Institutes of Health from 1982 to 1989, and Associate Director for Life Sciences, Office of Science and Technology Policy in the Executive Office of the President, the White House, from 1989 to 1990. Dr. Wyngaarden served as a director of Genaera Corporation, a publicly traded biopharmaceutical company, during the last five years. We believe that Dr. Wyngaarden's qualifications to sit on our board of directors include his reputation and credibility developed through his years of service at private and governmental institutions, his medical and regulatory expertise, and his knowledge of our company from his service on our board of directors since 1990.

**Director Compensation**

We use a combination of cash and equity-based compensation to attract and retain candidates to serve on our board of directors. We do not compensate directors who are also our employees for their service on our board of

**Table of Contents**

directors. As a result, Dr. Agrawal does not receive any compensation for his service on our board of directors. We periodically review our cash and equity-based compensation for non-employee directors.

Under our director compensation program, we pay our non-employee directors retainers in cash. Each director receives a cash retainer for service on the board of directors and for service on each committee on which the director is a member. The chairmen of the board and of each committee receive higher retainers for such service. These fees are payable quarterly in arrears. In 2009, these fees were as follows:

	<b>Member Annual Fee</b>	<b>Chairman Annual Fee</b>
Board of Directors	\$ 35,000	\$ 60,000
Audit Committee	\$ 7,000	\$ 15,000
Compensation Committee	\$ 5,000	\$ 10,000
Nomination and Corporate Governance Committee	\$ 3,500	\$ 7,500

In January 2010, our board of directors approved a change to the fees paid to the Chairman and the members of the compensation committee. Including this change, effective February 1, 2010, the fees paid to directors for service on the board of directors and for service on each committee on which the director is a member are as follows:

	<b>Member Annual Fee</b>	<b>Chairman Annual Fee</b>
Board of Directors	\$ 35,000	\$ 60,000
Audit Committee	\$ 7,000	\$ 15,000
Compensation Committee	\$ 7,000	\$ 15,000
Nomination and Corporate Governance Committee	\$ 3,500	\$ 7,500

Our director compensation program also includes a stock-for-fees policy, under which directors have the right to elect to receive common stock in lieu of cash fees. The number of shares to be issued to participating directors is determined on a quarterly basis by dividing the cash fees to be issued in common stock by the fair market value of our common stock, which is the closing price of our common stock, on the first business day of the quarter following the quarter in which the fees were earned. In 2009, Mr. Reardon received 1,070 shares of our common stock in lieu of \$6,688 in cash fees. No other director elected to receive common stock in lieu of cash fees during 2009.

Under our director compensation program, upon their initial election to the board of directors, new non-employee directors receive an option grant for 16,000 shares and all non-employee directors receive an annual option grant for 10,000 shares. The annual grants are made on the date of the annual meeting of stockholders. These options vest quarterly over three years from the date of grant, subject to continued service as a director, and are granted under our 2008 Stock Incentive Plan. These options are granted with exercise prices equal to the fair market value of our common stock, which is the closing price of our common stock, on the date of grant and become immediately exercisable in full if there is a change in control of our company.

We also reimburse our directors for travel and other related expenses for attendance at meetings.

In January 2010, our board of directors approved a director retirement policy, which provides that a non-employee member of the board will be deemed to have retired if:

the director resigns from the board or determines not to stand for re-election and has served as a director for more than 10 years, or

the director does not stand for re-election or is not nominated for re-election due to the fact that he or she is or will be older than 75 at the end of such director's term.

If a non-employee director retires, then:

all outstanding options will automatically vest in full; and

the period during which the director may exercise the options will be extended to the earlier of (i) the first anniversary of the date of retirement and (ii) the expiration of the option under the plan.

**Table of Contents**

The following table sets forth a summary of the compensation we paid to our non-employee directors for service on our board in 2009. Dr. MacCoss joined our board in January 2010 and does not serve on any committees of the board of directors.

**DIRECTOR COMPENSATION FOR 2009**

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Option Awards (\$)(1)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Youssef El Zein(2)	\$ 39,250	\$ 39,555		\$ 78,805
C. Keith Hartley	\$ 48,500	\$ 39,555		\$ 88,055
Robert W. Karr(3)	\$ 35,000	\$ 39,555	\$ 15,938(4)	\$ 90,493
Hans Mueller	\$ 47,000	\$ 39,555		\$ 86,555
William S. Reardon	\$ 53,500(5)	\$ 39,555		\$ 93,055
Alison Taunton-Rigby	\$ 47,000	\$ 39,555		\$ 86,555
James B. Wyngaarden	\$ 73,500	\$ 39,555		\$ 113,055

(1) These amounts represent the aggregate grant date fair value of awards for option grants to each listed director in 2009. These amounts do not represent the actual amounts paid to or realized by the directors during 2009. See Note 2(k) of the financial statements in our annual report on Form 10-K for the year ended December 31, 2009 regarding assumptions we made in determining the fair value of equity awards. As of December 31, 2009, our non-employee directors held options to purchase shares of our common stock as follows: Mr. El Zein: 56,627; Mr. Hartley: 59,127; Dr. Karr: 135,375; Dr. Mueller: 41,625; Mr. Reardon: 57,877; Dr. Taunton-Rigby: 55,063; and Dr. Wyngaarden: 94,127.

(2) Mr. El Zein served on the compensation committee and the nominating and corporate governance committee from June 2009.

(3) Dr. Karr does not serve on any committees of our board of directors.

(4) Represents consulting fees paid to Dr. Karr pursuant to a consulting agreement between us and Dr. Karr.

(5) Includes cash meeting fees of \$6,688 in lieu of which of Mr. Reardon elected to receive shares of our common stock.

**PROPOSAL TWO RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee of our board of directors has selected the firm of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010. Ernst & Young LLP has served as our independent accountants since 2002. Although stockholder approval of the audit committee's selection of Ernst & Young LLP is not required by law, our board of directors believes that it is advisable to give stockholders an opportunity to ratify this selection. If this proposal is not approved at the annual meeting, the audit committee of our board of directors may reconsider its selection.

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

**Our board of directors recommends that you vote FOR the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010.**

**Table of Contents**

**CORPORATE GOVERNANCE INFORMATION**

**Board of Directors**

Our board of directors is responsible for establishing our broad corporate policies and overseeing the management of our company. Our chief executive officer and our other executive officers are responsible for our day-to-day operations. Our board evaluates our corporate performance and approves, among other things, our corporate strategies and objectives, operating plans, major commitments of corporate resources and significant policies. Our board also evaluates and appoints our executive officers.

Our board of directors met four times during 2009, including regular, special and telephonic meetings. Each director who served as a director during 2009 attended at least 75% of the total number of board meetings held during 2009 and of the total number of meetings held by all board committees on which he or she served during 2009.

**Board Leadership Structure**

Our board does not have a policy on whether the offices of chairman of the board and chief executive officer should be separate and, if they are to be separate, whether the chairman of the board should be selected from among the independent directors or should be an employee of the company. Our board believes that it should have the flexibility to make these determinations at any given point in time in the way that it believes best to provide appropriate leadership for our company at that time. The positions of chairman of the board of directors and chief executive officer have been separate since February 2000 when Dr. Wyngaarden, a non-employee director, was appointed chairman, and Dr. Agrawal was appointed acting chief executive officer, upon the health-related departure of the chairman of the board and chief executive officer. Prior to February 2000, the roles of chairman of the board and chief executive officer had been held by the same person from August 1991. While our bylaws do not and, at that time did not, require that our chairman and chief executive officer positions be separate, the board of directors believed at that time, in light of the unexpected developments and the uncertainty regarding timing for a permanent chief executive officer, that having separate positions and having an independent outside director serve as chairman was the appropriate leadership structure at that time. Dr. Wyngaarden had served as vice chairman of the board of directors since 1997 while Dr. Agrawal served as Chief Scientific Officer since 1993. Although a new chief executive officer was appointed in 2001, our board maintained the separation as it has allowed our chief executive officer to focus on our day-to-day business, while allowing the chairman of the board to lead the board in its fundamental role of providing advice to and independent oversight of management. In particular, Dr. Wyngaarden's extensive knowledge of our company provided a valuable complement to the chief executive officer role. Dr. Agrawal was appointed chief executive officer in August 2004 and the board continues to believe that its current leadership structure is appropriate given the experience of the individuals and the demands of the positions.

The board recognizes that no single leadership model is right for all companies and at all times and that depending on the circumstances, other leadership models, such as a combined chairman and chief executive officer, might be appropriate. Accordingly, the board periodically reviews its leadership structure. Pursuant to our corporate governance guidelines, if the chairman is not an independent director, the board may elect a lead director from its independent directors. In such case, the chairman and chief executive officer would consult periodically with the lead director on board matters and on issues facing our company. In addition, the lead director would serve as the principal liaison between the chairman of the board and the independent directors and would preside at any executive session of independent directors.

**Board's Role in Risk Oversight**



Our board of directors, as a whole, has responsibility for risk oversight, with reviews of certain areas being conducted by relevant committees that report directly to the board of directors. The oversight responsibility of the board of directors and its committees is enabled by management reporting processes that are designed to provide visibility to the board of directors about the identification, assessment and management of critical risks and management's risk mitigation strategies. These areas of focus include competitive, economic, operational, financial (accounting, credit, liquidity and tax), legal, regulatory, compliance, health, safety, environmental, political and

## **Table of Contents**

reputational risks. Our board of directors regularly reviews information regarding our strategy, operations, credit and liquidity, as well as the risks associated with each. Our compensation committee is responsible for overseeing risks relating to our executive compensation plans and arrangements. Our audit committee is responsible for overseeing financial risks and risks associated with related party transactions. Our nominating and corporate governance committee is responsible for overseeing risks associated with the independence of the board of directors. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, our entire board of directors is regularly informed through committee reports about such risks.

## **Board Committees**

Our board of directors has established three standing committees – audit, compensation, and nominating and corporate governance – each of which operates under a charter that has been approved by our board of directors. Our board of directors has adopted corporate governance guidelines to assist our board in the exercise of its duties and responsibilities. Current copies of the committee charters and the corporate governance guidelines are posted on our website, [www.iderapharma.com](http://www.iderapharma.com), and can be accessed by clicking [Investors](#) and [Corporate Governance](#).

### *Audit Committee*

Our audit committee's responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our registered public accounting firm;

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

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