

CURIS INC  
Form DEF 14A  
April 09, 2014  
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**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 under Rule 14a-12

**CURIS, INC.**

(Name of Registrant as Specified in Its Charter)

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(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:

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**CURIS, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD MAY 21, 2014**

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of Curis, Inc. will be held on May 21, 2014 at 10:00 a.m. at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109 for the purpose of considering and voting upon the following matters:

1. To elect two Class III directors, each for a term of three years;
2. To approve, on an advisory basis, executive compensation; and
3. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014.

The stockholders will also act on any other business that may properly come before the meeting or any adjournment thereof.

The board of directors has fixed the close of business on March 24, 2014 as the record date for the determination of stockholders entitled to notice of and to vote at the meeting and at any adjournments thereof. Your vote is very important to us. Whether or not you plan to attend the annual meeting in person, your shares should be represented and voted.

In accordance with rules adopted by the Securities and Exchange Commission, we are now furnishing proxy materials to many of our stockholders on the Internet, rather than mailing paper copies of the materials to each stockholder. If you received only a Notice of Internet Availability of Proxy Materials, or Notice, by mail or e-mail, you will not receive a paper copy of the proxy materials unless you request one. Instead, the Notice will provide you with instructions on how to access and view the proxy materials on the Internet. The Notice will also instruct you as to how you may access your proxy card to vote over the Internet or by telephone. If you received a Notice by mail or e-mail and would like to receive a paper copy of our proxy materials, free of charge, please follow the instructions included in the Notice.

The Notice of Internet Availability of Proxy Materials is being mailed to our stockholders on or about April 9, 2014 and sent by e-mail to our stockholders who have opted for such means of delivery on or about April 9, 2014.

Please promptly submit your proxy over the Internet, by phone or by mail. You may revoke your proxy at any time before the 2014 Annual Meeting by following the procedures described in the proxy statement.

All stockholders are cordially invited to attend the meeting.

By Order of the Board of Directors,

/s/ Michael P. Gray

Michael P. Gray

Chief Financial Officer  
and Chief Business Officer, Secretary

Lexington, Massachusetts

April 9, 2014

**WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, WE URGE YOU TO VOTE YOUR SHARES OVER THE INTERNET OR BY TELEPHONE, OR TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING ENVELOPE. NO POSTAGE NEED BE AFFIXED IF THE PROXY CARD IS MAILED IN THE UNITED STATES.**

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**CURIS, INC.**

**4 Maguire Road**

**Lexington, Massachusetts 02421**

**PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS**

*To Be Held on May 21, 2014*

This proxy statement is furnished in connection with the solicitation by the board of directors of Curis, Inc. of proxies for use at the annual meeting of stockholders to be held on May 21, 2014 at 10:00 a.m., local time, at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109 and at any adjournments thereof. Except where the context otherwise requires, references to Curis, we, us, our, and similar terms refer to Curis, Inc. and its subsidiaries.

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

**the Annual Meeting of Stockholders to be Held on May 21, 2014:**

**The proxy statement is available at [www.proxyvote.com](http://www.proxyvote.com).**

**We will, upon written or oral request of any stockholder, furnish copies of our 2013 annual report to stockholders, except for exhibits, without charge. Please address all such requests to us at 4 Maguire Road, Lexington, Massachusetts 02421, Attention: Secretary, or telephone: (617) 503-6500.**

In accordance with Securities and Exchange Commission, or SEC, rules, instead of mailing a printed copy of our proxy materials to each stockholder of record, we are furnishing the proxy materials, including this proxy statement, our 2013 annual report and the proxy card for the 2014 annual meeting, to many of our stockholders of record as of the record date via the Internet. We will send the Notice of Internet Availability of Proxy Materials to these stockholders on or about April 9, 2014. The Notice of Internet Availability of Proxy Materials contains instructions for accessing and reviewing our proxy materials as well as instructions for voting your proxy via the Internet. If you prefer to receive printed copies of the proxy materials, you can request printed copies of the proxy materials by Internet, telephone or e-mail. If you choose to receive the print materials by mail, you can either (i) complete, date, sign and return the proxy card, (ii) vote via the Internet in accordance with the instructions on the proxy card or (iii) vote via telephone (toll free) in the United States or Canada in accordance with the instructions on the proxy card. Voting by Internet or telephone must be completed by 11:59 P.M. Eastern Time on May 20, 2014. If you choose not to receive printed copies of the proxy materials, you can vote via the Internet in accordance with the instructions contained in the Notice of Internet Availability of Proxy Materials.

If you received a paper copy of these proxy materials, included with such copy is a proxy card or a voter instruction card for the annual meeting.

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**INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

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

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

1. The election of two Class III directors for a term of three years expiring at the 2017 annual meeting of stockholders;
2. To approve, on an advisory basis, executive compensation;
3. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014; and
4. The transaction of other business, if any, that may properly come before the annual meeting or any adjournment of the meeting.

**Who can vote?**

To be able to vote on the above matters, you must have been a stockholder of record at the close of business on March 24, 2014, the record date for the annual meeting. The number of shares entitled to vote at the meeting is 85,948,078 shares of our common stock, which is the number of shares that were issued and outstanding on the record date.

**How many votes do I have?**

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

**Is my vote important?**

Your vote is important regardless of how many shares you own. Please take the time to read the instructions below and vote. Choose the method of voting that is easiest and most convenient for you and please cast your vote as soon as possible.

**How can I vote?**

**Stockholder of record: Shares registered in your name.** If you are a stockholder of record, that is, your shares are registered in your own name, not in street name by a bank or brokerage firm, then you can vote in any one of the following ways:

1. **You may vote over the Internet.** If you have Internet access, you may vote your shares from any location in the world at [www.proxyvote.com](http://www.proxyvote.com), by following the instructions on that site or on the "Vote by Internet" instructions on the enclosed proxy card.
2. **You may vote by telephone.** You may vote your shares by calling 1-800-690-6903 and following the instructions provided, or by following the "Vote by Phone" instructions on the enclosed proxy card.
3. **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 in the United States. The persons





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named in the proxy card will vote the shares you own in accordance with your instructions on the proxy card you mail. If you return the proxy card, but do not give any instructions on a particular matter described in this proxy statement, the persons named in the proxy card will vote the shares you own in accordance with the recommendations of our board of directors. Our board of directors recommends that you vote FOR each of the three proposals.

4. **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 meeting. Ballots will be available at the meeting.

**Beneficial owner: Shares held in street name.** If the shares you own are held in street name by a bank or brokerage firm, then 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 also offer the option of voting over the Internet or by telephone, instructions for which would be provided by your bank or brokerage firm on your vote instruction form. If you do not give instructions to your bank or brokerage firm, it will still be able to vote your shares with respect to certain discretionary items, but will not be allowed to vote your shares with respect to certain non-discretionary items. The election of directors (Proposal 1), and the approval, on an advisory basis, of executive compensation (Proposal 2) are considered to be non-discretionary items on which banks and brokerage firms may not vote, and therefore **if you do not instruct your broker or representative regarding how you would like your shares to be voted, your bank or brokerage firm will not be able to vote on your behalf with respect to Proposals 1 and 2.** These shares will be treated as broker non-votes. *Broker non-votes* are shares that are held in street name by a bank or brokerage firm that indicates on its proxy that it does not have discretionary authority to vote on a particular matter. The ratification of the appointment of our independent registered public accounting firm (Proposal 3) is considered to be a discretionary item on which banks and brokerage firms may vote.

If you wish to come to the meeting to personally vote your shares held in street name, you will need to obtain a proxy card from the holder of record (i.e., your brokerage firm or bank).

**Can I change my vote after I have mailed my proxy card?**

Yes. If you are a stockholder of record, you can change your vote and revoke your proxy at any time before the polls close at the annual meeting by doing any one of the following things:

signing and returning another proxy card with a later date;

giving our corporate secretary a written notice before or at the meeting that you want to revoke your proxy; or

voting in person at the meeting.

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

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

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

In order for business to be conducted at the meeting, a quorum must be present. A quorum consists of the holders of a majority of the shares of common stock issued, outstanding and entitled to vote at the meeting, that is, at least 42,974,040 shares.

Shares of our common stock represented in person or by proxy (including broker non-votes and shares that abstain or do not vote with respect to 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 meeting will be adjourned until a quorum is obtained.

### **What vote is required for each item?**

**Proposal 1 Election of Directors.** The affirmative vote of the holders of a plurality of the votes cast by the stockholders entitled to vote on the matter is required for the election of directors.

**Proposal 2 Approval, on an Advisory Basis, of Executive Compensation.** The affirmative vote of the holders of a majority of the votes cast by the stockholders entitled to vote on the matter is required for the approval of an advisory vote on executive compensation.

**Proposal 3 Ratification of Independent Auditors.** The affirmative vote of the holders of a majority of the votes cast will be required for the approval of the ratification of the selection of the independent registered public accounting firm for the fiscal year ending December 31, 2014.

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

Each share of common stock will be counted as one vote, whether executed by you directly or on a ballot voted in person at the meeting.

Shares that abstain from voting and broker non-votes will not be counted as votes in favor of, or with respect to, any of the proposals and will also not be counted as votes cast. Accordingly, abstentions and broker non-votes will have no effect on the outcome of any of the proposals.

### **Who will count the votes?**

Broadridge Financial Solutions, Inc. will count, tabulate and certify the votes.

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

Our board of directors recommends that you vote:

**FOR** the election of two Class III directors for a term of three years expiring at the 2017 annual meeting of stockholders;

**FOR** the approval, on an advisory basis, of the compensation of our named executive officers; and

**FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014.

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### **Will any other business be conducted at the annual meeting or will other matters be voted on?**

We are not aware of any other business to be conducted or matters to be voted upon at the meeting. If any other matter properly comes before the 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, at the meeting with respect to that matter or proposal. Our bylaws establish the process for a stockholder to bring a matter before a meeting. See [Stockholder Proposals for 2015 Annual Meeting](#) on page 49 of this proxy statement.

### **Where can I find the voting results?**

We will report the voting results from the annual meeting in a Form 8-K filed with the SEC within four business days following the annual meeting.

### **Who bears the costs of soliciting proxies?**

We will bear the costs of soliciting proxies. In addition to solicitations by mail, our directors, officers and regular employees may, without additional remuneration, solicit proxies by telephone, facsimile and personal interviews. We will also request brokerage houses, custodians, nominees and fiduciaries to forward copies of the proxy material to those persons for whom they hold shares and request instructions for voting the proxies. We will reimburse such brokerage houses and other persons for their reasonable expenses in connection with this distribution.

### **How can I obtain a copy of Curis Annual Report on Form 10-K?**

Our Annual Report on Form 10-K is available in the [Investors](#) section of our website at [www.curis.com](http://www.curis.com). Alternatively, if you would like us to send you a copy, without charge, please contact:

Curis, Inc.

4 Maguire Road

Lexington, MA 02421

Attention: Secretary

(617) 503-6500

If you would like us to send you a copy of the exhibits listed on the exhibit index of the Annual Report on Form 10-K, we will do so upon your payment of our reasonable expenses in furnishing a requested exhibit.

### **Whom should I contact if I have any questions?**

If you have any questions about the annual meeting or your ownership of our common stock, please contact our secretary at the address or telephone number listed above.

## **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information, as of January 31, 2014, with respect to the beneficial ownership of shares of our common stock by:

each person known to us to beneficially own more than 5% of the outstanding shares of common stock,

each director named in this proxy statement,



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each of our principal executive officer, our principal financial officer, the two most highly compensated executive officers other than our principal executive officer and our principal financial officer who were serving as executive officers on December 31, 2013, and two additional officers who would have been included among our most highly compensated executive officers if they were serving as such on December 31, 2013, whom we refer to collectively as our named executive officers, and

all directors and executive officers as a group.

As of January 31, 2014, we had 85,904,328 shares of common stock outstanding. The number of shares of common stock beneficially owned by each person is determined under rules promulgated by the SEC and includes shares over which the indicated beneficial owner exercises voting and/or investment power. For each person named in the table, the number in the Shares Acquirable Within 60 Days column consists of shares underlying stock options or warrants that may be exercised within 60 days after January 31, 2014. Such options and warrants are deemed outstanding for computing the percentage ownership of the person holding the options but are not deemed outstanding for computing the percentage ownership of any other person. Unless otherwise indicated, we believe that each stockholder in the table has sole voting and investment power over the shares listed. The inclusion in the table of any shares does not constitute an admission of beneficial ownership of those shares by the named stockholder. For each person, the Number of Shares Beneficially Owned column may include shares of common stock attributable to the person due to that person's voting or investment power or other relationship.

Unless otherwise indicated, the address for each of the stockholders in the table below is c/o Curis, Inc., 4 Maguire Road, Lexington, Massachusetts 02421.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned (1)	+	Shares Acquirable Within 60 Days	=	Total Number of Shares Beneficially Owned	Percent of Shares Beneficially Owned (2)
<b>5% Stockholders:</b>						
First Eagle Investment Management, LLC (3)	17,889,009		245,073		18,134,082	21.05%
BlackRock, Inc. (4)	6,682,654				6,682,654	7.78%
<b>Directors and Named Executive Officers:</b>						
James R. McNab, Jr. (5)	1,379,688		309,166		1,688,854	1.96%
Martyn D. Greenacre	35,138		219,166		254,304	*
Kenneth I. Kaitin, Ph.D.	26,800		219,166		245,966	*
Robert E. Martell, M.D., Ph.D.			94,791		94,791	*
Kenneth J. Pienta, M.D.	30,000		83,854		113,854	*
Marc Rubin, M.D.	26,596		127,603		154,199	*
James R. Tobin	144,921		161,666		306,587	*
Daniel R. Passeri	198,898		2,641,999		2,840,897	3.21%
Ali Fattaey, Ph.D.	3,000		100,000		103,000	*
Michael P. Gray	107,304		1,384,996		1,492,300	1.7%
Maurizio Voi, M.D. (6)						*
Mark W. Noel (7)	27,540		677,999		705,539	*
Jaye Viner, M.D.						*
<b>All current directors and executive officers as a group (13 persons)</b>	<b>1,979,885</b>		<b>6,020,406</b>		<b>8,000,291</b>	<b>8.7%</b>

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- \* Less than 1% of the outstanding common stock.
- (1) None of our directors or named executive officers has pledged any of their shares as security.
  - (2) The percent of ownership for each stockholder on January 31, 2014 is calculated by dividing (1) the stockholder's total beneficial ownership (i.e., the total number of shares beneficially owned plus the shares acquirable within 60 days) by (2) the sum of (i) 85,904,328 shares of our common stock that were outstanding on January 31, 2014 and (ii) shares of common stock subject to options or warrants held by such person that will be exercisable within 60 days of January 31, 2014.
  - (3) This information is based on a Schedule 13G/A filed on February 14, 2014 by First Eagle Investment Management, LLC ( FEIM ). The principal business address of FEIM is 1345 Avenue of the Americas, New York, New York 10105. FEIM is an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. FEIM may be deemed currently to be the beneficial owner of 18,134,082 shares (assuming exercise of warrants to acquire 245,073 shares of our common stock). 21 April Fund, Ltd., a Cayman Islands company for which FEIM acts as investment adviser, may be deemed to beneficially own 7,503,487 of these 18,134,082 shares (assuming exercise of warrants to acquire 68,250 shares). First Eagle Value Biotech Master Fund Ltd., a Cayman Islands company for which FEIM acts as investment adviser, may be deemed to beneficially own 4,991,682 of these 18,134,082 shares (assuming exercise of warrants to acquire 70,073 shares).
  - (4) This information is based on a Schedule 13G/A filed on January 28, 2014, by BlackRock, Inc., the parent holding company of BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Advisors LLC, BlackRock Investment Management LLC, BlackRock Asset Management Canada Limited, and BlackRock Japan Co. Ltd. The principal business address of BlackRock, Inc. is 40 East 52<sup>nd</sup> Street, New York, New York 10022.
  - (5) Includes 1,079,688 shares held directly by Mr. McNab, 50,000 shares held by McNab Family LLC, and 250,000 shares held by JR & MW McNab Operating LP.
  - (6) Dr. Voi served as our executive vice president, chief medical and chief development officer until August 2013.
  - (7) Mr. Noel ceased serving as an executive officer in August 2013, but continues to serve as our vice president, technology management and intellectual property.

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Our board of directors is divided into three classes, with one class being elected each year and members of each class holding office for a three-year term. Our board of directors currently consists of three Class I directors, James R. McNab, Jr., Kenneth J. Pienta and James R. Tobin, three Class II directors, Robert E. Martell, Daniel R. Passeri and Marc Rubin, and two Class III directors, Martyn D. Greenacre and Kenneth I. Kaitin. The Class I, Class II, and Class III directors will serve until the annual meetings of stockholders to be held in 2015, 2016 and 2014 respectively, and until their respective successors are elected and qualified. At the annual meeting, Class III directors will stand for reelection.

Our board of directors has nominated Mr. Martyn D. Greenacre and Dr. Kenneth I. Kaitin as nominees for reelection as Class III directors, each to serve for three-year terms, until the 2017 annual meeting of stockholders or until their respective successors are elected and qualified. Each of the nominees is currently a director. Each of the nominees have indicated his willingness to serve, if elected; however, if any nominee should be unable to serve, the shares of common stock represented by proxies will be voted for a substitute nominee designated by the board of directors.

Below are the names, ages and certain other information for each member of the board, including the nominees for election as Class III directors. There are no familial relationships among any of our directors, nominees for director and executive officers. In addition to the detailed information presented below for each of our directors, we also believe that each of our directors is qualified to serve on our board and has the integrity, business acumen, knowledge and industry experience, diligence, freedom from conflicts of interest and the ability to act in the interests of our stockholders.

The following table sets forth our directors and their respective ages and positions:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Martyn D. Greenacre (2)(3)	72	Director
Kenneth I. Kaitin, Ph.D. (1)(2)	61	Director
Robert E. Martell, M.D., Ph.D. (1)(4)	51	Director
James R. McNab, Jr. (3)	70	Chairman of the Board
Daniel R. Passeri	53	Chief Executive Officer, Director
Kenneth J. Pienta, M.D. (4)	53	Director
Marc Rubin, M.D. (2)(3)(4)	59	Director
James R. Tobin (1)	69	Director

- (1) Member of the compensation committee.
- (2) Member of the nominating and corporate governance committee.
- (3) Member of the audit committee.
- (4) Member of the science and technology committee.

**Martyn D. Greenacre** has served on our board since February 2000 and was a director of Creative BioMolecules, Inc., a predecessor life science company, from June 1993 to July 2000. Mr. Greenacre has served as Chairman of Life Mist L.L.C., a privately-held company in the field of fire suppression, since September 2001. From June 1997 to June 2001, Mr. Greenacre was Chief Executive Officer of Delsys Pharmaceutical Corporation, a drug formulation company. From 1993 to 1997, Mr. Greenacre was President and Chief Executive

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Officer of Zynaxis, Inc., a biopharmaceutical company. Prior to Zynaxis, Inc., Mr. Greenacre served in various senior management positions at SmithKline Beecham from 1973 through 1992. Mr. Greenacre also serves as a director of Neostem, Inc., Acusphere, Inc., and Formula Pharmaceuticals. Previously, Mr. Greenacre served as a director of Cephalon, Inc. and Orchestra Therapeutics, Inc., and as a director and Chairman of BMP Sunstone Corporation. Mr. Greenacre received an M.B.A. from Harvard Business School and a B.A. from Harvard College. We believe that Mr. Greenacre's qualifications to serve on our board include his years of experience as President and Chief Executive Officer of various biotech and pharmaceutical companies as well as his experience as a director of other public companies.

**Kenneth I. Kaitin, Ph.D.** has served on our board since November 2003. Since 1998, Dr. Kaitin has been the Director of the Tufts Center for the Study of Drug Development, an academic drug policy research group providing strategic information to help drug developers, regulators, and policy makers improve the quality and efficiency of the drug development process. Since 2010, Dr. Kaitin has held a primary appointment as Research Professor at the Tufts University School of Medicine, as well as secondary appointments as Professor of Medicine and Professor of Pharmacology and Experimental Therapeutics at Tufts University School of Medicine. Since 1999, he has served on the faculty of the European Center for Pharmaceutical Medicine at the University of Basel, and since 2006 he has been a visiting lecturer at the Tuck School of Business at Dartmouth College. From 2003 to 2009, Dr. Kaitin was an Associate Professor of Medicine at the Tufts University School of Medicine. Dr. Kaitin has written extensively on a broad range of drug development issues and has provided public testimony before the U.S. Congress in hearings on pharmaceutical innovation and FDA reform. An internationally recognized expert on the science of drug development, Dr. Kaitin is regularly quoted in the business and trade press on R&D trends in the research-based drug industry and new models of innovation. He is a former Editor-in-Chief of the Drug Information Journal and from 1997 to 1998 he was President of the Drug Information Association. He is currently Editor-in-Chief of *Expert Review of Clinical Pharmacology*, and he serves on the editorial boards of a number of peer-review journals. Dr. Kaitin serves as an expert consultant to the U.S. Department of Defense on Bioterror Countermeasure issues. Dr. Kaitin also serves as a director of Bio-Tree Systems, Inc., a privately-held informatics company, Centerphase Solutions, Inc., a privately-held information technology company, and New England Healthcare Institute, a non-profit organization. Previously, Dr. Kaitin served as a director of Phase Forward Inc. and Erevnos Corporation. Dr. Kaitin received an M.S. and Ph.D. in pharmacology from the University of Rochester and a B.S. from Cornell University. We believe that Dr. Kaitin's qualifications to serve on our board include his expertise in the economics of drug development and biopharmaceutical innovation and his extensive knowledge on a broad range of drug development and life-sciences industry issues.

**Robert E. Martell, M.D., Ph.D.** has served on our board since September 2011. Dr. Martell is a practicing medical oncologist at Tufts Medical Center and has served as Chief Medical Officer at Tesaro, Inc. since September 2012. Dr. Martell is also an Adjunct Associate Professor of Medicine at the Tufts University School of Medicine, a position he has held since September 2012. From September 2009 to September 2012, Dr. Martell was employed at Tufts Medical Center, serving as both the Director of the Neely Center for Clinical Cancer Research, overseeing oncology clinical research, and the Leader of the Cancer Center's Program in Experimental Therapeutics, where he was responsible for developing the center's phase I oncology clinical development program. From September 2009 to September of 2012, Dr. Martell was also an Associate Professor of Medicine at the Tufts University School of Medicine. From 2005 to 2009, Dr. Martell served as Vice President and Chief Medical Officer of MethylGene, a publicly-traded biotechnology company focused on the development of cancer therapeutics. From 2002 to May 2005, Dr. Martell also served as Director of Oncology Global Clinical Research at Bristol-Myers Squibb Company. From 2001 to 2005, Dr. Martell served concurrently as Assistant Clinical Professor of Oncology at Yale University School of Medicine and Staff Physician at the Veterans Affairs



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hospital. From 2000 to 2002, Dr. Martell worked at Bayer Pharmaceutical Division, where he oversaw phase I and phase II clinical studies. Dr. Martell received a B.A. in chemistry from Kalamazoo College, a Ph.D. in pharmacology from the University of Michigan, and an M.D. from Wayne State University. He completed his internal medicine internship and residency and medical oncology fellowship at Duke University Medical Center. We believe that Dr. Martell's qualifications to serve on our board include his expertise in oncology patient care as well as his industry experience in large pharmaceutical and smaller biotechnology companies and that his insights and perspectives are valuable to a small biotechnology company such as Curis.

**James R. McNab, Jr.** has served on our board since February 2000 and has served as Chairman of our board since May 2002. Since 1998, Mr. McNab has served as Chief Executive Officer and Chairman of Palmetto Pharmaceuticals, Inc., formerly eNOS Pharmaceuticals, Inc., a privately-held drug discovery company of which he is a co-founder. Since January 2009, Mr. McNab has served as executive chairman of FirstString Research, Inc., a privately-held biopharmaceutical company. Since September 2009, Mr. McNab has served as Chief Executive Officer of Halimed Pharmaceuticals, Inc., a privately-held drug discovery company and has served as a member of its board of directors since 2010. Mr. McNab was a co-founder and served as the chairman of the board of directors of Reprogenesis, Inc., a predecessor life science company, from July 1996 to July 2000. In addition, Mr. McNab is a co-founder of other privately-held companies, including Sontra Medical Corporation, a drug delivery company, and Parker Medical Associates, a manufacturer and worldwide supplier of orthopedic and sports-related products. Mr. McNab received a B.A. in economics from Davidson College and an M.B.A. from the University of North Carolina at Chapel Hill. We believe that Mr. McNab's qualifications to serve on our board include his decades of experience as chairman, founder and/or Chief Executive Officer of various pharmaceutical, medical device and biotechnology companies, including his experience as co-founder of one of our predecessor companies. Mr. McNab has also founded and managed companies in other industries and we believe that his broad range of entrepreneurial creation and oversight is valuable to a small biotechnology company such as Curis.

**Daniel R. Passeri** has served as our Chief Executive Officer since September 2001, served as our President from September 2001 to February 2013, and served as a director since September 2001. From November 2000 to September 2001, Mr. Passeri served as our Senior Vice President, Corporate Development and Strategic Planning. From March 1997 to November 2000, Mr. Passeri was employed by GeneLogic Inc., a biotechnology company, most recently as Senior Vice President, Corporate Development and Strategic Planning. From February 1995 to March 1997, Mr. Passeri was employed by Boehringer Mannheim, a pharmaceutical, biotechnology and diagnostic company, as Director of Technology Management. Mr. Passeri received a J.D. from the National Law Center at George Washington University, an M.Sc. in biotechnology from the Imperial College of Science, Technology and Medicine at the University of London and a B.S. in biology from Northeastern University. We believe that Mr. Passeri's qualifications to serve on our board include his deep knowledge of the company, having served in a variety of management positions since 2000 and as a member of our board since 2001, as well as his extensive experience in corporate strategy and development, intellectual property strategy and oversight, and technology licensing, as each of these elements are critical to our overall business strategy.

**Kenneth J. Pienta, M.D.** has served on our board since March 2013. Dr. Pienta has served as the Donald S. Coffey Professor of Urology, Professor of Oncology, Pharmacology and Molecular Sciences and as the Director of Research for the Brady Urological Institute at the Johns Hopkins University School of Medicine since March 2013. Prior to his appointment at the Johns Hopkins University School of Medicine, Dr. Pienta served as the Associate Vice President for Research, Health Sciences for the University of Michigan from January 2012 to

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February 2013, and as the Director of Precision Medicine for the Michigan Center for Translational Pathology from July 2008 to February 2013. From July 1995 to February 2013, Dr. Pienta served as the Director of the Prostate Specialized Program of Research Excellence (SPORE) at the University of Michigan. Dr. Pienta is involved in research to define the tumor microenvironment of cancer metastases, as well as developing new therapies for cancer. Dr. Pienta is a two-time American Cancer Society Clinical Research Professor Award recipient, is the author of more than 350 peer-reviewed articles and has been the principal investigator on numerous local and national clinical trials. Dr. Pienta received a B.A. in human biology from Johns Hopkins University and an M.D. from the Johns Hopkins University School of Medicine. We believe that Dr. Pienta's qualifications to serve on our board include his expertise in oncology patient care as well as his unique understanding of precision therapeutic approaches to cancer treatment and that his insights and perspectives are valuable to a small biotechnology company such as Curis.

**Marc Rubin, M.D.** has served on our board since June 2010. Since May 2009, Dr. Rubin has served as Executive Chairman of Titan Pharmaceuticals, Inc., a biopharmaceutical company, and he served as its President and Chief Executive Officer from October 2007 to December 2008. From June 2006 to February 2007, Dr. Rubin served as Head of Global Research and Development for Bayer Schering Pharma AG, a pharmaceutical company, as well as a member of the Executive Committee of Bayer Healthcare, a pharmaceutical and medical products company and subsidiary of Bayer AG, and the Board of Management of Bayer Schering Pharma AG. From October 2003 until the merger of Bayer AG and Schering AG in June 2006, Dr. Rubin was a member of the Executive Board of Schering AG, as well as Chairman of Schering Berlin Inc. and President of Berlex Pharmaceuticals, a division of Schering AG. From 1990 to August 2003, Dr. Rubin held various positions in global clinical and commercial development at GlaxoSmithKline plc, as well as the position of Senior Vice President of Global Clinical Pharmacology & Discovery Medicine from 2001 to 2003. Prior to his pharmaceutical industry career, Dr. Rubin completed subspecialty training and board certification in both medical oncology and infectious diseases at the National Cancer Institute within the National Institutes of Health from 1983 to 1986. From 1986 to 1989, Dr. Rubin also served as an Investigator and on the Senior Staff of the infectious diseases section at the National Cancer Institute. Dr. Rubin also serves as a director of FirstString Research, Inc., Galectin Therapeutics, Gemmus Pharma and the Rogosin Institute. Previously, Dr. Rubin served as a director of Medarex, Inc. and Surface Logix, Inc. Dr. Rubin holds an M.D. from Cornell University Medical College. We believe that Dr. Rubin's qualifications to serve on our board include his extensive experience in clinical development as well as his medical, commercial and scientific expertise having held executive-level clinical development positions with Bayer Schering Pharma AG, Schering AG and GlaxoSmithKline plc.

**James R. Tobin** has served on our board since February 2000. From 1995 to July 2000, Mr. Tobin was a member of the board of directors of Creative BioMolecules, Inc., a predecessor life science company. Mr. Tobin is retired. From March 1999 to July 2009, Mr. Tobin served as Chief Executive Officer and President of Boston Scientific Corporation, a medical device company. Mr. Tobin was employed by Biogen, Inc. (now Biogen Idec), as President and Chief Executive Officer from February 1997 to December 1998 and President and Chief Operating Officer from February 1994 to February 1997. Prior to joining Biogen, Mr. Tobin was employed by Baxter International Inc., a health care products company, where he served as President and Chief Operating Officer from 1992 to 1994, as Executive Vice President from 1988 to 1992 and in various management positions prior to 1988. Mr. Tobin also serves as a director of Aptus Endosystems, Medical Simulations, Inc. and TransMedics. Previously, Mr. Tobin served as a director of Boston Scientific Corporation and Applera Corporation. Mr. Tobin received an M.B.A. from Harvard Business School and a B.A. from Harvard College. We believe that Mr. Tobin's qualifications to serve on our board include his decades of experience as President and Chief Executive Officer or Chief Operating Officer of three large biotechnology and medical

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device companies. In addition, his qualifications include his past experience as a director of Boston Scientific Corporation and one of our predecessor companies, as well as his experience in corporate strategy and organizational expertise.

### **Board Recommendation**

**OUR BOARD OF DIRECTORS BELIEVES THAT THE ELECTION OF MARTYN D. GREENACRE AND KENNETH I. KAITIN TO SERVE AS CLASS III DIRECTORS IS IN THE BEST INTERESTS OF CURIS AND OUR STOCKHOLDERS AND, THEREFORE, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE NOMINEES.**

## **CORPORATE GOVERNANCE**

Our board of directors believes that good corporate governance is important to ensure that Curis is managed for the long term benefit of stockholders. This section describes key corporate governance guidelines and practices that our board of directors has adopted. Complete copies of our corporate governance guidelines, committee charters and code of conduct are available on the Investors Corporate Governance section of our website, [www.curis.com](http://www.curis.com). Alternatively, you can request a copy of any of these documents by writing to our secretary at the following address: Curis, Inc., 4 Maguire Road, Lexington, MA 02421.

### **Corporate Governance Guidelines**

Our board of directors has adopted corporate governance guidelines to assist in the exercise of its duties and responsibilities and to serve the best interests of Curis and our stockholders. These guidelines, which provide a framework for the conduct of the board of directors' business, provide that:

the board of directors' principal responsibility is to oversee the management of Curis;

a majority of the members of the board of directors shall be independent directors;

the independent directors shall meet regularly in executive session;

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

all directors are encouraged to participate in continuing director education on an ongoing basis; and

periodically, the board of directors and its committees will conduct a self-evaluation to determine whether they are functioning effectively.

### **Determination of Independence**

Under applicable Nasdaq Stock Market rules, a director will only qualify as an independent director if, in the opinion of our board, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities as a director.

Our board has determined that none of Mr. Greenacre, Dr. Kaitin, Dr. Martell, Mr. McNab, Dr. Rubin or Mr. Tobin 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 an independent director as defined under Rule 5605(a)(2) of the Nasdaq Stock Market Rules.



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### **Board Meetings and Attendance**

Our corporate governance guidelines provide that directors are expected to attend the annual meeting of stockholders. All directors attended the 2013 annual meeting of stockholders. The board met eleven times during the fiscal year ended December 31, 2013, either in person or by teleconference. During the fiscal year ended December 31, 2013, all of our directors attended at least 75% of our board meetings and meetings of the committees on which he then served.

### **Board Leadership Structure**

Our board has chosen to separate the role of our chief executive officer and the role of chairman of our board. We believe that this separation is appropriate since our chief executive officer is responsible for the strategic direction of our company, while the chairman of our board is responsible for overseeing the function of the board and for providing guidance to our chief executive officer as needed.

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

Our board of directors oversees our risk management processes directly and through its committees. Our management is responsible for risk management on a day-to-day basis. Our board of directors and its committees oversee the risk management activities of management. They fulfill this duty by discussing with management the policies and practices utilized by management in assessing and managing risks and providing input on those policies and practices. In general, our (i) board of directors oversees risk management activities relating to business strategy, acquisitions, capital allocation, organizational structure and certain operational risks, (ii) audit committee oversees risk management activities related to financial controls, (iii) compensation committee oversees risk management activities relating to our compensation policies, programs and practices and management succession planning, and (iv) nominating and corporate governance committee oversees risk management activities relating to board of directors composition and corporate governance policies and procedures. Each committee reports to our full board of directors on a regular basis, including reports with respect to the committee's risk oversight activities as appropriate.

### **Board Committees**

Our board 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. Our board of directors has also established a science and technology committee. Current copies of each standing committee's charter as well as the charter for our science and technology committee are posted on the Investors Corporate Governance section of our website, [www.curis.com](http://www.curis.com).

Our board has determined that all of the members of each of the board of directors' three standing committees are independent as defined under the rules of the Nasdaq Stock Market, including, (i) in the case of all members of the audit committee, the independence requirements contemplated by Rule 10A-3 under the Exchange Act and (ii) in the case of all members of the compensation committee, the new enhanced independence requirements adopted by the Nasdaq Stock Market in 2013.

#### *Audit Committee*

The audit committee's responsibilities include:

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

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pre-approving all audit and non-audit services of our independent registered public accounting firm, except for de minimis non-audit services which are approved in accordance with applicable SEC rules, including meeting with our independent registered public accounting firm prior to the annual audit to discuss the planning and staffing of the audit;

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

reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures, earnings releases and other publicly disseminated financial information;

reviewing and discussing with our independent registered public accounting firm matters concerning the quality, not just the acceptability, of our accounting determinations, particularly with respect to judgmental areas;

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

discussing our risk management policies;

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

meeting independently with our independent registered public accounting firm and management on a quarterly basis;

reviewing and approving or ratifying any related person transactions;

establishing, and periodically reviewing, complaint procedures for (i) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters; and

preparing the audit committee report required by SEC rules, which is included on page 19 of this proxy statement.

The members of the audit committee are Mr. Greenacre (Chair), Mr. McNab and Dr. Rubin. The audit committee met nine times during the fiscal year ended December 31, 2013. The board of directors has determined that Mr. Greenacre is an audit committee financial expert as defined by applicable SEC rules.

*Compensation Committee*

The compensation committee's responsibilities include:

determining the chief executive officer's compensation;

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reviewing and approving the compensation of our other executive officers;

overseeing an evaluation of our senior executives;

overseeing and administering our cash and equity incentive plans;

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

reviewing and discussing annually with management our Compensation Discussion and Analysis, which is included beginning on page 21 of this proxy statement;

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preparing the compensation committee report required by SEC rules, which is included on page 46 of this proxy statement; and

reviewing and making recommendations to the board with respect to management succession planning.

The processes and procedures followed by our compensation committee in considering and determining executive and director compensation are described below under the heading *Executive and Director Compensation Processes*.

The members of the compensation committee are Dr. Kaitin, Dr. Martell and Mr. Tobin (Chair). The compensation committee met eight times during the fiscal year ended December 31, 2013.

### *Nominating and Corporate Governance Committee*

The nominating and corporate governance committee's responsibilities include:

identifying individuals qualified to become board members;

recommending to the board the persons to be nominated for election as directors and to each of the board's committees;

overseeing an annual evaluation of the board; and

periodically reviewing the composition of each board committee and the establishment or dissolution of additional board committees.

The processes and procedures followed by the nominating and corporate governance committee in identifying and evaluating director candidates are described below under the heading *Director Nomination Process*.

The members of the nominating and corporate governance committee are Dr. Kaitin (Chair), Mr. Greenacre and Dr. Rubin. The nominating and corporate governance committee met four times during the fiscal year ended December 31, 2013.

### *Science and Technology Committee*

The science and technology committee's responsibilities include:

reviewing, evaluating, and advising the board and management regarding the long-term strategic goals and objectives and the quality and direction of the company's research and development programs;

monitoring and evaluating trends in research and development, and recommending to the board and management emerging technologies for building the company's technological strength;

recommending approaches to acquiring and maintaining technology positions;

advising the board and management on the scientific aspects of business development;



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regularly reviewing the company's research and development pipeline;

assisting the Board with its oversight responsibility for enterprise risk management in areas affecting the company's research and development; and

reviewing such other topics as delegated to the committee from time to time.

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The members of the science and technology committee are Dr. Pienta (Chair), Dr. Rubin and Dr. Martell. The science and technology committee met three times during the fiscal year ended December 31, 2013.

### **Executive and Director Compensation Processes**

The compensation committee oversees our compensation programs. In this capacity, the compensation committee determines and approves all compensation decisions related to our executive officers. In addition, the compensation committee periodically reviews and makes recommendations to the board with respect to director compensation. With respect to the grant of equity compensation awards and the grant of cash awards, if any, structured under our amended and restated 2010 stock incentive plan as performance-based compensation that is exempt from Section 162(m) of the Internal Revenue Code of 1986, as amended, the compensation committee may form, and delegate authority to, one or more subcommittees as it deems appropriate from time to time under the circumstances (including a subcommittee consisting of at least two members, each of whom qualifies as a non-employee director, as such term is defined from time to time in Rule 16b-3 promulgated under the Exchange Act, and an outside director, as such term is defined from time to time in Section 162(m) of the Internal Revenue Code of 1986, as amended). The compensation committee did not form or delegate authority to any subcommittees during the fiscal year ending December 31, 2013.

The compensation committee has the authority to retain and terminate any compensation consultant to be used to assist in the evaluation of executive officer compensation and has the sole authority to approve the consultant's fees and other retention terms. The compensation committee also has authority to commission compensation surveys or studies as the need arises. Periodically, the compensation committee retains an independent third party compensation consultant to review director and officer compensation. The compensation committee engaged Towers Watson, a compensation consultant, in September 2012 to review director and officer compensation and to evaluate director and officer stock ownership and review industry practice relating to stock ownership guidelines. The compensation committee also retained Towers Watson in February 2013 to provide advice related to our amended and restated 2010 stock incentive plan and in January 2014 to provide advice related to executive compensation. The compensation committee has determined that there are no conflicts of interest or other applicable factors affecting independence with its retention of Towers Watson, as required by NASDAQ rules.

Compensation committee meetings typically have included, for all or a portion of each meeting, our chief financial officer and, for meetings in which executive officer compensation decisions are made, the chairman of our board, our chief executive officer, and our president and chief operating officer. The compensation committee typically seeks the chairman's input in compensation matters involving our chief executive officer. The chief executive officer provides input on all other executive officer compensation matters including the appropriate mix of compensation for such other officers. Executive officers do not attend the portion of any meeting during which any decisions regarding their respective compensation are made.

### **Risks Arising from Compensation Policies and Practices**

Employee compensation generally consists of salary, stock option awards and, depending on overall company performance and the successful achievement of objectives set forth in an annual short-term incentive program, cash bonus payments. We have reviewed our compensation policies and practices for all employees and have concluded that any risks arising from our policies and programs are not reasonably likely to have a material adverse effect on our company.

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### **Director Nomination Process**

The process followed by the nominating and corporate governance committee to identify and evaluate director candidates includes requests to board members 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 nominating and corporate governance committee and the board.

In considering whether to recommend any particular candidate for inclusion in the board's slate of recommended director nominees, the nominating and corporate governance committee will apply the criteria set forth in its charter. These criteria include the candidate's integrity, business acumen, knowledge of our business and industry, experience, diligence, freedom from conflicts of interest and the ability to act in the interests of all stockholders. Our nominating and corporate governance charter provides that the value of diversity on our board should be considered by the nominating and corporate governance committee. The committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the board to fulfill its responsibilities. We do not discriminate against candidates based on their race, religion, national origin, sex, sexual orientation, disability or any other basis proscribed by law.

We have adopted a policy under which stockholders may recommend individuals to the nominating and corporate governance committee for consideration as potential director candidates by submitting candidate 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 Secretary, Curis, Inc., 4 Maguire Road, Lexington, MA 02421. Assuming that appropriate biographical and background material has been provided on a timely basis, the committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others. If the board determines to nominate a stockholder-recommended candidate and recommends his or her election, then his or her name will be included in our proxy card for the next annual meeting.

Stockholders also have the right under our bylaws to directly nominate director candidates, without any action or recommendation on the part of the committee or the board of directors, by following the procedures set forth under Stockholder Proposals for 2015 Annual Meeting.

### **Communicating with the Independent Directors**

The board will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. The chairman of the board of directors is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he or she considers appropriate.

Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the chairman of the board 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 receive repetitive or duplicative communications.

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Stockholders who wish to send communications on any topic to the board should address such communications to the Chairman of the Board of Directors, c/o Secretary, Curis, Inc., 4 Maguire Road, Lexington, MA 02421, or via email at info@curis.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 and principal accounting officer. We have posted a current copy of the code on the Investors Corporate Governance section of our website, *www.curis.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, any provision of the code. We have not had any waivers of any provision of this code as of the date of this proxy statement.

### **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 Curis is 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 chief financial officer and/or general counsel. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by the board's 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 audit committee will review, and, in its discretion, may ratify the related person transaction at the next meeting of the committee. The policy also permits the chairman of the audit committee to review and, if deemed appropriate, approve proposed related person transactions that arise between committee meetings, subject to ratification by the audit committee at its next meeting. Any related person transactions that are ongoing in nature will be reviewed periodically. The audit committee will review and consider such information regarding the related person transaction as it deems appropriate under the circumstances.

The audit committee may approve or ratify the transaction only if the committee determines that, under all of the circumstances, the transaction is not inconsistent with Curis' best interests. The audit 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, the board 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, and (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

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

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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.

### **Audit Committee Report**

The responsibilities of the audit committee are set forth in the charter of the audit committee. The audit committee has reviewed our audited financial statements for the fiscal year ended December 31, 2013, and has discussed these financial statements with our management and our independent registered public accounting firm.

Our management is responsible for the preparation of our financial statements and for maintaining an adequate system of disclosure controls and procedures and internal control over financial reporting for that purpose. Our independent registered public accounting firm is responsible for conducting an independent integrated audit of our annual financial statements and our internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board and issuing a report on the results of their integrated audit. The audit committee is responsible for providing independent, objective oversight of these processes.

The audit committee has also received from, and discussed with, 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 Public Company Accounting Oversight Board ( PCAOB ) Auditing Standard No. 16. PCAOB Auditing Standard No. 16 requires our independent registered public accounting firm to discuss with the audit committee, among other things, the following:

methods to account for significant unusual transactions;

the effect of significant accounting policies, including policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;

the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditors' conclusions regarding the reasonableness of those estimates; and

disagreements with management over the application of accounting principles, the basis for management's accounting estimates and the disclosures in the financial statements.

The audit committee has received the written disclosures and the letter from our independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding our independent registered public accounting firm's communications with the audit committee concerning independence, and has discussed with the independent registered public accounting firm their independence from Curis. The audit committee has also received written disclosures required by PCAOB Rule 3526 - Communication with Audit Committees Concerning Independence.

Based on the review and discussions referred to above, 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, 2013.

Submitted by the audit committee of our board of directors.

Martyn D. Greenacre (Chair)

Marc Rubin

James R. McNab, Jr.



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

<b>Fee Category</b>	<b>2013</b>	<b>2012</b>
Audit Fees (1)	\$ 509,000	\$ 425,000
All Other Fees (2)	1,800	1,800
<b>Total Fees</b>	<b>\$ 510,800</b>	<b>\$ 426,800</b>

- (1) Audit fees consist of fees for the audit of our financial statements, the audit of our internal control over financial reporting, the review of the interim financial statements included in our quarterly reports on Form 10-Q, and other professional services provided in connection with statutory and regulatory filings or engagements. Audit fees also include fees of \$104,000 and \$32,000 for 2013 and 2012, respectively associated with comfort letters for our at-the-market sales agreements entered into in July 2013 and July 2011. 100% of the audit fees for 2013 and 2012 were pre-approved by the audit committee. These amounts exclude reimbursement of out-of-pocket expenses of \$3,000 and \$3,195 for 2013 and 2012, respectively.
- (2) Other fees consist of an annual license fee for use of accounting research software. None of the other fees incurred during 2013 and 2012 were for services provided under the de minimis exception to the audit committee pre-approval requirements. 100% of these fees for 2013 and 2012 were pre-approved by the audit committee.

*Pre-Approval Policy and Procedures*

Our 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 audit committee specifically approves the service in advance or the engagement is entered into pursuant to one of the pre-approval procedures described below.

From time to time, our 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 also delegated to the chairman of the audit committee the authority to approve any audit or non-audit services to be provided to us by our independent registered public accounting firm. Any approval of services by a member of the audit committee pursuant to this delegated authority is reported on at the next meeting of the audit committee.

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**EXECUTIVE AND DIRECTOR COMPENSATION AND RELATED MATTERS**

**Compensation Discussion and Analysis**

This Compensation Discussion and Analysis describes our compensation strategy, policies, programs and practices for our named executive officers identified in the Summary Compensation Table. For fiscal year 2013, our named executive officers consist of Daniel R. Passeri, our chief executive officer, Ali Fattaey, Ph.D., our president and chief operating officer, Michael P. Gray, our chief financial officer and chief business officer, Jaye Viner, M.D., our executive vice president and chief medical officer, Mark W. Noel, our vice president, technology management and intellectual property, and Maurizio Voi, M.D., our former executive vice president, chief medical and chief development officer, whom we refer to collectively in this Compensation Discussion and Analysis as our executive officers.

Dr. Voi ceased to be an employee in August 2013. Mr. Noel ceased to serve as an executive officer in August 2013, although he continues to serve as our vice president, technology management and intellectual property. Information concerning compensation paid to Dr. Voi and Mr. Noel is included herein, as applicable, in accordance with the requirements of the SEC's proxy disclosure rules.

Compensation decisions for our executive officers are made by the compensation committee of our board of directors.

At our June 2011 annual meeting, we held a say-on-pay advisory stockholder vote on the compensation of our named executive officers. Our proposal regarding the say-on-pay vote was supported by our stockholders at this meeting. For compensation decisions made by our compensation committee in fiscal years 2011 through 2013 and to-date in 2014, no specific component of our executive compensation program was altered based on the results of the say-on-pay vote. At the June 2011 annual meeting, stockholders also voted to hold a say-on-pay advisory stockholder vote every three years, and as a result, our second say-on-pay advisory stockholder vote on the compensation of our named executive officers will be held at our 2014 annual meeting, as more fully described in Proposal 2 below. Our compensation committee and our board of directors believe that our executive compensation has been appropriately tailored to our business strategies, aligns pay with performance, and reflects best practices regarding executive compensation. The committee will continue to consider stockholder sentiments about our core principles and objectives when determining executive compensation.

**Executive Summary**

The compensation paid to our named executive officers in 2013 reflected our primary compensation objectives of attracting and retaining key executive officers critical to our long-term success, recognizing and rewarding overall company performance and each executive officer's individual performance and level of responsibility, as well as continuing to align our executive officers' incentives with stockholders' interests.

*2013 Corporate Results*

We and our collaborators achieved a number of key corporate goals and objectives in 2013 including the following:

Our collaborator Genentech, a wholly-owned member of the Roche Group, received multiple regulatory approvals for Erivedge®, a hedgehog pathway inhibitor, including approval for marketing registration by Australia's Therapeutic Goods Administration and conditional approval from the



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European Commission for the treatment of adults with severe forms basal cell carcinoma. We received an aggregate of \$10 million in milestone payments and recorded \$3.9 million in royalty revenues from Genentech and Roche's 2013 net sales of Erivedge under this collaboration.

We began a phase I clinical study of CUDC-907, our dual HDAC and PI3K inhibitor, and presented interim data from this study at the Annual Meeting of the American Society of Hematology. Our progress in the development of CUDC-907 resulted in \$650,000 in milestone payments under our agreement with The Leukemia & Lymphoma Society.

We initiated a phase I study of CUDC-427 in patients with relapsed/refractory solid tumors or lymphoma. In November 2013, the FDA placed this phase I study on partial clinical hold following the report of death of a patient who progressed to liver failure approximately one month following the discontinuation of CUDC-427 dosing. In February 2014, we responded to the FDA's request for additional data and analysis and also submitted an amendment to the current study protocol. In March, the FDA lifted the partial clinical hold and we expect to re-initiate enrollment in the single agent clinical trial shortly.

Our licensee Debiopharm completed a phase Ib expansion study of Hsp90 inhibitor Debio 0932, continued to enroll patients in the phase I portion of an ongoing phase I/II study of Debio 0932 in combination with various chemotherapies in patients with advanced stages of non-small cell lung cancer, and initiated a phase I clinical study of Debio 0932 in patients with advanced kidney cancer.

We enhanced our management and development team through several key hires in 2013, including Ali Fattaey, Ph.D., as our president and chief operating officer, Jaye Viner, M.D., as our executive vice president and chief medical officer, Mani Mohindru, Ph.D., as our vice president of corporate strategy and investor relations, and Tania Chander, Pharm.D., as our vice president of product development. We also appointed Kenneth Pienta, M.D., to our board of directors.

We raised gross proceeds of approximately \$16.9 million from the sale of our common stock pursuant to an at-the-market sales agreement and controlled our costs and expenses, enabling us to meet our corporate objectives within the parameters of our 2013 operating budget. We expect that our capital resources as of December 31, 2013, are adequate to fund our planned operations into the first half of 2016.

*Pay-for-Performance*

In 2013 and to-date in 2014, the compensation committee adhered to its long-standing pay-for-performance philosophy. As such, a significant portion of total 2013 executive compensation was comprised of cash incentives and long-term compensation tied to corporate performance. The average base salary of our executive officers comprised 33% of such executive officer's total compensation for 2013.

Key compensation decisions for 2013 and to-date in 2014 were as follows:

In January 2013, the compensation committee increased base salary amounts for our executive officers as follows: (i) Mr. Passeri, from \$450,000 to \$465,000; (ii) Mr. Gray, from \$350,000 to \$360,000; (iii) Mr. Noel, from \$225,000 to \$230,000 and (iv) Dr. Voi, from \$400,000 to \$410,000. In February 2013, the compensation committee set Dr. Fattaey's initial base salary at \$425,000 and in August 2013 the compensation committee set Dr. Viner's initial base salary at \$375,000. In February 2014, the compensation committee determined the following base salaries for our executive officers for fiscal 2014: (i) Mr. Passeri, unchanged at \$465,000; (ii) Mr. Gray, from \$360,000 to \$400,000; (iii) Dr. Fattaey, from \$425,000 to \$450,000 and (iv) Dr. Viner, from \$375,000 to \$410,000.

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In January 2013, the compensation committee approved the 2013 short-term incentive plan. This plan was designed to motivate our executive officers to achieve specified performance objectives for fiscal year 2013 and to reward them for their achievement assuming those objectives were met. In February 2014, the compensation committee determined that it would award cash incentive payments to executive officers at 62.5% of target levels included within the 2013 short-term incentive plan based upon the company's performance during 2013, resulting in cash incentive awards to Messrs. Passeri and Gray and Drs. Fattaey and Viner of an aggregate of \$333,000. In March 2014, the compensation committee approved the 2014 short-term incentive plan.

In January 2013 and February 2014, the compensation committee granted stock options to our executive officers. The purpose of these stock option grants was to create an incentive for our executive officers to increase stockholder value over time through stock price growth, thereby aligning our executives' interests with those of our stockholders.

In February 2013, the compensation committee approved an employment agreement for Dr. Fattaey, providing for a base salary of \$425,000 per annum, an annual bonus of up to 40% of his base salary based on the attainment of specified performance targets established by the compensation committee, and a one-time grant of an option to purchase 400,000 shares of the Company's common stock at an exercise price of \$3.02 per share, which was the closing price of Company's common stock as reported by the Nasdaq Stock Market on the date of grant.

In August 2013, the compensation committee approved an employment agreement for Dr. Viner, providing for a base salary of \$375,000 per annum, an annual bonus of up to 35% of her base salary based on the attainment of specified performance targets established by the compensation committee, and a one-time grant of an option to purchase 375,000 shares of the Company's common stock at an exercise price of \$4.11 per share, which was the closing price of Company's common stock as reported by the Nasdaq Stock Market on the date of grant.

In 2013, our compensation committee also considered whether or not to implement stock ownership guidelines for our executive officers and directors. The compensation committee previously engaged Towers Watson in September 2012 to review the then-current stock ownership of our executive officers and directors as well as to review stock ownership practices of our peer group companies. Towers Watson analyzed the 2011 proxy filings of twenty peer group companies (for more information on these peer group companies, see below under "Our Compensation Program") to determine both the prevalence and design of executive stock ownership requirements. Of these twenty organizations, only two (or 10%) had adopted stock ownership guidelines. Towers Watson also noted that all of our executive officers except for Dr. Voi, who has since left Curis, would have fulfilled competitive market levels of ownership when both common shares owned outright and vested in-the-money stock options were counted towards the guidelines. Based on Towers Watson's findings, the compensation committee determined that it would not presently recommend the implementation of stock ownership guidelines.

**Our Compensation Program**

The primary objectives of the compensation committee with respect to executive officer compensation are to:

attract and retain key executive officers critical to our long-term success;

recognize and reward overall company performance and each executive officer's individual performance and level of responsibility; and

align our executive officers' incentive compensation with stockholder interests.

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To achieve these objectives, the compensation committee has previously set base salary and total cash compensation at approximately the 50<sup>th</sup> percentile and long-term incentive compensation at approximately the 75<sup>th</sup> percentile of peer group company benchmarking data.

In September 2012, our compensation committee retained Towers Watson to serve as an independent outside consultant reporting directly to the compensation committee with respect to executive officer and director compensation and stock ownership guidelines. Towers Watson was engaged to, among other things, conduct a benchmarking assessment of our executive officer compensation. The results of this benchmarking assessment were presented to our compensation committee and were utilized by our compensation committee in setting 2013 compensation for our executive officers. The benchmarking was based upon:

comparative compensation data for 20 companies in our industry that were recommended by Towers Watson and adopted by the compensation committee as appropriate peer companies based upon each company's financial profile, market capitalization, state of development and oncology focus; and

a review of executive officer compensation data for companies in the 2012 Radford Global Life Sciences Compensation Survey with fewer than 50 employees.

The peer group companies were as follows:

Agenus Inc.	ImmunoGen, Inc.
Arqule, Inc.	Immunomedics Inc.
Astex Pharmaceuticals, Inc.	Infinity Pharmaceuticals, Inc.
AVEO Pharmaceuticals, Inc.	Keryx Biopharmaceuticals Inc.
BioCryst Pharmaceuticals, Inc.	Merrimack Pharmaceuticals, Inc.
CellDex Therapeutics, Inc.	Sunesis Pharmaceuticals, Inc.
Endocyte, Inc.	Synta Pharmaceuticals Corp.
Enzon Pharmaceuticals Inc.	Threshold Pharmaceuticals, Inc.
Geron Corporation	Verastem, Inc.
GTX Inc.	ZIOPHARM Oncology, Inc.

The elements of compensation included in the benchmarking assessment consisted of base salary, short-term annual incentive compensation opportunities, total cash compensation, the fair value of long-term incentive awards and actual total direct compensation for each of our executive officers as compared to the peer group companies. Towers Watson conducted a competitive analysis of compensation at the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentiles of the benchmarking data. The benchmarking assessment showed that our executive officers' 2013 base salary and 2013 total cash compensation levels generally approximated the 50<sup>th</sup> percentile when compared to the peer group companies. Our executive officer base salaries and total cash compensation approximated the 75<sup>th</sup> percentile when compared to data within the 2012 Radford Global Life Sciences Compensation Survey with fewer than 50 employees. Long-term incentive compensation approximated between the 50<sup>th</sup> and 75<sup>th</sup> percentile when benchmarked against both the peer group companies and the Radford data. While the compensation committee considers both sources of data, it believes that the selected peer group data provides for the most accurate comparator since all companies in the peer group listing are publicly-held corporations with a median market capitalization at the time of analysis that approximated our market capitalization and each of these comparative companies is also focused in the development of oncology therapeutics.

In determining executive officer compensation, the compensation committee also considers the overall performance and financial condition of the company and each individual executive officer's performance in

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contributing to company performance. The compensation committee also considers the total number of shares available for future grant under our amended and restated 2010 stock incentive plan when determining the size of stock awards to our executive officers. Our corporate goals and objectives are established through a process that involves input by our board and executive officers, including our chief executive officer. Management reports on progress towards the achievement of these goals during our periodic board of directors meetings. The compensation committee believes that aligning executive compensation with the successful achievement of these goals has the potential to create long-term value for our stockholders.

Our chief executive officer evaluates the performance of each of the other executive officers at least once annually against established company goals and objectives for such executive officer and also takes into consideration each executive officer's contribution to the achievement of company goals and objectives. These annual assessments are provided either orally or through a written periodic review. The chief executive officer provides recommendations to the compensation committee for all elements of compensation of our other executive officers based upon these evaluations, and the compensation committee considers our chief executive officer's assessments when determining compensation for our executive officers other than our chief executive officer. The compensation committee evaluates the performance of the chief executive officer based upon its assessment of the chief executive officer's performance, and this assessment is updated at periodic meetings as well as through recommendations from the chairman of our board of directors. Our chief executive officer does not participate in the determination of his own compensation.

In addition to its September 2012 review of executive officer and the director stock ownership guidelines engagement, Towers Watson was retained by the compensation committee in February 2013 to provide advice on the design of our amended and restated 2010 stock incentive plan and in January 2014 to provide advice related to the structure and valuation of stock awards granted to our executive officers in 2014.

For a further discussion of the processes and procedures used by our compensation committee in considering and determining executive and director compensation, see "Executive and Director Compensation Processes" beginning on page 16 of this proxy statement.

### **Elements of Compensation and Analysis of Compensation Payments**

The elements of executive officer compensation generally consist of the following:

base salary;

short-term cash incentives;

stock option and restricted stock awards;

insurance, retirement and other employee benefits; and

change in control and severance benefits.

We do not have any formal 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. The compensation committee, after considering information including company performance, individual executive officer performance, the financial condition of the company, benchmarking data and other market compensation for executive officers at other similarly-sized oncology-focused companies, determines what it believes to be the appropriate level and mix of the various compensation components.

**Table of Contents***Base Salary*

Base salary is used to recognize the experience, skills, knowledge and responsibilities required of all our employees, including our executive officers. Base salaries for our executive officers are established based on the scope of their responsibilities, periodically taking into account competitive market compensation paid by other companies for similar positions as well as the financial condition of the company. Base salaries are reviewed annually, and adjusted from time to time to reflect promotions and to realign salaries with market levels after taking into account individual responsibilities, performance and experience as well as the financial health of the company. The compensation committee generally believes that executive officer base salaries should approximate the 50<sup>th</sup> percentile of the range of salaries for executive officers in similar positions with similar responsibilities at comparable companies.

*2013 Base Salaries*

In January 2013, the compensation committee increased base salaries for our executive officers for fiscal year 2013 as follows:

<b>Name</b>	<b>2013 Base Salary (1)</b>	<b>2012 Base Salary</b>
Daniel R. Passeri	\$ 465,000	\$ 450,000
Michael P. Gray	\$ 360,000	\$ 350,000
Mark W. Noel (2)	\$ 230,000	\$ 225,000
Maurizio Voi, M.D. (3)	\$ 410,000	\$ 400,000

- (1) Dr. Fattaey's base salary was set at \$425,000 per annum upon commencement of his employment in February 2013 and Dr. Viner's base salary was set at \$375,000 per annum upon commencement of her employment in August 2013.
- (2) Mr. Noel ceased serving as an executive officer in August 2013, but continues to serve as our vice president, technology management and intellectual property.
- (3) Dr. Voi served as our executive vice president, chief medical and chief development officer until August 2013.

The compensation committee decided to increase the base salaries of all executive officers to what it considered to be a cost-of-living adjustment that ranged between \$10,000 and \$15,000, or 2.2% to 3.3% increase over the respective executive officer's 2012 base salary. The compensation committee also made these increases to the base salaries for the executive officers in recognition of their performance in leading Curis to meet a substantial portion of our key 2012 operating goals, our stable financial condition as of January 2013, and our positive financial outlook for 2013, including potential for marketing approvals of Erivedge® in global territories outside of the U.S. The compensation committee also considered Towers Watson September 2012 benchmarking data in determining the 2013 base salaries, including that of Drs. Fattaey and Viner upon commencement of employment during 2013, and concluded that the 2013 base salaries were within the compensation committee's compensation philosophy targets. In setting the base compensation for Drs. Fattaey and Viner upon their commencement of employment, the compensation committee also considered their past experience and qualifications for their respective positions.

**Table of Contents***2014 Base Salaries*

In February 2014, the compensation committee increased base salaries for our executive officers for fiscal year 2014 as follows:

<b>Name (1)</b>	<b>2014 Base Salary</b>	<b>2013 Base Salary</b>
Daniel R. Passeri	\$ 465,000	\$ 465,000
Ali Fattaey, Ph.D.	\$ 450,000	\$ 425,000
Michael P. Gray	\$ 400,000	\$ 360,000
Jaye Viner, M.D.	\$ 410,000	\$ 375,000

- (1) Information is not furnished for Dr. Voi, who ceased serving as an employee in August 2013, or Mr. Noel, who remains an employee but ceased serving as an executive officer in August 2013.

The compensation committee decided to maintain Mr. Passeri's salary at \$465,000 in part due to Mr. Passeri's recommendation that the compensation committee increase base salaries for other executive officers due to each such executive officers' increasing level of responsibility within the company, including Dr. Fattaey's assumption of the office of President, a role held by Mr. Passeri prior to Dr. Fattaey joining Curis in February 2013. The compensation committee provided base salary increases ranging from \$25,000 to \$40,000, or 5.9% to 11.1%, to Dr. Fattaey, Dr. Viner and Mr. Gray, largely as a result of the compensation committee's determination that the level of responsibilities for these executive officers over the course of 2013 had increased, and is expected to continue to increase in the future. For example, Dr. Fattaey became Curis primary representative at investor conferences. Mr. Gray transitioned into the dual role of chief financial officer and chief business officer, and Dr. Viner oversaw the build-out of our new clinical team to oversee the development of our proprietary programs. The compensation committee considered Towers Watson's September 2012 benchmarking data in determining the 2014 base salaries and concluded that the 2014 base salaries were within the compensation committee's compensation philosophy targets.

*Short-Term Cash Incentive Plans*

Our compensation committee believes that allocating a meaningful amount of our executive officers' total cash compensation to the achievement of objectives under short-term incentive plans aligns our executive officers' interests with those of our stockholders. Accordingly, for both 2013 and 2014 our compensation committee implemented short-term incentive plans, referred to herein as cash incentive programs, that set forth specific objectives that, if achieved, can result in short-term incentive cash compensation for our executive officers.

The cash incentive program is designed to motivate our executive officers to achieve specified performance objectives for the respective fiscal year and to reward them for their achievement assuming those objectives are met. To be eligible, an executive officer must (i) be designated by the compensation committee or independent board members, (ii) be serving as an executive officer at the time the award is paid and (iii) have achieved an overall performance evaluation at a meets expectations or higher level within our evaluation framework.

The compensation committee generally establishes categories of goals that are then further delineated into three levels of potential achievement: Threshold, Target, and Maximum. Cash incentive payments may be paid based upon the degree to which each category of corporate goals has been achieved on this continuum, if at all. For each of the four categories, achievement of performance at the Threshold level results in a weighted

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payment of no less than 50% of the target amount, achievement of performance at the Target level results in a weighted payment equal to 100% of the target amount, and achievement of performance at the Maximum level results in a weighted payment of no more than 150% of the target amount.

The cash incentive program is administered by the compensation committee. The compensation committee has the authority and discretion to modify performance goals under the cash incentive program and has the right to amend, modify or terminate the cash incentive program at any time.

*2013 Short-Term Cash Incentive Plan*

On January 17, 2013, the compensation committee of the board of directors approved a 2013 short-term cash incentive program for executive officers, which was designed to motivate our executive officers to achieve specified performance objectives for fiscal 2013 and to reward them for their achievement assuming those objectives were met.

*Eligibility.* As of the date of the adoption of the plan, the following named executive officers were eligible to participate in the 2013 cash incentive program: Daniel R. Passeri, Maurizio Voi, M.D., Michael P. Gray and Mark Noel. In addition, the compensation committee determined that Ali Fattaey, Ph.D., and Jaye Viner, M.D., were eligible to participate in the 2013 cash incentive plan as of their respective hire dates.

*Distribution.* The awards generally are paid in cash. The compensation committee had sole discretion, however, to pay an award using a combination of cash and equity or all equity. If the compensation committee determined that such payment was to be made in whole or in part in the form of equity, the compensation committee had the sole discretion to determine the nature, amount and other terms of such equity award. Payment of the awards, if any, was to be made after the completion of fiscal year 2013 and no later than March 15, 2014.

*Effect of Change in Control.* In the event a change in control of the Company was consummated on or before December 31, 2013, short-term incentive amounts would have been paid out at 100% of target upon such change in control.

*Awards.* The compensation committee established the following target short-term incentive payment amounts, referred to herein as target amounts, for each executive officer:

Designated Executive Officer (1)	2013 Annual Base Salary	Target Incentive Compensation Payment as a Percentage of 2013 Annual Base Salary, Assuming Performance at the 100% Level	
		(%)	(\$)
Daniel R. Passeri	\$ 465,000	45%	\$ 209,250
Ali Fattaey, Ph.D.	\$ 425,000	40%	\$ 146,700(2)
Michael P. Gray	\$ 360,000	35%	\$ 126,000
Jaye Viner	\$ 375,000	35%	\$ 50,300(2)
<b>Total</b>	<b>\$ 1,055,000</b>		<b>\$ 532,250</b>

- (1) Information is not furnished for Dr. Voi, who ceased serving as an employee in August 2013, or Mr. Noel, who remains an employee but ceased serving as an executive officer in August 2013.
- (2) Dr. Fattaey and Dr. Viner's target incentive compensation payments in the above table were pro-rated based on the number of days actually worked in 2013. Dr. Fattaey's employment began on February 18, 2013. Dr. Viner's employment began on August 13, 2013.

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The compensation committee established four weighted categories of corporate goals for 2013. The four categories of corporate goals for 2013 generally relate to the following:

the advancement of planned clinical trials of CUDC-427, both as a single agent and in combination in solid tumors and hematologic malignancies;

the advancement of planned clinical trials of CUDC-907, both as a single agent in advanced lymphomas and multiple myeloma and in a clinical study of CUDC-907 in combination in solid tumors;

financial performance objectives, including cash management and capital objectives; and

completing the ongoing phase I clinical trial of CUDC-101 in locally advanced head and neck cancer patients and progressing preclinical efforts on establishing an oral formulation of CUDC-101.

Each of the foregoing four categories has been further delineated into three levels of potential achievement: threshold, target, and maximum. Cash incentive payments were paid based upon the degree to which each category of corporate goals was achieved on this continuum, if at all.

On February 13, 2014, the compensation committee approved the payment of short term cash incentive awards at 62.5% of the target amounts to each of the executive officers as follows:

<b>Name (1)</b>	<b>Total 2013 Cash Incentive Amount Paid (1)</b>	<b>Percentage of 2013 Base Salary</b>
Daniel R. Passeri	\$ 130,781	28%
Ali Fattaey, Ph.D. (2)	\$ 91,965	25%
Michael P. Gray	\$ 78,750	22%
Jay Viner, M.D. (2)	\$ 31,464	22%

- (1) Dr. Voi's employment with the company terminated as of August 12, 2013 and as a result, he did not receive any payment under the 2013 short term incentive plan. Information is not furnished for Mr. Noel, who remains an employee but ceased serving as an executive officer in August 2013.
- (2) Dr. Fattaey and Dr. Viner's cash incentive payments in the above table were pro-rated based on the number of days actually worked in 2013. Dr. Fattaey's employment began on February 18, 2013 and his 2013 annualized base salary was \$425,000. Dr. Viner's employment began on August 13, 2013 and her annualized base salary was \$375,000.

In determining the payment of short-term cash incentive awards at 62.5% of the target amounts to each of the executive officers, the compensation committee assessed each of the four weighted categories of corporate goals for 2013 and determined the percentage of target incentive compensation earned for each of these categories based on our actual accomplishments for 2013.

*2014 Short-Term Cash Incentive Plan*

In March 2014, the compensation committee approved a 2014 short-term cash incentive program for executive officers and determined that the following executive officers were eligible to participate: Daniel R. Passeri, Ali Fattaey, Ph.D., Michael P. Gray and Jaye Viner, M.D.



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The compensation committee established the following target short-term incentive payment amounts, referred to herein as target amounts, for each executive officer:

Designated Executive Officer	2014 Annual Base Salary	Target Incentive Compensation Payment as a Percentage of 2014 Annual Base Salary, Assuming Performance at the 100% Level	
		(%)	(\$)
Daniel R. Passeri	\$ 465,000	45%	\$ 209,250
Ali Fattaey, Ph.D.	\$ 450,000	40%	\$ 180,000
Michael P. Gray	\$ 400,000	35%	\$ 140,000
Jaye Viner, M.D.	\$ 410,000	35%	\$ 143,500
<b>Total</b>	<b>\$ 1,725,000</b>		<b>\$ 672,750</b>

The compensation committee established three weighted categories of corporate goals for 2014. The three categories of corporate goals for 2014 generally relate to the following:

the successful implementation of our clinical development plan, including initiation of new studies and progression of ongoing clinical trials of CUDC-427 (assuming the FDA lifts its partial clinical hold) and CUDC-907;

the achievement of specified strategic corporate development initiatives; and,

financial performance objectives, including cash management and capital objectives.

The distribution of awards under the 2014 short-term cash incentive program, if any, including in the event of the consummation of a change in control of the company on or before December 31, 2014, will be determined in the same manner as that under the 2013 short-term cash incentive program, as more fully described above.

*Long-Term Incentive Program*

The compensation committee believes that long-term value creation is achieved through an ownership culture that encourages performance by our executive officers through stock and stock-based awards. We have established our stock compensation plans to provide our employees, including our executive officers, with incentives to help align employee interests with the interests of our stockholders. Historically, the exercisability of stock options and the vesting of restricted stock awards have generally been time-based. However, in February 2014 we granted options to certain of our executive officers with vesting tied to stock performance. All value received by the recipient from a stock option is based on the growth of the stock price above the option exercise price. Our executive officers have historically paid the par value of \$0.01 per share of common stock for restricted stock awards. Accordingly, the value received by the recipient for a restricted stock award is equal to the difference between the fair market value of our common stock on the date the restricted stock award is granted and the \$0.01 per share paid for such restricted stock, plus any future growth of the stock price after such grant date.

*Stock Options*

Our amended and restated 2010 stock incentive plan permits the grant of incentive and non-qualified stock options to our employees, directors and consultants. In the first quarter of 2010, our 2000 stock incentive plan expired in accordance with its terms and our 2000 director stock option plan had no available shares remaining. No additional awards will be made under these plans, although all outstanding awards under these plans will remain in effect until they are exercised or they expire in accordance with their terms.

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The compensation committee reviews and approves stock option grants to our chief executive officer and the other executive officers. Stock option grants are made at the commencement of employment and then are generally granted annually in conjunction with the review of the individual performance of our executive officers. Grants may also be made following a significant change in job responsibilities or to meet other special retention or performance objectives. The review and approval of stock option awards to executive officers is based upon an assessment of individual performance, a review of each executive officer's existing long-term incentives and retention considerations. In appropriate circumstances, the compensation committee considers the recommendations of Mr. Passeri, our chief executive officer (except with respect to his own compensation) and Mr. McNab, the chairman of our board of directors. Stock options are typically granted with an exercise price equal to the fair market value of our common stock on the date of grant and typically vest and become exercisable as to 25% of the shares underlying the award after the first year and as to an additional 6.25% of the shares underlying the award in each subsequent quarter, based upon continued employment over a four-year period. In February 2014, the compensation committee granted stock options that vest only on the achievement of specific performance targets related to our stock price. The options generally expire ten years after the date of grant. In certain circumstances, stock options have and may be granted with different vesting terms, such as a shorter vesting period or performance-based vesting.

*2013 Stock Option Grants*

In January 2013, the compensation committee granted the following stock options pursuant to our amended and restated 2010 stock incentive plan to our executive officers:

Name	Number of Shares Underlying
	January 2013 Option Grants
Daniel R. Passeri	200,000
Michael P. Gray	125,000
Mark W. Noel (1)	60,000
Maurizio Voi, M.D. (2)	125,000

(1) Mr. Noel ceased serving as an executive officer in August 2013, but continues to serve as our vice president, technology management and intellectual property.

(2) Dr. Voi's employment with the company terminated as of August 12, 2013.

In addition, on February 18, 2013, Ali Fattaey, Ph.D., was appointed as our president and chief operating officer. On February 19, 2013, the compensation committee granted Dr. Fattaey a one-time option to purchase 400,000 shares of common stock that vest over four years, 25% after the first year and 6.25% per quarter over the remainder of the vesting period. On August 13, 2013, Jaye Viner, M.D., was appointed as our executive vice president and chief medical officer. On August 27, 2013, the compensation committee granted Dr. Viner a one-time option to purchase 375,000 shares of common stock that vest over four years, 25% after the first year and 6.25% per quarter over the remainder of the vesting period. In determining the initial stock option awards for Drs. Fattaey and Viner upon their commencement of employment, the compensation committee considered their past experience and qualifications, available long-term incentive benchmarking data, including the September 2012 Towers Watson compensation analysis, as well as consideration of the shares available for future grant under the amended and restated 2010 stock incentive plan.

The compensation committee believes that targeting the 75<sup>th</sup> percentile of our peer group is consistent with its desire to emphasize equity opportunity, align executive officer and stockholder interests and manage our cash

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consumption. In determining the size of each stock option grant awarded to our executive officers in 2013, the compensation committee targeted the 75<sup>th</sup> percentile of value for the peer group established by Towers Watson in September 2012, data from the related Radford Global Life Sciences Compensation Survey for long-term incentive compensation, as well the compensation committee's desire to preserve an adequate number of common shares for future stock options and other stock awards that may be granted under the amended and restated 2010 stock incentive plan.

With the exception of the one-time grants to Drs. Fattaey and Viner made in connection with the commencement of their employment, the value of the stock option awards granted to our executive officers in 2013 approached the 50<sup>th</sup> percentile when compared to Towers Watson's September 2012 peer group data. In setting the number of shares to our executive officers in January 2013 at levels below the 75<sup>th</sup> percentile, the compensation committee considered the number of shares currently available for future grant under the amended and restated 2010 stock incentive plan. The compensation committee also considered data within the Towers Watson's September 2012 report that noted that over 60% of organizations utilize a fixed share approach to their annual equity awards.

*2014 Stock Option Grants*

In February 2014, the compensation committee granted the following stock options pursuant to our amended and restated 2010 stock incentive plan to our executive officers:

Name	Number of Shares Underlying
	February 2014 Option Grants (1)
Daniel R. Passeri	300,000(2)
Ali Fattaey, Ph.D.	300,000(2)
Michael P. Gray	180,000(3)
Jaye Viner, M.D.	180,000(3)

- (1) Each of the stock options has an exercise price equal to \$3.09, the fair market value of our common stock on the date of grant.
- (2) Includes (i) an option to purchase 100,000 shares of common stock that vests and becomes exercisable as to 25% of the shares underlying the award after the first year and as to an additional 6.25% of the shares underlying the award in each subsequent quarter, based upon continued employment over a four-year period and (ii) an option to purchase 200,000 shares of common stock that vests and become exercisable, if at all, in four equal share increments, on that date that is three business days after the date on which the reported closing sale price of our common stock on the Nasdaq Global Market or, if that is not then the principal trading market for our common stock, such principal market on which our common stock is then traded or listed, has equaled or exceeded \$6.00 per share, \$7.50 per share, \$9.00 per share and \$10.50 per share, respectively, for a period of 60 consecutive trading days, provided that, in no event will this option vest in whole or in part on or after February 18, 2017.
- (3) Includes (i) an option to purchase 60,000 shares of common stock that vests and becomes exercisable as to 25% of the shares underlying the award after the first year and as to an additional 6.25% of the shares underlying the award in each subsequent quarter, based upon continued employment over a four-year period and (ii) an option to purchase 120,000 shares of common stock that vests and become exercisable, if at all, in four equal share increments, on that date that is three business days after the date on which the reported closing sale price of our common stock on the Nasdaq Global Market or, if that is not then the principal trading market for our common stock, such principal market on which our common stock is then traded or

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listed, has equaled or exceeded \$6.00 per share, \$7.50 per share, \$9.00 per share and \$10.50 per share, respectively, for a period of 60 consecutive trading days, provided that, in no event will this option vest in whole or in part on or after February 18, 2017. The value of stock option grants to all of our executives in 2014 approximated the 50<sup>th</sup> percentile of value for the peer group established by Towers Watson in the September 2012 analysis. In making the option grants to our executive officers in 2014, the compensation committee considered that two-thirds of the shares under option awards to Messrs. Passeri and Gray and Drs. Fattaey and Viner would contain performance conditions so that the underlying shares would only vest and become exercisable to the extent that any or all of the performance conditions are met. The compensation committee also considered the September 2012 Towers Watson data, data from the related Radford Global Life Sciences Compensation Survey for long-term incentive compensation, as well the compensation committee's desire to preserve an adequate number of common shares for future stock options and other stock awards that may be granted under the amended and restated 2010 stock incentive plan.

### *Restricted Stock Awards*

Our amended and restated 2010 stock incentive plan permits the issuance of restricted stock awards to our employees, directors and consultants. The compensation committee generally does not make grants of restricted stock awards to our executive officers and no restricted stock awards were granted in 2013. The compensation committee generally favors the award of stock options over restricted stock in its annual compensation of our executive officers since it grants stock options with exercise prices that are equal to the fair market value of our common stock on the grant date, and therefore closely aligns our executive officers' interests with those of our stockholders as such stock options only generate value to our executive officers if the fair market value of our common stock rises.

### *2010 Employee Stock Purchase Plan*

Executive officers are eligible to participate in our 2010 employee stock purchase plan. The plan permits participant employees to purchase company stock through payroll deductions of up to 15% of total cash compensation. The price of the stock is 85% of the lower of the fair market value of the stock at the beginning or the end of the offering period. In 2013, none of our executive officers participated in the 2010 employee stock purchase plan.

### *Other Compensation Employee Benefits*

Our employees, including our executive officers, are entitled to various employee benefits such as medical and dental expense coverage, flexible spending accounts, various insurance programs, an employee assistance program and paid time off. Executive officers are eligible to participate in our 401(k) retirement plan. Matching contributions to the 401(k) plan are at the discretion of the compensation committee of the board of directors.

### *Change in Control and Severance Payments*

Each of our executive officers is party to an agreement or offer letter that obligates us to make payments to such executive officer in the event we terminate the executive officer's employment without cause or the executive officer resigns for good reason (as defined in the applicable agreement or offer letter). We believe that our severance program is aligned with other comparable biotechnology companies and provides our executive officers with income protection in the event of an unplanned separation from employment. In addition, we are also obligated

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to make payments to each of our executive officers if he is terminated under specified circumstances within twelve months after a change in control. This is a so-called "double trigger" change in control arrangement because it provides for severance benefits only in the event of a change in control, the first trigger, followed by an employment termination under specified circumstances, the second trigger. Our 2000 stock incentive plan and our amended and restated 2010 stock incentive plan provide that, unless otherwise provided in the applicable award agreement, all plan participants, including our executive officers, are entitled to accelerated vesting of stock options and/or restricted stock awards upon certain events. In the event that a change in control occurs, 50% of the then unvested options of each plan participant, including executive officers, would become immediately exercisable and the restrictions underlying 50% of any restricted stock awards would lapse. In the event any executive officer is terminated within one year after a change in control without cause or resigns for good reason (each as defined in the applicable plan), then all remaining unvested stock options and restricted stock awards will become fully vested. Our 2000 and our amended and restated 2010 stock incentive plans generally define a change in control as a merger by us with or into another company or a sale of all or substantially all of our assets. We have determined to provide for these change in control arrangements because we recognize that, as is the case with many publicly-held corporations, the possibility of a change in control of our company exists and such possibility, and the uncertainty and questions which it may raise among our executive officers, could result in the departure or distraction of executive officers to the detriment of our company and our stockholders. As a consequence, our compensation committee determined to provide such change in control related benefits to reinforce and encourage the continued employment and dedication of our executive officers without distraction from the possibility of a change in control and related events and circumstances. Notwithstanding the foregoing, our compensation committee determined that the options granted in February 2014 with vesting tied to our stock price would not be entitled to the acceleration rights set forth above.

Our change in control and severance arrangements with our executive officers do not obligate us to make any additional payments to "gross-up" any such compensation payable to such executive officers in order to offset income tax liabilities.

For a further description of the foregoing arrangements, see "Summary Compensation Table," "Employment Agreements" and "Potential Payments Upon Termination or Change in Control."

## **Tax and Accounting Considerations**

We account for equity compensation paid to our employees under the rules of FASB Codification Topic 718 (formerly FAS 123(R)), which require us to estimate and record an expense over the service period of the award. Accounting rules also require us to record cash compensation as an expense at the time the obligation is accrued. To date, these accounting requirements have not impacted our executive compensation programs and practices.

The Internal Revenue Service, pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a tax deduction for compensation in excess of \$1.0 million paid to our chief executive officer and to each other officer (other than our chief executive officer and our chief financial officer) whose compensation is required to be reported to our stockholders pursuant to the Exchange Act by reason of being among the three most highly paid executive officers. Certain compensation, including qualified performance-based compensation, will not be subject to the deduction limit if certain requirements are met. The compensation committee reviews the potential effect of Section 162(m) periodically and uses its judgment to authorize compensation payments that may be subject to the limit when the compensation committee believes that such payments are appropriate and in the best interests of us and our stockholders, after taking into consideration changing business conditions and the performance of our employees.

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

The following table sets forth information regarding compensation earned by each of our named executive officers for the fiscal years ending December 31, 2013, 2012, and 2011.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)(1)</b>	<b>Option Awards (\$)(2)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Daniel R. Passeri	2013	464,942	130,781	447,020	10,200(3)	\$ 1,052,943
Chief Executive Officer	2012	450,000	151,875	1,194,680	10,000(3)	1,806,555
	2011	400,000	150,000	281,440	9,800(3)	841,240
Ali Fattaey, Ph.D.	2013	366,154	91,695	801,440	72,234(3)(5)	\$ 1,331,523
President and Chief Operating Officer (4)						
Michael P. Gray	2013	359,961	78,750	279,388	10,200(3)	728,299
Chief Financial Officer and Chief Business Officer	2012	350,000	91,875	746,675	10,000(3)	1,198,550
	2011	300,000	125,000	175,900	9,800(3)	610,700
Mark W. Noel	2013	229,981		134,106	49,300(6)	413,387
Vice President, Technology Management and Intellectual Property (7)	2012	225,000	42,188	238,936	9,000(3)	515,124
	2011	215,000	50,000	84,432	8,600(3)	358,032
Jaye Viner, M.D.	2013	142,788	111,464(9)	1,035,375	5,712(3)	\$ 1,295,339
Executive Vice President, Chief Medical Officer (8)						
Maurizio Voi, M.D.	2013	253,846		279,388	205,000(11)	738,234
Former Executive Vice President, Chief Medical Officer and Chief Development Officer (10)	2012	400,000	105,000	298,670	80,661(3)(5)	884,331
	2011	57,692(12)	26,000	869,540	692(3)	953,924

- (1) The amounts in this column reflect amounts paid to each of our named executive officers under the short-term cash incentive plans described in Compensation Discussion and Analysis above.
- (2) The amounts in this column reflect the aggregate grant date fair value of equity awards granted during the respective fiscal year, computed in accordance with FASB Codification Topic 718 and other relevant guidance, for awards pursuant to our amended and restated 2010 stock incentive plan. Assumptions used in the calculation of these amounts are included in footnote 4 to our audited financial statements for the fiscal year ended December 31, 2013 included in our Annual Report on Form 10-K filed with the SEC on March 13, 2014.
- (3) Consists of 401(k) matching contributions made by us.
- (4) Dr. Fattaey has served as our president and chief operating officer since February 18, 2013, and his 2013 salary reflects the amount earned from this date through December 31, 2013.
- (5) Of this amount, \$62,699 and \$70,661 represents reimbursed relocation and commuting expenses for Drs. Fattaey and Voi in 2013 and in 2012, respectively.
- (6) Consists of \$40,300 in bonus compensation and \$9,000 in 401(k) matching contributions made by us.
- (7)

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Mr. Noel ceased serving as an executive officer in August 2013, but continues to serve as our vice president, technology management and intellectual property.

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- (8) Dr. Viner has served as our executive vice president and chief medical officer since August 13, 2013, and her 2013 salary reflects the amount earned from this date through December 31, 2013.
- (9) Of this amount, \$80,000 represents a signing bonus that was paid to Dr. Viner after her 90<sup>th</sup> day of employment.
- (10) Dr. Voi served as our executive vice president, chief medical and chief development officer until August 2013.
- (11) This amount represents severance payments accrued in our financial statements at December 31, 2013 and paid to Dr. Voi in February 2014.
- (12) Dr. Voi served as our executive vice president, chief medical and chief development officer commencing on November 7, 2011, and his 2011 salary reflects the amount earned from this date through December 31, 2011.

**Grants of Plan-Based Awards**

The following table sets forth information regarding awards under our amended and restated 2010 stock incentive plan to our named executive officers during the fiscal year ended December 31, 2013.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#) (1)	Exercise or Base Price of Option Awards (\$/Sh) (2)	Grant Date Fair Value of Stock and Option Awards (3)
Daniel R. Passeri	01/17/2013	200,000	\$ 3.32	\$ 447,020
Ali Fattaey, Ph.D.	02/19/2013	400,000	3.02	801,440
Michael P. Gray	01/17/2013	125,000	3.32	279,388
Mark W. Noel (4)	01/17/2013	60,000	3.32	134,106
Jaye Viner, M.D.	08/27/2013	375,000	4.11	1,035,375
Maurizio Voi, M.D. (5)	01/17/2013	125,000	3.32	279,388

- (1) Such stock options will expire 10 years from date of grant. These stock options vest over a period of four years with 25% of the shares underlying the grant vesting on one year anniversary of the grant date, and an additional 6.25% of the shares underlying the grant vesting at the end of each successive three-month period until the option is fully vested on the fourth anniversary of the grant date, subject to the continued employment of the executive officer. In the event of a change in control, 50% of the then unvested options held by each plan participant, including executive officers, would become immediately exercisable. Under the terms of the amended and restated 2010 stock incentive plan, a change in control generally occurs in the event we merge with or into another company or we sell all or substantially all of our assets. In addition, under the terms of the amended and restated 2010 stock incentive plan, in the event an executive officer terminates his or her employment for good reason (as defined in the plan) or we terminate the executive officer without cause (as defined in the plan) within one year after a change in control, then all options held by the executive officer would become fully vested upon such termination.
- (2) The exercise price per share is equal to the closing price per share of our common stock on the Nasdaq Global Market on the date of grant.
- (3) The amounts shown in this column represent the total grant date fair value of each stock and option award as determined in accordance with FASB Codification Topic 718.
- (4) Mr. Noel ceased serving as an executive officer in August 2013, but continues to serve as our vice president, technology management and intellectual property.
- (5) Dr. Voi served as our executive vice president, chief medical and chief development officer until August 2013.



**Table of Contents****Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table**

We have entered into employment agreements with our named executive officers, as described below under Employment Agreements and Indemnification of Executive Officers.

Salary and payments pursuant to our short-term incentive plans accounted for approximately 40.8% of the total compensation of the named executive officers for 2013, 41.2% of the total compensation of the named executive officers for 2012, and 46.4% of the total compensation of the named executive officers for 2011.

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

The following table summarizes the outstanding equity awards held by our named executive officers as of December 31, 2013.

Name	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date
	(#) Exercisable	(#) (1) Unexercisable	(\$)	
Daniel R. Passeri		200,000	\$ 3.32	1/17/2023
	175,000	225,000	\$ 4.52	1/05/2022
	137,500	62,500	\$ 2.15	1/07/2021
	187,499	12,501	\$ 2.27	2/02/2020
	300,000		\$ 1.07	2/05/2019
	202,000		\$ 0.79	10/24/2018
	300,000		\$ 1.43	1/25/2018
	500,000		\$ 1.39	6/06/2017
	390,000		\$ 1.57	5/31/2016
	175,000		\$ 3.98	6/01/2015
	175,000		\$ 4.56	6/25/2014
Ali Fattaey, Ph.D.		400,000	\$ 3.02	02/19/2023
Michael P. Gray		125,000	\$ 3.32	1/17/2023
	109,375	140,625	\$ 4.52	1/05/2022
	85,936	39,064	\$ 2.15	1/07/2021
	117,185	7,814	\$ 2.27	2/02/2020
	180,000		\$ 1.07	2/05/2019
	180,000		\$ 1.43	1/25/2018
	300,000		\$ 1.39	6/06/2017
	200,000		\$ 1.57	5/31/2016
	75,000		\$ 3.98	6/01/2015
	75,000		\$ 4.56	6/25/2014

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Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) (1) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
	Mark W. Noel (2)		60,000	\$ 3.32
	35,000	45,000	\$ 4.52	1/05/2022
	41,250	18,750	\$ 2.15	1/07/2021
	56,249	3,751	\$ 2.27	2/02/2020
	75,000		\$ 1.07	2/05/2019
	43,000		\$ 0.79	10/24/2018
	75,000		\$ 1.43	1/25/2018
	125,000		\$ 1.39	6/06/2017
	100,000		\$ 1.57	5/31/2016
	50,000		\$ 3.98	6/01/2015
	50,000		\$ 4.56	6/25/2014
Jaye Viner, M.D.		375,000	\$ 4.11	8/27/2023
Maurizio Voi, M.D. (3)				

- (1) Such stock options will expire 10 years from date of grant. These stock options vest over a period of four years with 25% of the shares underlying the grant vesting on the first anniversary of the grant date and an additional 6.25% of the shares underlying the grant vesting at the end of each successive three-month period until the option is fully vested on the fourth anniversary of the grant date, subject to the continued employment of the executive officer. In the event of a change in control, 50% of the then unvested options held by each plan participant, including executive officers, would become immediately exercisable. Under the terms of the 2000 and amended and restated 2010 stock incentive plans, a change in control generally occurs in the event we merge with or into another company or we sell all or substantially all of our assets. In addition, under the terms of the 2000 and amended and restated 2010 stock incentive plans, in the event an executive officer terminates his or her employment for good reason (as defined in the plan) or we terminate the executive officer without cause (as defined in the plan) within one year after a change in control, then all options held by the executive officer would become fully vested upon such termination.
- (2) Mr. Noel ceased serving as an executive officer in August 2013, but continues to serve as our vice president, technology management and intellectual property.
- (3) Dr. Voi served as our executive vice president, chief medical and chief development officer until August 2013 and to our knowledge did not hold any outstanding equity awards as of December 31, 2013.

**Table of Contents****Option Exercises**

The following table summarizes, for each of our named executive officers, each exercise of stock options during 2013.

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)
Daniel R. Passeri	450,000	561,876
Ali Fattaey, Ph.D.		
Michael P. Gray	50,000	59,993
Mark W. Noel (1)	70,000	85,705
Jaye Viner M.D.		
Maurizio Voi, M.D. (2)	87,500	76,125

- (1) Mr. Noel ceased serving as an executive officer in August 2013, but continues to serve as our vice president, technology management and intellectual property.
- (2) Dr. Voi served as our executive vice president, chief medical and chief development officer until August 2013.

**Employment Agreements**

We are party to the following employment arrangements with our executive officers.

*Daniel R. Passeri.* On September 18, 2007, we entered into an employment agreement with Mr. Passeri. The agreement, as amended on October 27, 2008, December 10, 2010, January 18, 2013 and February 18, 2014, is intended to comply with the applicable provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and the final Treasury regulations and guidance issued thereunder. The agreement provided that Mr. Passeri would serve as our president and chief executive officer for the period that commenced on September 18, 2007 and ends on December 31, 2014. On February 18, 2013, Ali Fattaey, Ph.D. assumed the role of president and chief operating officer and Mr. Passeri remains as our chief executive officer. Mr. Passeri's current base salary, which is subject to annual review by the board and/or compensation committee, is \$465,000. Mr. Passeri's agreement also provides for the payment of Mr. Passeri's fees for preparation of his tax return by a tax professional. Mr. Passeri is entitled to participate in our medical and other benefit programs and may be entitled to receive an annual bonus based on the achievement of specific objectives established by the board. Mr. Passeri is also entitled to receive severance benefits under the agreement in the event of his termination without cause or for good reason (as defined in the agreement) and he is also entitled to receive certain payments if he is terminated within one year after a change in control. For a description and quantification of such severance and change in control benefits, see Potential Payments Upon Termination or Change In Control. In addition, the agreement provides for certain indemnification provisions. For a description of such indemnification provisions, see Indemnification of Executive Officers.

*Ali Fattaey, Ph.D.* On February 19, 2013, we entered into an employment agreement with Dr. Fattaey under which he will serve as our president and chief operating officer. The agreement, as amended March 17, 2014, is intended to comply with the applicable provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and the final Treasury regulations and guidance issued thereunder. Dr. Fattaey's current base salary, which is subject to annual review by the board and/or compensation committee, is set at \$450,000 per annum. Dr. Fattaey's agreement also provides for reimbursement of specified expenses related to his relocation

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and commuting, up to a maximum of \$70,000, of which \$32,810 had been paid as of December 31, 2013. Dr. Fattaey is entitled to participate in the our medical and other benefits program, and may be entitled to receive an annual bonus based on the achievement of specific objectives established by the board. Dr. Fattaey is also entitled to receive severance benefits under the agreement in the event of his termination without cause or for good reason (as defined in the agreement) and he is also entitled to receive certain payments if he is terminated within one year after a change in control. For a description and quantification of such severance and change in control benefits, see Potential Payments Upon Termination or Change In Control. In addition, the agreement provides for certain indemnification provisions. For a description of such indemnification provisions, see Indemnification of Executive Officers.

*Michael P. Gray.* On December 15, 2003, we entered into an employment agreement with Mr. Gray. The agreement, as amended on October 31, 2006, October 27, 2008 and December 10, 2010, is intended to comply with the applicable provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and the final Treasury regulations and guidance issued thereunder. Mr. Gray's current base salary, which is subject to annual review by the board and/or compensation committee, is \$400,000. Mr. Gray is entitled to participate in our medical and other benefit programs and may be entitled to receive an annual bonus based on the achievement of specific objectives established by the board. Mr. Gray is also entitled to receive severance benefits under the agreement in the event of his termination without cause or for good reason (as defined in the agreement) and he is also entitled to receive certain payments if he is terminated within one year after a change in control. For a description and quantification of such severance and change in control benefits, see Potential Payments Upon Termination or Change In Control. In addition, the agreement provides for certain indemnification provisions. For a description of such indemnification provisions, see Indemnification of Executive Officers.

*Mark W. Noel.* On January 11, 2001, we entered into an employment agreement with Mr. Noel. The agreement, as amended on October 31, 2006, October 27, 2008 and December 10, 2010, is intended to comply with the applicable provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and the final Treasury regulations and guidance issued thereunder. Mr. Noel's current base salary, which is subject to review as part of our performance review program is \$236,900. Mr. Noel is entitled to participate in our medical and other benefit programs and may be entitled to receive an annual bonus based on the achievement of specific objectives established by the board. Mr. Noel is also entitled to receive severance benefits under the agreement in the event of his termination without cause or for good reason (as defined in the agreement) and he is also entitled to receive certain payments if he is terminated within one year after a change in control. For a description and quantification of such severance and change in control benefits, see Potential Payments Upon Termination or Change In Control. In addition, the agreement provides for certain indemnification provisions. For a description of such indemnification provisions, see Indemnification of Executive Officers.

*Jaye Viner, M.D.* On August 13, 2013, Dr. Jaye Viner was appointed our executive vice president and chief medical officer and on August 28, 2013, we entered into an employment agreement with Dr. Viner. The agreement is intended to comply with the applicable provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and the final Treasury regulations and guidance issued thereunder. Dr. Viner's current base salary, which is subject to annual review by the board and/or compensation committee, is set at \$410,000 per annum. Dr. Viner's agreement also provided for a one-time signing bonus of \$80,000, which was paid after her 90<sup>th</sup> day of employment with the company, and reimbursement for reasonable interim commuting expenses incurred, as approved by company, for a period not to exceed nine months from the commencement of her employment with the company. Dr. Viner is entitled to participate in the our medical and other benefits program, and may be entitled to receive an annual bonus based on the achievement of specific objectives established by the

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board. Dr. Viner is also entitled to receive severance benefits under the agreement in the event of her termination without cause or for good reason (as defined in the agreement) and she is also entitled to receive certain payments if she is terminated within one year after a change in control. For a description and quantification of such severance and change in control benefits, see Potential Payments Upon Termination or Change In Control. In addition, the agreement provides for certain indemnification provisions. For a description of such indemnification provisions, see Indemnification of Executive Officers.

### **Indemnification of Executive Officers**

Our certificate of incorporation provides indemnification of our executive officers for any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative (other than an action or claim by or in the right of the company) by reason of the fact that such person serves as an executive officer, to the maximum extent permitted by the General Corporation Law of Delaware. The certificate of incorporation further provides that executive officers may be entitled to additional indemnification, under any agreement or vote of the directors.

Each of our executive officer employment agreements also provides that we will indemnify each such executive officer for claims arising in his or her capacity as our executive officer, provided that he acted in good faith and in a manner that he reasonably believed to be in, or not opposed to, our best interests. With respect to any criminal proceeding, the executive officer must have no reasonable cause to believe that the conduct was unlawful. If the claim is brought by us or on our behalf, we will not be obligated to indemnify the executive officer if the executive officer is found liable to us, unless the court determines that, despite the adjudication of liability, in view of all the circumstances of the case the executive officer is fairly and reasonably entitled to be indemnified. In the event that we do not assume the defense of a claim against the executive officer, we are required to advance his or her expenses in connection with his or her defense, provided that he undertakes to repay all amounts advanced if it is ultimately determined that he or she is not entitled to be indemnified by us. We will require that any successor to our business assumes and agrees to perform our obligations under the indemnification provisions.

In connection with our indemnification obligations we have and intend to maintain director and officer liability insurance, if available.

### **Potential Payments Upon Termination or Change in Control**

Each of the above-described employment agreements with our executive officers provides that in the event we terminate the executive officer's employment without cause or if the executive officer resigns for good reason (each as defined in the agreements) including a termination within twelve months after a change in control of the company, the executive officer will receive: (1) his or her base salary (as defined in the agreement) accrued through the last day of employment; (2) continuation of his or her then base salary or a portion thereof for the periods and amounts described in the table below, and (3) payment of a portion of the executive officer's COBRA premiums, which is calculated as the difference between the COBRA premium and the amount paid by the employee for medical/dental insurance, for the periods and amounts described in the table below. In order for our executive officers to receive these severance payments, the executive officer must execute a general release of all claims against the company, its employees, officers, directors and agents in a form acceptable to us.

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Pursuant to the terms of their employment agreement, if either of Messrs. Gray or Noel is considered a specified employee on the date of his termination within the meaning of Section 409A(a)(2)(B)(i) of the Internal Revenue Code and the regulations thereunder, and any payments to be paid or provided to such executive officer constitute nonqualified deferred compensation within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, then the severance and benefit payments per the table below will be delayed by a period of six months and will be paid in a lump sum in the seventh month following the date of termination. Pursuant to the terms of their employment agreement, if either Mr. Passeri, Dr. Fattaey or Dr. Viner is considered a specified employee on the date of his or her termination, then his/her severance and benefit payments will be paid within the short-term deferral period, which means the period ending on the later of the 15th day of the third month following the end of the employee's tax year in which such employee's separation from service occurs and the 15th day of the third month following the end of our tax year in which such employee's separation from service occurs, and shall be treated as a short-term deferral within the meaning of Treasury Regulation Section 1.409A-1(b)(4) to the maximum extent permissible under Section 409A of the Code. If Mr. Passeri's, Dr. Fattaey's or Dr. Viner's severance and benefit payments are not paid within the short-term deferral period then such payments will be delayed by a period of six months and will be paid in a lump sum in the seventh month following the date of termination.

Pursuant to the terms of our 2000 stock incentive plan and our amended and restated 2010 stock incentive plan, unless otherwise provided in the applicable award agreement, at the time of a change in control, 50% of the then-unvested options to purchase our common stock held by each plan participant, including executive officers, would become immediately exercisable and the forfeiture restriction on all outstanding restricted stock awards would lapse with respect to 50% of the number of shares that otherwise would have first become free from such forfeiture restrictions after the date of the change in control. In addition, in the event an executive officer terminates his or her employment for good reason (as defined in the applicable plan) or we terminate the executive officer without cause (as defined in the applicable plan) within one year after such change in control, then all remaining unvested options and restricted stock held by the executive officer would become fully vested and/or free of all forfeiture restrictions, as applicable.

Dr. Voi served as our executive vice president, chief medical and chief development officer until August 12, 2013. We were a party to an employment agreement with Dr. Voi pursuant to which he was entitled to receive severance benefits. In accordance with a severance agreement and general release that we entered into with Dr. Voi and that became binding and effective on August 29, 2013, Dr. Voi received a lump-sum payment equal to \$205,000, representing one-half his annual base salary in effect as of August 12, 2013 and interest thereon.

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The table below sets forth the estimated benefits provided to each of our named executive officers, other than Dr. Voi whose employment terminated as of August 12, 2013, upon a termination event described above, assuming such termination event occurred on December 31, 2013, the last day of our most recently completed fiscal year.

Name	Severance Term in Months	Severance Upon Termination (\$)	Value of Equity Acceleration (1)	Benefits Upon Termination (\$)	Total Benefits
Daniel R. Passeri					
Chief Executive Officer	Twelve	\$ 465,000	\$ 24,375	\$ 14,207	\$ 503,582
Ali Fattaey, Ph.D.					
President and Chief Operating Officer	Six	\$ 212,500	\$	\$	\$ 212,500
Michael P. Gray					
Chief Business and Financial Officer	Six	\$ 180,000	\$ 15,235	\$ 7,104	\$ 202,339
Mark W. Noel (2)					
Vice President Technology Management and Intellectual Property	Six	\$ 115,000	\$ 7,313	\$ 7,104	\$ 129,417
Jaye Viner, M.D.					
Executive Vice President and Chief Medical Officer	Six	\$ 187,500	\$	\$ 2,613	\$ 190,113

- (1) Represents the value of that portion of each named executive officer's in-the-money stock options that would accelerate upon a change in control, assuming such change in control occurred on December 31, 2013, after deducting the exercise price and based upon the \$2.82 closing price of our common stock on the Nasdaq Global Market on December 31, 2013. As noted above, pursuant to the terms of our stock incentive plans, unless otherwise provided in the applicable award agreement, at the time of a change in control, 50% of the then-unvested options become immediately exercisable. In addition, in the event an executive officer terminates his or her employment for good reason (as defined in the applicable plan) or we terminate the executive officer without cause (as defined in the applicable plan) within one year after such change in control, then all remaining unvested options held by the executive officer would become fully vested and/or free of all forfeiture restrictions, as applicable. Assuming that such termination was to occur within one year after a change of control, the total value of accelerated in-the-money stock options would be as follows: Mr. Passeri, \$48,751; Dr. Fattaey, \$ ; Mr. Gray, \$30,471; Mr. Noel, \$14,626; and Dr. Viner, \$ .
- (2) Mr. Noel ceased serving as an executive officer in August 2013, but continues to serve as our vice president, technology management and intellectual property.

**Table of Contents****Director Compensation Table**

The following table sets forth a summary of the compensation earned by or paid to our non-employee directors in 2013:

Name	Fees Earned or Paid In Cash(\$)	Option Awards (\$) (1) (2)	All Other Compensation (\$)	Total (\$)
Susan B. Bayh (3)	\$ 11,489	\$ 55,878	\$ 20,500(4)	\$ 87,867
Martyn D. Greenacre	42,250	55,878		98,128
Kenneth I. Kaitin, Ph.D.	35,000	55,878		90,878
Robert E. Martell, M.D., Ph.D.	29,250	55,878		85,128
James R. McNab, Jr.	137,250(6)	189,984	32,073(7)	359,307
Kenneth J. Pienta, M.D.	22,042	54,365	72,258(5)	148,665
Marc Rubin, M.D.	30,750	55,878		86,628
James R. Tobin	33,500	55,878		89,378

- (1) The amounts in this column reflect the grant date fair value of awards made to such individual in accordance with FASB Codification Topic 718 and other relevant guidance, excluding forfeitures, for awards in 2013 pursuant to our amended and restated 2010 stock incentive plan. Assumptions used in the calculation of these amounts are included in footnote 4 to our audited financial statements for the fiscal year ended December 31, 2013 included in our Annual Report on Form 10-K filed with the SEC on March 13, 2014.
- (2) At December 31, 2013, each of our current non-employee directors held options to purchase shares of our common stock as follows:

Director	Aggregate Number of Stock Options
Martyn D. Greenacre	215,000
Kenneth I. Kaitin, Ph.D.	215,000
Robert E. Martell, M.D., Ph.D.	100,000
James R. McNab, Jr.	295,000
Kenneth J. Pienta, M.D.	142,188
Marc Rubin, M.D.	125,000
James R. Tobin	157,500

- (3) Ms. Bayh resigned from our board on April 25, 2013.
- (4) Consists of payments made by us to Ms. Bayh in 2013 in consideration for her services pursuant to a consulting agreement that we entered into with Ms. Bayh after she resigned from our board on April 25, 2013.
- (5) Consists of (i) an annual cash retainer of \$50,000 paid to Dr. Pienta in 2013 in consideration for his services as chairman of our scientific and clinical advisory board and (ii) a cash payment of \$22,258 for his services as a consultant in the areas of corporate strategy and business development prior to termination of this consulting arrangement in connection with his election to our board on March 7, 2013.
- (6) On June 1, 2005, we entered into an agreement with Mr. McNab relating to his service as chairman of the board of directors. As chairman of the board of directors, Mr. McNab receives a cash payment of \$10,000 per month plus board attendance fees.
- (7) Consists of payments made by us to reimburse the cost of Mr. McNab's annual health insurance expense.



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Non-employee directors receive an initial stock option grant upon election to the board and annual stock option grants upon reelection to the board. In addition, non-employee directors, other than Mr. McNab, receive an annual cash retainer of \$15,000. Mr. McNab receives an annual cash retainer of \$120,000. Non-employee directors who serve as committee chairpersons of the nominating and corporate governance committee, the compensation committee, or the science and technology committee receive an additional \$5,000 payment for such committee chairperson services. Non-employee directors who serve as the committee chairperson of the audit committee receive an additional payment of \$10,000 for such committee chairperson services. Directors are paid additional cash compensation in the amount of \$1,500 for each board or committee meeting attended in person and \$750 for telephonic meetings. In addition, directors are reimbursed for reasonable out-of-pocket expenses that are incurred due to attendance at board or committee meetings. Directors who are our employees are not compensated for their attendance at board or committee meetings.

## **Indemnification of Directors**

Our certificate of incorporation provides indemnification of our directors for any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative (other than an action or claim by or in the right of the company) by reason of the fact of that such person serves as a director, to the maximum extent permitted by the General Corporation Law of Delaware. The certificate of incorporation further provides that directors may be entitled to additional indemnification, under any agreement or vote of the directors.

We have entered into indemnification agreements with each of our non-employee directors. The indemnification provisions apply to each such director and state that we will indemnify him for claims arising in his capacity as our director, provided that he acted in good faith and in a manner that he reasonably believed to be in, or not opposed to, our best interests. With respect to any criminal proceeding, the director must have no reasonable cause to believe that the conduct was unlawful. If the claim is brought by us or on our behalf, we will not be obligated to indemnify the director if the director is found liable to us, unless the court determines that, despite the adjudication of liability, in view of all the circumstances of the case, the director is fairly and reasonably entitled to be indemnified. In the event that we do not assume the defense of a claim against the director, we are required to advance his expenses in connection with his defense, provided that he undertakes to repay all amounts advanced if it is ultimately determined that he is not entitled to be indemnified by us. We will require that any successor to our business assumes and agrees to perform our obligations under the indemnification provisions.

In connection with our indemnification obligations we have and intend to maintain director and officer liability insurance, if available on reasonable terms. See [Indemnification of Executive Officers](#) for a discussion of our indemnification arrangements with Mr. Passeri.

**Table of Contents****Securities Authorized for Issuance Under Equity Compensation Plans**

The following table provides information as of December 31, 2013 regarding compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance.

	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (1)
Equity compensation plans approved by security holders	10,077,805	\$ 2.79	3,926,387
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>10,077,805</b>	<b>\$ 2.79</b>	<b>3,926,387</b>

- (1) Comprised of 3,647,503 shares available for grant under the Amended and Restated 2010 Stock Incentive Plan and 278,884 shares available for sale under the 2010 Employee Stock Purchase Plan. The 2010 Employee Stock Purchase Plan was approved by our stockholders in June 2010. The 2010 Stock Incentive Plan was approved by our stockholder in June 2010 and the Amended and Restated 2010 Stock Incentive Plan was approved by our stockholders in May 2013.

**Compensation Committee Interlocks and Insider Participation**

During the fiscal year ended December 31, 2013, the members of our compensation committee were Dr. Kaitin, Dr. Martell and Mr. Tobin, none of whom was a current or former officer or employee and none of whom had any related person transaction involving the company.

During the fiscal year ended December 31, 2013, none of our executive officers served as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any other entity that had one or more of its executive officers serving as a member of our board of directors or 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 Curis 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.

Submitted by the compensation committee of our board of directors.

James R. Tobin (Chair)

Kenneth I. Kaitin

Robert E. Martell

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**PROPOSAL 2 ADVISORY VOTE ON EXECUTIVE COMPENSATION**

We are providing our stockholders the opportunity to vote to approve, on an advisory, non-binding basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the SEC's rules. This proposal, which is commonly referred to as "say-on-pay," is required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which added Section 14A to the Exchange Act. Section 14A of the Exchange Act also requires that stockholders have the opportunity to cast an advisory vote with respect to whether future executive compensation advisory votes will be held every one, two or three years.

At our June 2011 annual meeting, we held a "say-on-pay" advisory stockholder vote on the compensation of our named executive officers. Our proposal regarding the say-on-pay vote was supported by our stockholders at this meeting. For compensation decisions made by our compensation committee in fiscal years 2011, 2012 and 2013, and to date in 2014, no specific component of our executive compensation program was altered based on the results of the say-on-pay vote. At the June 2011 annual meeting, stockholders also voted to hold a "say-on-pay" advisory stockholder vote every three years, meaning the next such vote will occur at the 2014 annual meeting.

Our executive compensation programs are designed to attract and retain key executive officers critical to our long-term success, to recognize and reward overall company performance and each executive officer's individual performance and level of responsibility, as well as to align our executive officers' incentives with stockholders' interests.

The "Executive and Director Compensation and Related Matters" section of this proxy statement beginning on page 21, including "Compensation Discussion and Analysis," describes in detail our executive compensation programs and the decisions made by the compensation committee and our board of directors with respect to the fiscal year ended December 31, 2013.

As we describe in the Compensation Discussion and Analysis, our executive compensation program embodies a pay-for-performance philosophy that supports our business strategy and aligns the interests of our executives with our stockholders. Our board of directors believes this link between compensation and the achievement of our near- and long-term business goals has helped drive our performance over time. At the same time, we believe our program does not encourage excessive risk-taking by management. In 2013, the compensation committee adhered to its long-standing pay-for-performance philosophy. As such, a significant portion of total 2013 executive compensation was comprised of cash incentives and long-term compensation based on corporate performance. We and our collaborators achieved a number of key corporate goals and objectives in 2013, including our strengthening of our capital position by raising gross proceeds of approximately \$16.9 million under an at-the-market sales agreement, controlling our cost and expenses, and enhancing our management and development team through several key hires in 2013, including Ali Fattaey, president and chief operating officer, Jaye Viner, M.D., executive vice president and chief medical officer, Mani Mohindru, Ph.D., vice president of corporate strategy and investor relations, and Tania Chander, Pharm.D., vice president of product development. We also appointed Kenneth Pienta, M.D. to our board of directors. We began a phase I clinical study of CUDC-907, our dual HDAC and PI3K inhibitor, and presented interim data from this study at the Annual Meeting of the American Society of Hematology. We initiated a phase I study of CUDC-427 in patients with relapsed/refractory solid tumors or lymphoma. Subsequently, in November 2013, the FDA placed this phase I study on partial clinical hold following the report of death of a patient who progressed to liver failure. In February 2014, we responded to FDA's request for additional data and analysis and also submitted an

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amendment to the current study protocol. In March, the FDA lifted the partial clinical hold and we expect to re-initiate enrollment in the single agent clinical trial shortly.

Erivedge, a hedgehog pathway inhibitor, was approved by health authorities in several countries including approval for marketing registration by Australia's Therapeutic Goods Administration (TGA) and also conditional approval from the European Commission for the treatment of adults with severe forms basal cell carcinoma, which we refer to as advanced basal cell carcinoma. We received an aggregate of \$10 million in milestone payments and recorded \$3.9 million in royalty revenues from Genentech and Roche's 2013 net sales of Erivedge under this collaboration. Roche also continued to invest in additional studies with Erivedge in 2013, initiating a phase 1b/2 study in patients with relapsed or refractory acute myelogenous leukemia and high-risk myelodysplastic syndrome. In addition, our licensee Debiopharm completed a phase 1b expansion study of Hsp90 inhibitor Debio 0932 as well as initiated a phase I clinical study of Debio 0932 in patients with advanced kidney cancer.

The average of our executive officers' base salary comprised 33% of total executive officer compensation.

Our board of directors is asking stockholders to approve, on an advisory basis, a non-binding vote on the following resolution:

RESOLVED, that the compensation paid to Curis' named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables and any related material disclosed in this proxy statement, is hereby approved.

As an advisory vote, this proposal is not binding. Neither the outcome of this advisory vote nor of the advisory vote included in Proposal 2 overrules any decision by us or our board of directors (or any committee thereof), creates or implies any change to our fiduciary duties or those of our board of directors (or any committee thereof), or creates or implies any additional fiduciary duties for us or our board of directors (or any committee thereof). However, our compensation committee and board of directors value the opinions expressed by our stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for named executive officers.

## **Board Recommendation**

**OUR BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE TO APPROVE, ON AN ADVISORY BASIS, THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS BY VOTING FOR THIS PROPOSAL.**

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**PROPOSAL 3 RATIFICATION OF THE APPOINTMENT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee has selected PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014. PricewaterhouseCoopers LLP has served as our independent registered public accounting firm since April 26, 2002. Although stockholder approval of the audit committee's selection of PricewaterhouseCoopers LLP is not required by law, the board and the audit committee believe that it is advisable to give stockholders an opportunity to ratify this selection. If the stockholders do not ratify the selection of PricewaterhouseCoopers LLP, the audit committee will reconsider the matter. A representative of PricewaterhouseCoopers LLP is expected to be present at the meeting to respond to appropriate questions and to make a statement if he or she so desires.

**Board Recommendation**

**OUR BOARD OF DIRECTORS BELIEVES THAT THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSE COOPERS LLP AS CURIS' INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2014 IS IN THE BEST INTERESTS OF CURIS AND OUR STOCKHOLDERS AND THEREFORE, RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL.**

**OTHER MATTERS**

The board knows of no other business that will be presented for consideration at the meeting other than that described above. However, if any other business should come before the meeting, it is the intention of the persons named in the enclosed proxy card to vote, or otherwise act, in accordance with their best judgment on such matters.

**Stockholder Proposals for 2015 Annual Meeting**

Any proposal that a stockholder of Curis wishes to be considered for inclusion in our proxy statement and proxy for the 2015 annual meeting of stockholders, including with respect to the nomination of directors, must be submitted to our secretary at our offices, 4 Maguire Road, Lexington, MA 02421, no later than December 10, 2014.

If a stockholder of Curis wishes to present a proposal at the 2015 annual meeting, but does not wish to have the proposal considered for inclusion in our proxy statement and proxy, including with respect to the nomination of directors, such stockholder must also give written notice to our secretary at the address noted above. The secretary must receive such notice not less than 60 days nor more than 90 days prior to the 2015 annual meeting; provided that, in the event that less than 70 days' notice or prior public disclosure of the date of the 2015 annual meeting is given or made, notice by the stockholder must be received not later than the close of business on the 10th day following the date on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever occurs first. The date of our 2015 annual meeting has not yet been established, but assuming it is held on May 21, 2015, in order to comply with the time periods set forth in our by-laws, appropriate notice for the 2015 annual meeting would need to be provided to our secretary no earlier than February 20, 2015, and no later than March 22, 2015. If a stockholder fails to provide timely notice of a proposal to be presented at the 2015 annual meeting, the proxies designated by the board will have discretionary authority to vote on any such proposal.

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### **Solicitation of Proxies**

We will bear the costs of soliciting proxies. In addition to solicitations by mail, our directors, officers and regular employees may, without additional remuneration, solicit proxies by telephone, facsimile and personal interviews. We will also request brokerage houses, custodians, nominees and fiduciaries to forward copies of the proxy material to those persons for whom they hold shares and request instructions for voting the proxies. We will reimburse such brokerage houses and other persons for their reasonable expenses in connection with this distribution.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive 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 our common stock and other equity securities. Based solely on our review of copies of reports filed by the reporting persons furnished to us, we believe that during the fiscal year ended December 31, 2013, the reporting persons complied with all Section 16(a) filing requirements, except as set forth below.

On September 16, 2013, Dr. Pienta acquired 10,000 shares of common stock. On November 8, 2013, Dr. Pienta filed a Statement of Changes in Beneficial Ownership of Securities on Form 4 reflecting this acquisition.

### **Householding of Annual Meeting Materials**

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 this proxy statement or our 2013 annual report to stockholders may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document if you write or call us at the following address or telephone number: 4 Maguire Road, Lexington, MA 02421, Attention: Secretary, (617) 503-6500. If you want separate copies of the proxy statement and 2013 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 or telephone number.

**THE BOARD HOPES THAT STOCKHOLDERS WILL ATTEND THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND, WE URGE YOU TO VOTE YOUR SHARES OVER THE INTERNET OR BY TELEPHONE, OR COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING ENVELOPE. NO POSTAGE NEED BE AFFIXED IF THE PROXY CARD IS MAILED IN THE UNITED STATES. PROMPT RESPONSE WILL GREATLY FACILITATE ARRANGEMENTS FOR THE MEETING AND YOUR COOPERATION IS APPRECIATED. STOCKHOLDERS WHO ATTEND THE MEETING MAY VOTE THEIR STOCK PERSONALLY EVEN THOUGH THEY HAVE VOTED OVER THE INTERNET, BY TELEPHONE OR SENT IN THEIR PROXY CARDS.**

By Order of the Board of Directors,

/s/ Michael P. Gray

Michael P. Gray

Chief Financial Officer

and Chief Business Officer, Secretary

Lexington, Massachusetts

April 9, 2014

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