

AMAG PHARMACEUTICALS INC.  
Form DEF 14A  
April 06, 2009

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**  
(Rule 14a-101)

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**AMAG PHARMACEUTICALS, INC.**

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(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):

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(4) Proposed maximum aggregate value of transaction:

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o 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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**AMAG PHARMACEUTICALS, INC.**

100 Hayden Avenue  
Lexington, Massachusetts 02421

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

*To Be Held On May 5, 2009*

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An Annual Meeting of Stockholders of AMAG Pharmaceuticals, Inc., or the Annual Meeting, will be held at our principal executive offices at 100 Hayden Avenue, Lexington, Massachusetts 02421 on Tuesday, May 5, 2009 at 9:00 a.m., local time, to consider and act upon the following matters:

1. To elect seven members of the Board of Directors to serve until the next Annual Meeting and until their successors have been elected and qualified;
2. To approve an amendment and restatement of our 2007 Equity Incentive Plan to, among other things, increase the number of shares of our common stock available for issuance thereunder by 600,000 shares;
3. To ratify the appointment of PricewaterhouseCoopers LLP as our independent auditor for the year ending December 31, 2009; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Only stockholders of record at the close of business on March 9, 2009 are entitled to notice of, and will be entitled to vote at, the Annual Meeting or any adjournment thereof. A list of the stockholders of record entitled to vote will be available for inspection at our principal executive offices for ten days prior to the Annual Meeting. Our stock transfer books will remain open between the record date and the date of the Annual Meeting.

By Order of the Board of Directors,

Joseph L. Farmer  
*Secretary*

Lexington, Massachusetts  
April 7, 2009

**Whether or not you expect to attend the Annual Meeting, please complete, sign and date the enclosed proxy and mail it promptly in the enclosed envelope in order to assure representation of your shares. No postage need be affixed if the proxy is mailed in the United States. Do not send any certificates with your proxy card. If your shares are held in a bank or brokerage account, you may be eligible to vote via the Internet or by telephone. Please refer to the enclosed form for instructions.**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 5, 2009.**

**This Proxy Statement, the Proxy Card, and the Company's 2008 Annual Report are all available free of charge at [www.amagpharma.com](http://www.amagpharma.com).**



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**AMAG PHARMACEUTICALS, INC.**

**100 Hayden Avenue  
Lexington, Massachusetts 02421**

**PROXY STATEMENT  
FOR THE ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 5, 2009**

**The Annual Meeting**

Our Board of Directors, or the Board, is soliciting your proxy to vote at our Annual Meeting to be held at our principal executive offices at 100 Hayden Avenue, Lexington, Massachusetts 02421 on Tuesday, May 5, 2009 at 9:00 a.m., local time, and at any adjournments or postponements of the Annual Meeting. This Proxy Statement explains the agenda, voting information and procedures. Please read it carefully. This Proxy Statement and accompanying form of proxy was first mailed to our stockholders on or about April 7, 2009.

At the Annual Meeting, the following proposals will be subject to a vote of our stockholders: (i) a proposal to elect Messrs. Joseph V. Bonventre, M.D., Ph.D., Michael Narachi, Brian J.G. Pereira, M.D., Robert J. Perez, Davey S. Scoon, Mark Skaletsky and Ron Zwanziger as directors; (ii) a proposal to amend and restate our 2007 Equity Incentive Plan, or the 2007 Plan, to, among other things, increase the number of shares of our common stock available for issuance thereunder by 600,000 shares; and (iii) a proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent auditor for the year ending December 31, 2009.

In this Proxy Statement, references to "Company," "AMAG," "we," "us," or "our" mean AMAG Pharmaceuticals, Inc.

**Who Is Entitled To Attend And Vote At The Annual Meeting?**

Only stockholders of record at the close of business on March 9, 2009, or the Record Date, are entitled to attend and vote at the Annual Meeting. On the Record Date, there were 17,024,284 shares of common stock outstanding and entitled to vote.

If on the Record Date your shares were registered directly in your name with our transfer agent/registrar, American Stock Transfer and Trust Company, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card to ensure your vote is counted.

If on the Record Date your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer or similar organization, then you are the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the Annual Meeting.

**How Many Votes Do I Have?**

Each stockholder is entitled to one vote for each share of common stock held by such stockholder on the Record Date.

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**What Materials Should I Be Receiving In Connection With The Annual Meeting?**

Our Annual Report, including audited financial statements for the year ended December 31, 2008, is being mailed to you along with this Proxy Statement. This Proxy Statement and the accompanying form of proxy was first mailed to our stockholders on or about April 7, 2009.

In order to reduce printing and postage costs, Broadridge Financial Solutions, Inc., or Broadridge, which handles the mailing of our Annual Report and proxy materials to those who hold our shares through a broker or bank or in "street name," has undertaken an effort to deliver only one Annual Report and one Proxy Statement to multiple stockholders who hold their shares in street name and who share the same address. This delivery method, called "householding," is not used if Broadridge has received contrary instructions from one or more of our stockholders who share an address. If you are eligible for householding, but you and other stockholders with whom you share an address wish to receive more than one copy of our Annual Report and Proxy Statement, please contact our Investor Relations Department at (617) 498-3300 or 100 Hayden Avenue, Lexington, Massachusetts, 02421, attention: Investor Relations Department. We do not provide for householding directly for stockholders of record.

If your household has received only one Annual Report and one Proxy Statement, we will promptly deliver a separate copy of the Annual Report and the Proxy Statement at no charge to any stockholder who sends a written request to our principal executive offices at 100 Hayden Avenue, Lexington, Massachusetts, 02421, attention: Investor Relations Department, or calls our Investor Relations Department at (617) 498-3300 and requests a separate copy. You may also notify Broadridge that you would like to receive separate copies of our Annual Report and Proxy Statement in the future by writing or calling your bank or broker. Even if your household has received only one Annual Report and one Proxy Statement, a separate proxy card should have been provided for each stockholder account. Each proxy card should be signed, dated, and returned in the enclosed self-addressed envelope.

If you currently receive multiple copies of our Annual Report and Proxy Statement at your address and would like to request "householding" of your communications, please contact your bank or broker. Once you have elected "householding" of your communications, "householding" will continue until you are notified otherwise or until you revoke your consent.

**How Do I Vote?**

If you are a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the Annual Meeting, we urge you to complete, sign and date the enclosed proxy card and return it in the envelope provided. No postage is required if your proxy card is mailed in the United States. You may still attend the Annual Meeting and vote in person even if you have already voted by proxy. If you plan to attend the Annual Meeting and vote in person, we will give you a ballot or a new proxy card when you arrive.

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization. Simply complete and mail the proxy card to ensure that your vote is counted. You may still attend the Annual Meeting and vote in person even if you have already voted by proxy. However, if your shares are held in the name of your broker, bank or other agent, you must bring an account statement or letter from the agent indicating that you were the beneficial owner of the shares on the Record Date for voting at the Annual Meeting. Positive identification will be required to vote your shares in person.

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Where you have specified a choice on the accompanying proxy card with respect to the proposals, your shares will be voted in accordance with your specifications. If you sign the proxy card but do not make specific choices, your shares will be voted in favor of each of the proposals.

If any other matter should be presented at the Annual Meeting upon which a vote properly may be taken, your shares will be voted in accordance with the judgment of the persons named in your proxy. At present, the Board knows of no other matters to be presented at the Annual Meeting.

**What If I Get More Than One Proxy Card?**

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return all proxy cards to be sure that all of your shares are voted.

**Can I Change My Vote After I Return My Proxy Card?**

Yes. You may change your vote at any time before the final vote at the Annual Meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

You may submit another properly completed proxy card with a later date.

You may provide timely written notice to us that you are revoking your proxy. Such notice should be sent to our principal executive offices at 100 Hayden Avenue, Lexington, MA 02421, attention: Secretary.

You may attend the Annual Meeting and vote in person. Simply attending the meeting will not, in itself, revoke your proxy.

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

**Can I Vote By Telephone Or Electronically?**

A large number of banks and brokerage firms are participating in Broadridge's online program. This program provides eligible stockholders the opportunity to vote via the Internet or by telephone. If your bank or brokerage firm is participating in Broadridge's program, your voting form will provide instructions. If your voting form does not reference Internet or telephone information, please complete and return the paper proxy card in the self-addressed, postage-paid envelope provided.

**How Do I Vote If My Shares Are Held By My Broker?**

If your shares are held by your broker in "street name," you will need to instruct your broker how to vote your shares in the manner provided by your broker. Your broker may also offer Internet or telephonic voting, as described above.

**What Are "Broker Non-Votes" and What Discretion Does My Broker Have To Vote My Shares Held In "Street Name?"**

Broker non-votes occur when a beneficial owner of shares held in "street name" does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed "non-routine." Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be "routine," but not with respect to "non-routine" matters. Under the rules and interpretations of the New York Stock Exchange, which govern this issue regardless of the exchange on which the company is listed, "non-routine" matters are generally those involving a contest



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or a matter that may substantially affect the rights or privileges of stockholders, such as mergers or stockholder proposals.

Most brokers are permitted to vote your shares with respect to the election of directors and the ratification of our appointment of PricewaterhouseCoopers LLP as our independent auditor for the year ending December 31, 2009, even if they do not receive instructions from you in a timely manner, so long as they hold your shares in their name and have requested your instructions. There are, however, certain matters, such as the proposed amendment and restatement of our 2007 Plan, with respect to which brokers may not have authority, discretionary or otherwise, to vote your shares unless they receive proper instructions to do so from you in a timely manner.

**How Many Votes Are Required To Approve Each Proposal?**

***For the election of directors.*** Our directors are elected by a plurality of the votes cast by stockholders entitled to vote at the Annual Meeting. If you do not vote for a particular nominee, or you withhold authority for one or all nominees, your vote will not count either "for" or "against" the nominee, although it will be counted for purposes of determining whether there is a quorum.

***For the approval of amendment and restatement of our 2007 Plan.*** The affirmative vote of the holders of a majority of the shares of common stock present or represented and voting, at the Annual Meeting is required to approve the proposed amendment and restatement of our 2007 Plan. Broker "non-votes" are not considered to have been voted "for" or "against" this proposal and have the practical effect of reducing the number of affirmative votes required to approve the amendment and restatement of our 2007 Plan. Abstentions, however, are included in the number of shares present or represented and voting on this matter. Therefore, abstentions have the effect of a vote "against" approval of the amendment and restatement of our 2007 Plan.

***For the ratification of the appointment of PricewaterhouseCoopers LLP.*** The affirmative vote of the holders of a majority of the shares of common stock present or represented and voting at the Annual Meeting is required to ratify the appointment of PricewaterhouseCoopers LLP as our independent auditor for the year ending December 31, 2009. Broker "non-votes" are not considered to have been voted "for" or "against" this proposal and have the practical effect of reducing the number of affirmative votes required to approve the ratification of the appointment of PricewaterhouseCoopers LLP. Abstentions, however, are included in the number of shares present or represented and voting on each matter. Therefore abstentions have the effect of a vote "against" approval of the ratification of the appointment of PricewaterhouseCoopers LLP.

***For other matters.*** The affirmative vote of the holders of a majority of the shares of common stock present or represented and voting at the Annual Meeting is required for approval of all other matters, if any, to be submitted to stockholders at the Annual Meeting. Broker "non-votes" are not considered to have been voted "for" or "against" any matter and have the practical effect of reducing the number of affirmative votes required to achieve a majority for such matter. Abstentions, however, are included in the number of shares present or represented and voting on each matter. Therefore, abstentions have the effect of a vote "against" any such matter. At present, the Board knows of no other matters to be presented for stockholder action at the Annual Meeting.

**What Constitutes A Quorum At The Annual Meeting?**

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if stockholders holding at least a majority of the shares of common stock outstanding on the Record Date are present at the Annual Meeting in person or represented by proxy. On the Record Date, there were 17,024,284 shares of our common stock outstanding and entitled to vote.

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Your shares will be counted toward the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted toward the quorum requirement.

**How Are We Soliciting Proxies And Tabulating Votes?**

We will bear all costs of solicitation of proxies. In addition, we have retained Georgeson Inc. to assist us in the mailing and distribution of our proxy materials and to solicit proxies on our behalf. We have agreed to pay approximately \$12,500, plus out-of-pocket expenses, to Georgeson Inc. for such proxy solicitation services. In addition to solicitations by mail, our directors, officers and employees, without additional remuneration, may solicit proxies through telephone and in-person conversations. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of stock held in their names.

Votes will be tabulated by American Stock Transfer and Trust Company as our Transfer Agent/Registrar.

**How Can I Find Out The Results Of The Voting At The Annual Meeting?**

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in our quarterly report on Form 10-Q for the quarter ended June 30, 2009.

**When Are Stockholder Proposals And Director Nominations Due For Next Year's Annual Meeting?**

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing to our principal executive offices at 100 Hayden Avenue, Lexington, MA 02421, attention: Secretary and must be received by us no later than December 8, 2009. In order to curtail controversy as to the date on which a proposal was received by us, we suggest that you submit your proposals by registered mail, return receipt requested. Proposals must satisfy the procedures set forth in Rule 14a-8 under the Securities Exchange Act of 1934, or the Exchange Act.

If you wish to submit a proposal that is not to be included in next year's proxy materials or wish to nominate a director, you must submit such proposal or nomination in writing to our principal executive offices at 100 Hayden Avenue, Lexington, MA 02421, attention: Secretary and such proposal or nomination must be received by us no earlier than January 5, 2010 and no later than February 4, 2010 and must satisfy the requirements described below under "Stockholder Recommendations For Nominees As Directors and the Proposal of other Business." If the date of next year's annual meeting of stockholders is advanced by more than 30 days or delayed by more than 30 days after the anniversary of our 2009 Annual Meeting, any stockholder recommendation or proposal must be received by us no earlier than the close of business on the 120th day prior to such advanced or delayed annual meeting date and no later than the close of business on the later of (i) the 90th day prior to such advanced or delayed annual meeting date or (ii) the 10th day following the first public announcement of the meeting date.

You are also advised to review our by-laws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

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The following table sets forth information regarding the beneficial ownership of our common stock by certain individuals and entities. In general, "beneficial ownership" includes those shares a person or entity has the power to vote or transfer, and stock options and similar rights that are exercisable currently or within 60 days of the Record Date and restricted stock units, or RSUs, which are expected to vest within 60 days of the Record Date. The Record Date for the Annual Meeting was March 9, 2009. As of the Record Date, there were 17,024,284 shares of our common stock outstanding. The following table shows the amount of our common stock beneficially owned as of the Record Date by:

each person known by us to own beneficially more than 5% of our common stock;

each of our directors and nominees for director;

each of our named executive officers listed in the Summary Compensation Table included in this Proxy Statement; and

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

| Name and Address of Beneficial Owner(1)   | Number of<br>Shares<br>Beneficially<br>Owned | Percentage<br>of<br>Common<br>Stock<br>Outstanding |
|---|--|--|
| FMR LLC(2)<br>82 Devonshire Street<br>Boston, MA 02109  | 2,549,136                                    | 15.0%  |
| Adage Capital Advisors, LLC(3)<br>200 Clarendon Street, 52 <sup>nd</sup> Floor<br>Boston, MA 02116    | 2,047,184                                    | 12.0%  |
| Steven A. Cohen(4)<br>72 Cummings Point Road<br>Stamford, CT 06902                                    | 1,465,500                                    | 8.6%   |
| Standard Life Investments(5)<br>1 George Street<br>Edinburgh<br>EH2 2LL<br>Scotland<br>United Kingdom | 1,145,194                                    | 6.7%   |
| Domenic J. Ferrante(6)<br>111 Huntington Avenue<br>Boston, MA 02199                                   | 1,124,941                                    | 6.6%   |
| Prudential Financial, Inc.(7)<br>751 Broad Street<br>Newark, NJ 07102                                 | 1,110,851                                    | 6.5%   |
| Jennison Associates LLC(8)<br>466 Lexington Avenue<br>New York, NY 10017                              | 1,110,200                                    | 6.5%   |
| Barclays Global Investors, NA(9)<br>400 Howard Street<br>San Francisco, CA 94105                      | 985,476                                      | 5.8%   |
| William Leland Edwards(10)<br>470 University Avenue<br>Palo Alto, CA 94301                            | 915,529                                      | 5.4%   |
| Brian J.G. Pereira, M.D.(11)  | 382,250                                      | 2.2%   |
| David A. Arkowitz(12)   | 38,986                                       | *  |
| Timothy G. Healey(13)   | 35,399                                       | *  |



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| Name and Address of Beneficial Owner(1)  | Number of<br>Shares<br>Beneficially<br>Owned | Percentage<br>of<br>Common<br>Stock<br>Outstanding |
|--|--|--|
| Michael D. Loberg, Ph.D.(14)   | 22,638                                       | *  |
| Louis Brenner, M.D.(15)  | 22,208                                       | *  |
| Lee F. Allen, M.D., Ph.D.(16)  | 19,294                                       | *  |
| Mark Skaletsky(17)   | 18,442                                       | *  |
| Ron Zwanziger(18)  | 5,205  | *  |
| Michael Narachi(19)  | 5,205  | *  |
| Davey S. Scoon(20)   | 3,868  | *  |
| Joseph V. Bonventre, M.D., Ph.D.(21)   | 2,250  | *  |
| Robert J. Perez  |  | *  |
| All directors, nominees for director and executive officers as a group<br>(15 persons)(22) | 575,370                                      | 3.3%   |

\*

Less than 1%.

(1)

Unless otherwise indicated, each stockholder referred to above has sole voting and investment power with respect to the shares listed and the address of each stockholder is: c/o AMAG Pharmaceuticals, Inc., 100 Hayden Avenue, Lexington, Massachusetts 02421.

(2)

Based solely upon a Schedule 13G filed with the Securities and Exchange Commission, or the SEC, on February 17, 2009. Includes 2,461,890 shares beneficially owned by Fidelity Management & Research Company, or Fidelity, a wholly-owned subsidiary of FMR LLC and an investment advisor registered under Section 203 of the Investment Advisers Act of 1940, as amended, 1,700,128 shares beneficially owned by Fidelity Aggressive Growth Fund, an investment company registered under the Investment Company Act of 1940, as amended, 86,266 shares beneficially owned by Pyramis Global Advisors Trust Company, an indirect wholly-owned subsidiary of FMR LLC and a bank as defined under Section 3(a)(6) of the Exchange Act, and 980 shares beneficially owned by FIL Limited, or FIL. FMR LLC has sole voting power with respect to 89,776 of the shares and sole dispositive power with respect to 2,549,136 of the shares. Edward C. Johnson 3<sup>rd</sup> and FMR LLC, through its control of Pyramis Global Advisors Trust Company, each has sole voting and sole dispositive power with respect to 86,266 of the shares. Edward C. Johnson 3<sup>rd</sup> and FMR LLC, through its control of Fidelity, and the funds each has sole power to dispose of the 2,461,890 shares owned by the funds.

(3)

Based solely upon a Schedule 13G filed with the SEC on March 3, 2009. Includes 2,047,184 shares beneficially owned by each of Adage Capital Partners, L.P., or ACP, Adage Capital Partners GP, L.L.C., or ACPGP, Adage Capital Advisors, L.L.C., or ACA, Phillip Gross and Robert Atchinson. ACPGP is the General Partner of ACP. ACA is the managing member of ACPGP. Phillip Gross and Robert Atchinson are managing members of ACA. Each of the foregoing have shared voting power and shared dispositive power with respect to the shares.

(4)

Based solely upon a Schedule 13G filed with the SEC on January 23, 2009. Includes 215,500 shares beneficially owned by each of S.A.C. Capital Advisors, L.P., or SAC Capital LP, and S.A.C. Capital Advisors, Inc., or SAC Capital Inc., 750,000 shares beneficially owned by CR Intrinsic Investors, LLC, or CR Intrinsic Investors, and 500,000 shares beneficially owned by Sigma Capital Management, LLC, or Sigma Management. SAC Capital LP, SAC Capital Inc., CR Intrinsic Investors, Sigma Management and Mr. Cohen own no shares directly. Pursuant to an investment management agreement, SAC Capital LP maintains investment and voting power with respect to the securities held by SAC Capital Associates, LLC, or SAC Capital Associates. SAC Advisors Inc. is the general partner of SAC Capital LP. Pursuant to an investment management agreement, Sigma Management maintains investment and voting power with respect to the securities held by Sigma Capital Associates, LLC, or Sigma Capital Associates. Pursuant to an investment management agreement, CR Intrinsic Investors maintains investment and voting power with

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respect to the securities held by CR Intrinsic Investments. Mr. Cohen controls each of SAC Capital Inc., CR Intrinsic Investors and Sigma Management. CR Intrinsic Investments is a wholly owned subsidiary of SAC Capital Associates. The principal business address of Sigma Management is 540 Madison Avenue, New York, New York 10022.

- (5) Based solely upon a Schedule 13G filed with the SEC on February 13, 2009.
- (6) Based solely upon a Schedule 13G filed with the SEC on February 17, 2009. Includes 1,124,941 shares beneficially owned by Brookside Capital Partners Fund, L.P., or the Brookside Fund. Brookside Capital Investors, L.P., or Brookside Investors, is the sole general partner of the Brookside Fund. Brookside Capital Management, LLC, or Brookside Management, is the sole general partner of Brookside Investors. Mr. Domenic J. Ferrante is the sole managing member of Brookside Management. According to the Schedule 13G, the Brookside Fund acts by and through its general partner, Brookside Investors; Brookside Investors acts by and through its general partner, Brookside Management; and as the sole managing member of Brookside Management, Mr. Ferrante is the controlling person of Brookside Management.
- (7) Based solely upon a Schedule 13G filed with the SEC on February 6, 2009. Prudential Financial, Inc. is a parent holding company and the direct or indirect parent of the following registered investment advisors and broker dealers: The Prudential Insurance Company of America; Prudential Investment Management, Inc., Jennison Associates LLC, Prudential Bache Asset Management, Inc., Prudential Investments LLC, Prudential Private Placement Investors, L.P., Pruco Securities, LLC, Prudential Investment Management Services LLC, AST Investment Services, Inc., Prudential Annuities Distributors, Inc., Quantitative Management Associates LLC, Prudential International Investments Advisers, LLC, Global Portfolio Strategies, Inc., Prudential Bache Securities, LLC, and Prudential Bache Commodities, LLC. Prudential Financial, Inc. may be deemed the beneficial owner of securities beneficially owned by these registered investment advisors and broker dealers and may have direct or indirect voting and/or investment discretion over 1,110,851 shares which are held for its own benefit or for the benefit of its clients by its separate accounts, externally managed accounts, registered investment companies, subsidiaries and/or other affiliates. Jennison Associates LLC is an investment adviser to several investment companies, insurance separate accounts and institutional clients and is the beneficial owner of 1,110,200 of the shares reported by Prudential Financial, Inc.
- (8) Based solely upon a Schedule 13G filed with the SEC on February 13, 2009. Jennison Associates LLC, or Jennison, furnishes investment advice to several investment companies, insurance separate accounts, and institutional clients. As a result of its role as investment adviser, Jennison may be deemed to be the beneficial owner of the shares of the Company held by such client. Prudential Financial, Inc., or Prudential, indirectly owns 100% of the equity interests of Jennison. As a result, Prudential may be deemed to have the power to exercise or to direct the exercise of such voting and/or dispositive power that Jennison may have with respect to the Company's shares held by Jennison's clients. Jennison does not file jointly with Prudential, as such, shares of the Company's stock reported on Jennison's Schedule 13G may be included in the shares reported on the Schedule 13G filed by Prudential.
- (9) Based solely upon a Schedule 13G filed with the SEC on February 5, 2009. Includes 382,662 shares beneficially owned by Barclays Global Investors, NA and 602,814 shares beneficially owned by Barclays Global Fund Advisors.
- (10) Based solely upon a Schedule 13G filed with the SEC on February 13, 2009. Includes 910,829 shares beneficially owned by each of Palo Alto Investors, Palo Alto Investors, LLC and Anthony Joonkyoo Yun, MD. Palo Alto Investors is the manager of Palo Alto Investors, LLC, a registered investment advisor. William Leland Edwards is the controlling shareholder of Palo Alto Investors. Dr. Yun is the President of Palo Alto Investors and Palo Alto Investors, LLC. Mr. Edwards has sole voting power and sole dispositive power with respect to 4,700 of the shares.

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- (11) Includes 32,967 shares held in Dr. Pereira's grantor retained annuity trust, of which Dr. Pereira is the sole trustee. Dr. Pereira maintains sole investment and voting power with respect to the shares held by the trust. Also includes 349,283 shares issuable to Dr. Pereira pursuant to options currently exercisable or exercisable within 60 days of the Record Date and RSUs expected to vest within 60 days of the Record Date.
- (12) Includes 35,500 shares issuable to Mr. Arkowitz pursuant to options currently exercisable or exercisable within 60 days of the Record Date and RSUs expected to vest within 60 days of the Record Date.
- (13) Includes 35,000 shares issuable to Mr. Healey pursuant to options currently exercisable or exercisable within 60 days of the Record Date.
- (14) Comprised of 22,638 shares issuable to Dr. Loberg pursuant to options currently exercisable or exercisable within 60 days of the Record Date.
- (15) Includes 21,500 shares issuable to Dr. Brenner pursuant to options currently exercisable or exercisable within 60 days of the Record Date.
- (16) Includes 17,500 shares issuable to Dr. Allen pursuant to options currently exercisable or exercisable within 60 days of the Record Date.
- (17) Comprised of 18,442 shares issuable to Mr. Skaletsky pursuant to options currently exercisable or exercisable within 60 days of the Record Date.
- (18) Comprised of 5,205 shares issuable to Mr. Zwanziger pursuant to options currently exercisable or exercisable within 60 days of the Record Date. Excludes 2,500 shares held in trust for the benefit of Mr. Zwanziger's children. Mr. Zwanziger's sister maintains sole investment and voting power with respect to the shares held by the trust.
- (19) Comprised of 5,205 shares issuable to Mr. Narachi pursuant to options currently exercisable or exercisable within 60 days of the Record Date.
- (20) Comprised of 3,868 shares issuable to Mr. Scoon pursuant to options currently exercisable or exercisable within 60 days of the Record Date.
- (21) Comprised of 2,250 shares issuable to Dr. Bonventre pursuant to options currently exercisable or exercisable within 60 days of the Record Date.
- (22) Includes 536,016 shares issuable pursuant to options currently exercisable or exercisable within 60 days of the Record Date and RSUs expected to vest within 60 days of the Record Date.

\* \* \* \* \*

\* \* \* \* \*

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

## Edgar Filing: AMAG PHARMACEUTICALS INC. - Form DEF 14A

Section 16(a) of the Exchange Act requires our directors, executive officers and holders of more than 10% of our common stock, referred to herein as "Reporting Persons," to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Such persons are required by regulations of the SEC to furnish us with copies of all such filings. Based on our review of the copies of such filings received by us with respect to the year ended December 31, 2008, and written representations from our directors and executive officers who served in such capacity during the year ended December 31, 2008, we believe that all Reporting Persons complied with all Section 16(a) filing requirements for the year ended December 31, 2008, except that David A. Arkowitz, our Chief Financial Officer, inadvertently filed a Form 4 one week late in 2008 due to an administrative error.



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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Related Person Transactions Policy and Procedures**

Related person transactions have the potential to create actual or perceived conflicts of interest between the Company and its directors and executive officers or their immediate family members. In accordance with our policy regarding related person transactions and its charter, the Audit Committee is charged with the responsibility of reviewing and approving or ratifying any related person transactions. To assist in identifying such transactions, the Company distributes questionnaires to its directors and officers on an annual basis.

Current SEC rules define a related person transaction to include any transaction, arrangement or relationship in which the Company is a participant and in which any of the following persons has or will have a direct or indirect interest:

an executive officer, director or director nominee of the Company;

any person who is known to be the beneficial owner of more than 5% of the Company's common stock;

any person who is an immediate family member (as defined under Item 404 of Regulation S-K) of an executive officer, director or director nominee or beneficial owner of more than 5% of the Company's common stock; or

any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person, together with any of the foregoing persons, has a 5% or greater beneficial ownership interest.

On March 25, 2008, our Board adopted a written related person transactions policy, which provides that any related person transaction shall be consummated or shall continue only if:

the Audit Committee approves or ratifies such transaction in accordance with our related person transactions policy and if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third person;

the transaction is approved by the majority of the disinterested members of the Board; or

if the transaction involves compensation, it is approved by the Compensation Committee or the Board.

The policy defines related persons to include those defined as such under the current SEC rules described above and a related person transaction as a transaction between the Company and any related person (including those transactions defined as related person transactions under the current SEC rules), provided that transactions between a related person and the Company that are available to all employees generally and transactions with a related person in a given fiscal year that involve an aggregate of less than \$10,000 must be reported to the Board but do not require approval under the policy.

Under the policy, related person transactions should be submitted to the Audit Committee for approval or preliminarily entered into by management subject to ratification by the Audit Committee, provided, that, if such ratification shall not be forthcoming, management must make all reasonable efforts to cancel or annul such transaction. In determining whether to approve a related person transaction, consideration is given to whether approval thereof would affect the independent status of any current member of our Board. If approval of a transaction would cause less than a majority of our Board to be independent, such transaction will not be approved.

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**Transactions with Related Persons**

In accordance with our related person transactions policy, on August 5, 2008, our Board, based on the unanimous recommendation and approval of the Compensation and Audit Committees, approved a one year consulting agreement between us and Mr. Narachi, a member of our Board of Directors. Under the terms of the consulting arrangement, Mr. Narachi provides our Commercial Operations department with advice and consultation with respect to the expected Feraheme (ferumoxytol injection) commercial launch. In exchange for his time and effort, the Board authorized the issuance to Mr. Narachi of a non-qualified stock option to purchase 2,000 shares of our common stock at an exercise price equal to \$41.57 per share, which was equal to the fair market value of a share of our common stock on the date of grant. The foregoing option will vest in full on the one year anniversary of the grant date to coincide with the expected period of performance under the consulting agreement. The Board, Audit Committee and Compensation Committee felt that this consulting arrangement was warranted given Mr. Narachi's unique expertise and experience in launching and commercializing pharmaceutical products in the nephrology market and the need to compensate Mr. Narachi for his additional time commitment in connection therewith.

Additionally, we have entered into indemnification agreements with all of our directors and our executive officers. We also intend to execute these agreements with our future executive officers and directors. See "Limitation of Liability and Indemnification" below for a description of the terms of such indemnification arrangements.

We have also entered into certain arrangements with our executive officers with respect to change of control and severance arrangements. See the section below entitled "Change of Control and Severance Payments" and "Potential Payments Upon Termination or Change of Control" for a description of the terms of such arrangements.

We also regularly grant stock options to our executive officers and our non-employee directors. See "Director Compensation" and "Executive Officers and Compensation" below for a description of our general policies and practices with respect to such grants.

**LIMITATION OF LIABILITY AND INDEMNIFICATION**

Section 145 of the General Corporation Law of Delaware empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation or another enterprise if serving at the request of the corporation. Depending on the character of the proceeding, a corporation may indemnify against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if the person indemnified acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. In the case of an action by or in the right of the corporation, no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine that despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses that the court shall deem proper. Section 145 further provides that to the extent a present or former director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to above, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him or her in connection therewith.

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Our Certificate of Incorporation, as amended, provides that we shall, to the fullest extent permitted by law, indemnify all of our directors, officers, employees and agents. The Certificate of Incorporation also contains a provision eliminating the liability of our directors to the Company or our stockholders for monetary damage, to the fullest extent permitted by law. The Certificate of Incorporation also permits us to maintain insurance to protect the Company and any director, officer, employee or agent against any liability, whether or not we would have the power to indemnify such persons under the General Corporation Law of Delaware. The Certificate of Incorporation also permits us to enter into agreements with any director, officer, employee or agent providing for indemnification rights equivalent to or greater than the indemnification rights set forth in the Certificate of Incorporation. We have entered into indemnification agreements with all of our directors and our executive officers and certain of our employees.

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**PROPOSAL 1: ELECTION OF DIRECTORS**

You are being asked to vote for seven directors at this Annual Meeting. The persons named in the enclosed proxy will vote to elect as directors the seven nominees named below, all of whom are currently directors of the Company, unless you withhold authority to vote for the election of any or all of the directors by marking the proxy to that effect.

Each director elected will hold office until the next annual meeting of stockholders and until his successor is elected and qualified, or until his earlier death, resignation or removal. Each of the nominees has indicated his willingness to serve, if elected, but if a nominee should be unable to serve, the proxies may be voted for a substitute nominee designated by us.

Set forth below are the name and age of each nominee and the positions and offices held by him, his principal occupation and business experience during the past five years and the year of the commencement of his term as a director of the Company.

**Joseph V. Bonventre, M.D., Ph.D.**, age 59, has been a director since February 2008. Dr. Bonventre has been the Director of the Renal Division of the Brigham and Women's Hospital since 2002, and has been the Robert H. Ebert Professor of Medicine at Harvard Medical School and Professor of Health Sciences and Technology at the Massachusetts Institute of Technology for the past ten years. He has also been elected to the American Society of Clinical Investigation, the Association of American Physicians and the American Institute for Medical and Biological Engineering, and is a member of the Council of the American Society of Nephrology. Dr. Bonventre became the Chair of the Kidney Group of the Harvard Stem Cell Initiative in 2004 and the co-chair of the Stem Cell, Regenerative Medicine and Tissue Engineering Center of the Brigham and Women's Hospital Research Institute in 2005 and co-chair of the Technology in Medicine initiative at the Brigham and Women's Hospital in 2007. Dr. Bonventre has also been a charter member of the Board of Directors of the National Space Biology Research Institute and the Board of Advisors of the Dean of the School of Engineering at Cornell University for the past ten and five years, respectively. He also co-founded Patientkeeper Inc., a provider of integrated physician information systems, in the 1990s and Pacific Biosciences, Inc., a private biotechnology company, in 2002, and has been a member of the Scientific Advisory Board of a number of biotechnology companies. Dr. Bonventre holds a B.S. in Engineering Physics from Cornell University and an M.D. and Ph.D. in Biophysics from Harvard University.

**Michael Narachi**, age 49, has been a director since November 2006. Mr. Narachi has served as Chairman, Chief Executive Officer and President of Ren Pharmaceuticals, Inc., a private biotechnology company, since 2006. He has served as Chairman of the Board of Naryx Pharma, Inc., a private pharmaceutical company, since August 2004. In 2004, Mr. Narachi retired as an officer and Vice President of Amgen Inc., or Amgen, a leading therapeutics company, where he served as General Manager of Amgen's Anemia Business from 1999 to 2004. Mr. Narachi joined Amgen in 1984 and held various positions throughout the organization including: Product Development Team Leader for NEUPOGEN®; Director of Clinical Operations in Thousand Oaks, CA and Cambridge, UK; Vice President of Development and Representative Director for Amgen Japan; Head of Corporate Strategic Planning; Chief Operations Officer of Amgen BioPharma; and Vice President, Licensing and Business Development. Mr. Narachi received a B.S. and M.A. degree in Molecular Genetics from the University of California at Davis. He completed the Executive M.B.A. program at the Anderson Graduate School of Management at University of California, Los Angeles.

**Brian J.G. Pereira, M.D.**, age 50, has been a director since July 2004. Dr. Pereira has been President of the Company since November 2005 and Chief Executive Officer of the Company since November 2006. Prior to joining the Company, he was President and Chief Executive Officer of the New England Health Care Foundation, a physician's group at Tufts-New England Medical Center, from 2001 to 2005, and held various other positions at Tufts-New England Medical Center from 1993 to 2001. He is a Professor of Medicine at Tufts University School of Medicine and at the Sackler School

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of Biomedical Sciences of Tufts University. Dr. Pereira served as President of the National Kidney Foundation from 2002 to 2004, and has served on the editorial board of twelve scientific journals. He also serves as a director of Biodel, Inc., a pharmaceutical company, Tengion Inc., a private regenerative medicine company and Satellite Health Care Inc., a non-profit dialysis provider. In addition, Dr. Pereira is Chairman of the Board of the Harvard-MIT Biomedical Enterprise Program. Dr. Pereira graduated from St. John's Medical College, Bangalore, India and received his M.B.A. from the Kellogg School of Management, Northwestern University.

**Robert J. Perez**, age 44, has been a director since January 2009. He is currently Executive Vice President and Chief Operating Officer of Cubist Pharmaceuticals, Inc. or Cubist, a pharmaceutical company. Mr. Perez joined Cubist in 2003 as Senior Vice President, Sales and Marketing, and led the launch of Cubicin® (daptomycin for injection). Prior to joining Cubist, he served as Vice President of Biogen, Inc.'s CNS Business Unit from 2001-2003, where he was responsible for commercial leadership of an \$800 million neurology business unit and from 1995-2001 he held positions of increasing responsibility within the commercial organization. From 1987 to 1995 Mr. Perez held various sales and marketing positions at Zeneca Pharmaceuticals. He is also a former director for Epix Pharmaceuticals, Inc., a biopharmaceutical company. Mr. Perez received a B.S. from California State University, Los Angeles and an M.B.A. from the Anderson Graduate School of Management at the University of California, Los Angeles.

**Davey S. Scoon, CPA**, age 62, has been a director since December 2006. Mr. Scoon serves as Chairman of the Board of Directors of Tufts Health Plan, where he has been a director since 1981. He also serves as a member of the Board of Directors of NitroMed, Inc., a pharmaceutical company, Inotek Pharmaceuticals Corporation, a private pharmaceutical company, and as Chairman of the Board of Trustees of Allianz Funds, a registered investment company consisting of 33 mutual funds. He is also an Adjunct Assistant Professor at Tufts University School of Medicine. From 2003 to 2005, Mr. Scoon was Chief Administrative and Financial Officer of Tom's of Maine, a company that manufactures natural care products. From 2001 to 2003, Mr. Scoon served as Chief Financial and Administrative Officer for Sun Life Financial U.S. and from 1999 to 2001, Mr. Scoon served as Vice President and Chief Financial Officer for Sun Life Financial U.S. From 1985 to 1999, Mr. Scoon was employed by Liberty Funds Group of Boston (formerly Colonial Management) as Executive Vice President and Chief Operating Officer. Mr. Scoon holds a B.B.A. from the University of Wisconsin and an M.B.A. from the Harvard Business School.

**Mark Skaletsky**, age 60, has been a director since 2003. Since March 2008, Mr. Skaletsky has served as the Chief Executive Officer of Fenway Pharmaceuticals, Inc., a pharmaceutical company. Previously, he was President, Chairman and Chief Executive Officer of Trine Pharmaceuticals, Inc. (f/k/a Essential Therapeutics, Inc.), a private biopharmaceutical company, from 2001 to 2008. From 1993 to 2000, Mr. Skaletsky was the President and Chief Executive Officer of GelTex Pharmaceuticals, Inc., which was acquired by Genzyme Corporation in 2000. Prior to that, he served as Chairman and Chief Executive Officer of Enzytech, Inc. and as President and Chief Operating Officer of Biogen, Inc. Mr. Skaletsky serves on the Board of Directors and is a member of the Compensation Committees of ImmunoGen, Inc., a therapeutics company, Alkermes, Inc., a biotechnology company, and Targacept, Inc., a biopharmaceutical company. Mr. Skaletsky is also member of the Board of Trustees of Bentley College and serves on its Board of Directors and is the former Chairman of the Biotechnology Industry Organization.

**Ron Zwanziger**, age 55, has been a director since November 2006. Mr. Zwanziger has served as Chairman and Chief Executive Officer of Inverness Medical Innovations, Inc., a consumer-focused company, since 2001. From 1992 to 2001, he served in the same capacity at Inverness Medical Technology, Inc., a consumer-focused company he founded that developed proprietary technologies and manufacturing processes. From 1981 to 1991, Mr. Zwanziger was Chairman, Chief Executive Officer

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and Founder of Medisense, Inc. Mr. Zwanziger received his undergraduate degree from Imperial College and an M.B.A. from the Harvard Business School.

**Vote Required**

Our directors are elected by a plurality of the votes cast by stockholders entitled to vote at the Annual Meeting. If you do not vote for a particular nominee, or you withhold authority for one or all nominees, your vote will not count either "for" or "against" the nominee, although it will be counted for purposes of determining whether there is a quorum.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS  
A VOTE "FOR" THE NOMINEES LISTED ABOVE.**

Table of Contents**INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE****INDEPENDENCE OF THE BOARD OF DIRECTORS**

The Board has determined that, other than Dr. Pereira, each current director is "independent" as such term is defined in the listing standards of the NASDAQ Global Market and SEC rules. The Board has affirmatively determined that no independent director has any material relationship with us that would interfere with the exercise of independent judgment. In reaching that conclusion, the Board considered that two of our executive officers, Drs. Pereira and Brenner, have adjunct appointments in the Renal Division of the Brigham and Women's Hospital, where one of our directors, Dr. Bonventre, is the Director of the Renal Division and determined that the fact that Dr. Bonventre's daughter is employed by our independent auditor, PricewaterhouseCoopers LLP, does not compromise Dr. Bonventre's independence. The Board also considered the fact that in August 2008 we entered into a one year consulting agreement with Mr. Narachi under which he provides our Commercial Operations department with advice and consultation with respect to the expected *Feraheme* commercial launch in exchange for a stock option to purchase 2,000 shares of our common stock as described above under "Certain Relationships and Related Transactions." The Board determined that this agreement does not compromise Mr. Narachi's independence or his status as a non-employee director.

**MEETINGS OF THE BOARD OF DIRECTORS**

Our Board met nine times during the year ended December 31, 2008. Each director participated in at least 75% of the meetings, of the Board and of the committees of the Board on which he served, held during the portion of the last fiscal year for which such person was a director or committee member, respectively. It is our policy that our directors are expected to attend each annual meeting of stockholders. All of our directors attended our annual meeting for the year ended December 31, 2007.

In addition, our independent directors meet regularly and at least annually in executive session without the presence of our non-independent director and management.

**COMMITTEES OF THE BOARD OF DIRECTORS**

Under our by-laws, our Board may designate committees comprised of members of the Board to exercise the power and authority of the Board in the management of the business and affairs of the Company, subject to limitations imposed by law. Our Board currently has the following permanent committees: an Audit Committee; a Compensation Committee; and a Nominating and Corporate Governance Committee. The following table provides membership information for the current composition of these committees:

| Name                             | Audit Committee | Compensation Committee | Nominating and Corporate Governance Committee |
|----------------------------------|-----------------|------------------------|---|
| Joseph V. Bonventre, M.D., Ph.D. |                 |                        | X   |
| Michael D. Loberg, Ph.D.*        | X               |                        |   |
| Michael Narachi                  |                 | X**                    |   |
| Brian J.G. Pereira, M.D.         |                 |                        |   |
| Robert J. Perez                  |                 |                        |   |
| Davey S. Scoon                   | X**             |                        | X   |
| Mark Skaletsky                   | X               | X                      |   |
| Ron Zwanziger                    |                 | X                      | X**   |

\*

Dr. Loberg has served on our Board since 1997 but is not standing for re-election. Effective May 5, 2009, the size of our Board will be reduced to seven directors.

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Committee Chairperson

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**Audit Committee**

Our Board has a standing Audit Committee, currently composed of Messrs. Scoon (Chair) and Skaletsky and Dr. Loberg, each of whom is "independent" as such term is defined in the listing standards of the NASDAQ Global Market and SEC rules. Effective immediately upon the conclusion of our Annual Meeting of Stockholders on May 5, 2009, the Board has elected Messrs. Scoon (Chair), Skaletsky and Perez, each of whom is "independent" as such term is defined in the listing standards of the NASDAQ Global Market and SEC rules, to serve on the Audit Committee for the coming year. Our Board adopted a charter for the Audit Committee in May 2000, which was subsequently amended and restated at various times, including most recently in November 2008. The Audit Committee charter is available on our website at [www.amagpharma.com](http://www.amagpharma.com), under the heading "Investors." However, information found on our website is not incorporated by reference into this Proxy Statement. Our Board has determined that each of Messrs. Scoon, Skaletsky and Perez and Dr. Loberg qualifies as an "audit committee financial expert" as defined by SEC rules. Among other duties, the Audit Committee evaluates and selects our independent auditors, reviews the audited financial statements and discusses the adequacy of our internal control over financial reporting with management and the auditors. The Audit Committee also supervises the relationship between the Company and our outside auditors, reviews and authorizes the scope of both audit and non-audit services and related fees, evaluates the independence of our outside auditors, and reviews and approves related person transactions. The Audit Committee is empowered to engage such independent advisors, including external consultants, as it deems necessary or appropriate to carry out its responsibilities. The Audit Committee conducted nine formal meetings during the year ended December 31, 2008.



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**Report of the Audit Committee<sup>1</sup>**

The Audit Committee has reviewed our audited financial statements for the year ended December 31, 2008, and has discussed them with both management and PricewaterhouseCoopers LLP, our independent registered public accounting firm. The Audit Committee has reviewed and discussed with PricewaterhouseCoopers LLP, who is responsible for expressing an opinion on the conformity of our audited financial statements with generally accepted accounting principles, its judgments as to matters related to the conduct of the audit of our financial statements and such other matters as are required to be discussed with the Audit Committee by Statement on Auditing Standards No. 114, "The Auditor's Communication with Those Charged with Governance," as adopted by the Public Company Accounting Oversight Board, or the PCAOB, in Rule 3200T. The Audit Committee has met with PricewaterhouseCoopers LLP, with and without management present, to discuss the results of its examinations, its evaluation of our internal control over financial reporting, and the overall quality of our financial reporting. The Audit Committee has received the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence. The Audit Committee has discussed with PricewaterhouseCoopers LLP that firm's independence from management and the Company and considered the compatibility of the firm's provision of non-audit services with maintaining the firm's independence and found the provision of such services to be compatible with the firm's independence.

In reliance on the reviews and discussions referred to above, the Audit Committee concluded that it would be reasonable to recommend, and on that basis did recommend, to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 for filing with the SEC.

Respectfully Submitted by the Audit Committee of the Board of Directors of AMAG Pharmaceuticals, Inc.,

Davey S. Scoon, Chair  
Michael D. Loberg  
Mark Skaletsky

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<sup>1</sup> The material in this report is not "soliciting material," is furnished to, but not deemed "filed" with, the SEC and is not deemed to be incorporated by reference in any filing of the Company under the Exchange Act, other than the Company's Annual Report on Form 10-K, where it shall be deemed to be "furnished," whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

**Compensation Committee**

Our Board has a standing Compensation Committee, currently composed of Messrs. Narachi (Chair), Skaletsky and Zwanziger, each of whom is "independent" as such term is defined in the listing standards of the NASDAQ Global Market and SEC rules and is a "non-employee director" under applicable SEC rules. Effective immediately upon the conclusion of our Annual Meeting of Stockholders on May 5, 2009, the Board has elected Messrs. Narachi (Chair), Skaletsky and Perez, each of whom is "independent" as such term is defined in the listing standards of the NASDAQ Global Market and SEC rules, to serve on the Compensation Committee for the coming year. Our Board adopted a charter for the Compensation Committee in January 2006, which was subsequently amended and restated at various times, including most recently in February 2008. The current charter of the Compensation Committee is available on our website at [www.amagpharma.com](http://www.amagpharma.com), under the heading "Investors." However, information found on our website is not incorporated by reference into this Proxy Statement. Among other duties, the Compensation Committee is empowered to discharge certain

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of the responsibilities of the Board relating to compensation of our executive officers. These responsibilities include the authority to review, negotiate, authorize and approve the recruitment, hiring and compensation of any executive officer of the Company and any other officer of the Company with a title of Senior Vice President or higher. The Compensation Committee also has the authority to review and recommend to the full Board for approval, but not approve, the compensation of the Chief Executive Officer, President and any other officer position which was not provided for in a Board-approved budget, which must be approved by the independent members of the Board. The Compensation Committee considers recommendations from our Chief Executive Officer regarding total compensation for those executives reporting directly to him. However, the Compensation Committee or the Board, as the case may be, meets without the presence of any executive officer whose compensation it is then approving.

The Compensation Committee is authorized to administer and make awards under our stock option, stock incentive, employee stock purchase and other equity-based plans. The Compensation Committee also has the authority to review and make recommendations to the full Board with respect to incentive and director compensation plans. The Compensation Committee may delegate to any of its members its duties regarding approval of compensation and, subject to certain limitations, its authority to grant options or make other equity awards. The Compensation Committee may also delegate to the Company's executive officers, subject to certain limitations, its authority to grant options and make other equity awards. The Compensation Committee is empowered to engage such independent advisors, including any compensation consultants, as it deems necessary or appropriate to carry out its responsibilities. The Compensation Committee conducted four formal meetings during the year ended December 31, 2008.

**Compensation Committee Interlocks and Insider Participation**

During the year ended December 31, 2008, Messrs. Skaletsky (Chair), Narachi and Zwanziger served as members of our Compensation Committee. None of the members of the Compensation Committee is or has been an officer or employee of the Company or had any relationship that is required to be disclosed as a transaction with a related party, other than the consulting agreement between us and Mr. Narachi, as discussed in detail in the section entitled "Certain Relationships and Related Transactions." During the year ended December 31, 2008, none of our executive officers served as a member of the board of directors or compensation committee of any entity that has one or more executive officers who serve on our Board or our Compensation Committee.

**Compensation Committee Report<sup>2</sup>**

The Compensation Committee has reviewed the Compensation Discussion and Analysis portion of this Proxy Statement and discussed such section with management. Based on its review and discussions and its ongoing involvement with executive compensation matters, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis portion of this Proxy Statement be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2008. This report is provided by the following independent directors, who comprise the Compensation Committee:

Michael Narachi, Chair  
Mark Skaletsky  
Ron Zwanziger

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<sup>2</sup>

The material in this report is not "soliciting material," is furnished to, but not deemed "filed" with, the SEC and is not deemed to be incorporated by reference in any filing of the Company under the Exchange Act, other than the Company's Annual Report on Form 10-K, where it shall be deemed to be "furnished," whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

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**Nominating and Corporate Governance Committee**

Our Board has established a standing Nominating and Corporate Governance Committee, which is currently composed of Messrs. Zwanziger (Chair) and Scoon and Dr. Bonventre, each of whom is "independent" as such term is defined in the listing standards of the NASDAQ Global Market and SEC rules. During the period commencing January 2008 and ending July 2008, Messrs. Narachi and Skaletsky and Dr. Loberg also served as members of the Nominating and Corporate Governance Committee. In March 2008, Our Board adopted a charter for the Nominating and Corporate Governance Committee, which was subsequently amended and restated by the Board in November 2008, and is available on our website at [www.amagpharma.com](http://www.amagpharma.com), under the heading "Investors." However, information found on our website is not incorporated by reference into this Proxy Statement. The responsibilities of our Nominating and Corporate Governance Committee include (i) the identification of individuals qualified to become members of our Board and selecting or recommending the director nominees for each annual meeting of stockholders or when vacancies occur, (ii) developing and recommending a set of corporate governance guidelines applicable to the Company, and (iii) providing oversight of and guidance to our internal compliance committee. The Nominating and Corporate Governance Committee conducted four formal meetings during the year ended December 31, 2008. The nominations for the election of directors at the Annual Meeting contained in this Proxy Statement are based upon the unanimous recommendation of the Nominating and Corporate Governance Committee to the full Board in February 2009.

In considering candidates to serve as directors, the Nominating and Corporate Governance Committee considers all factors it deems relevant, including: intelligence; personal integrity and sound judgment; business and professional skills and experience; familiarity with our business and our industry in general; independence from management; ability to devote sufficient time to Board business; commitment to regularly attend and participate in meetings of our Board and its committees; and concern for the long-term interests of our stockholders. In seeking candidates for directors, members of our Nominating and Corporate Governance Committee may use their business, professional and personal contacts, accept the recommendations from other Board members, stockholders or management, or engage a professional search firm.

**Stockholder Recommendations For Nominees As Directors and the Proposal of Other Business**

Our Nominating and Corporate Governance Committee will consider recommendations for candidates for nominees as directors and proposals for business other than director nominations that are submitted by stockholders. Any recommendation of a nominee for the Board or any proposal for business other than director nominations by our stockholders with respect to our 2010 Annual Meeting of Stockholders must be submitted in writing to our principal executive offices at 100 Hayden Avenue, Lexington, Massachusetts 02421, attention: Secretary, and must be received by us no earlier than 120 days prior to the anniversary of our 2009 Annual Meeting and no later than 90 days prior to the anniversary of our 2009 Annual Meeting. If the date of our 2010 Annual Meeting of Stockholders is advanced by more than 30 days or delayed by more than 30 days after the anniversary of our 2009 Annual Meeting, any stockholder recommendation or proposal must be received by us no earlier than the close of business on the 120th day prior to such advanced or delayed annual meeting date and no later than the close of business on the later of (i) the 90th day prior to such advanced or delayed annual meeting date or (ii) the 10th day following the first public announcement of the meeting date.

Any such communication with respect to the candidates for nominee as directors should (i) describe why the candidate meets the Board's criteria described above; (ii) include the candidate's and recommender's names and addresses and provide biographical information about the recommended candidate that would be required if the candidate were to be nominated; (iii) include the proposed nominee's written consent to serve as a nominee, if nominated, and as a director, if elected; and (iv) contain any additional information required by Regulation 14A under the Exchange Act.

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Any such communication with respect to the proposal of business other than director nominations should include a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder or any stockholder associated person. "Stockholder associated person" means with respect to any stockholder (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder; (ii) any beneficial owner of shares of stock of the Company owned of record or beneficially by such stockholder; and (iii) any person controlling, controlled by or under common control with such stockholder associated person.

Additionally, the stockholder must provide the following information with respect to such stockholder and any stockholder associated person:

the name and address of such stockholder, as they appear on our books, and of such stockholder associated person;

the class and number of our shares which are owned beneficially and of record by such stockholder and such stockholder associated person;

whether either such stockholder or stockholder associated person intends to deliver a proxy statement and form of proxy to holders of, in the case of a nomination or nominations for director, a sufficient number of holders of our voting shares to elect such nominee or nominees or in the case of any other proposal, at least the percentage of the our voting shares required under applicable law to carry such proposal;

whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares) has been made, the effect or intent of which is to mitigate loss to or manage risk or benefit of share price changes for, or to increase or decrease the voting power of, such stockholder or any such stockholder associated person with respect to any share of our stock; and

all contracts, arrangements, understandings and relationships with respect to the stockholders' investment in the Company, including with other stockholders, potential investors in the Company and potential transaction advisers such as financial advisers, legal counsel and proxy solicitation firms.

The Board may request additional information from either the stockholder making the recommendation or the person recommended. Stockholder recommendations that meet the requirements set forth above will be considered using the same criteria as other candidates and proposals considered by our Nominating and Corporate Governance Committee.

Additional requirements for stockholder director nominations and proposals other than director nominations appear in our by-laws. Only such individuals who are nominated in accordance with the procedures described above and in our by-laws will be eligible for election by stockholders as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth above and in our by-laws.

We have not received any stockholder recommendations or nominations with respect to our Annual Meeting, except the nominations made by the Nominating and Corporate Governance Committee.

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing to our principal executive offices at 100 Hayden Avenue, Lexington, MA 02421, attention: Secretary and must be received by us no later than December 8, 2009. In order to curtail controversy as to the date on which a proposal was received by us, we suggest that you submit your proposals by

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registered mail, return receipt requested. Proposals must satisfy the procedures set forth in Rule 14a-8 under the Exchange Act.

If you wish to submit a proposal that is not to be included in next year's proxy materials or wish to nominate a director, you must submit such proposal or nomination in writing to our principal executive offices at 100 Hayden Avenue, Lexington, MA 02421, attention: Secretary and such proposal or nomination must be received no earlier than January 5, 2010 and no later than February 4, 2010 and must satisfy the requirements described above and in our by-laws.

#### **STOCKHOLDER COMMUNICATION WITH THE BOARD OF DIRECTORS**

Our Board believes it is important for stockholders to send communications to our Board. Accordingly, any stockholder who desires to communicate with our independent directors or any other directors, individually or as a group, may do so by e-mailing the party to whom the communication is intended at [contactus@amagpharma.com](mailto:contactus@amagpharma.com) or by writing to the party for whom the communication is intended, to our principal executive offices at 100 Hayden Avenue, Lexington, Massachusetts 02421, attention: Secretary. Our Secretary will then deliver any communication to the appropriate party or parties.

#### **CODE OF BUSINESS CONDUCT AND ETHICS**

Our Board has adopted a Code of Business Conduct and Ethics applicable to all of our employees and directors, and it is available on our website at [www.amagpharma.com](http://www.amagpharma.com), under the heading "Investors." However, information found on our website is not incorporated by reference into this Proxy Statement. In March 2008, our Board voted to amend and restate our Code of Business Conduct and Ethics to make certain clarifying changes thereto. Any amendments to or waivers of the Code of Business Conduct and Ethics that apply to our principal executive officer, principal financial officer or principal accounting officer and that relate to any element of the definition of the term "code of ethics," as that term is defined by the SEC, will be posted on our website at the address above.

#### **DIRECTOR COMPENSATION**

During 2008, under our then current non-employee director compensation plan, non-employee members of our Board received cash compensation as follows:

Each non-employee director, other than the Chairman of the Board, received an aggregate annual retainer fee of \$30,000, payable in four equal quarterly installments;

The Chairman of the Board received an aggregate annual retainer fee of \$60,000, payable in four equal quarterly installments;

The members of the Compensation Committee and the Audit Committee, other than the Chairman of each Committee, were paid an additional aggregate annual retainer fee of \$5,000, payable in four equal quarterly installments; and

The Chairman of each of the Compensation Committee and the Audit Committee received an additional aggregate annual retainer fee of \$10,000, payable in four equal quarterly installments.

In addition, under our prior non-employee director compensation plan, each non-employee director was granted an annual option to purchase \$100,000, or in the case of the Chairman of the Board, \$200,000, in value of shares of our common stock based on a Black-Scholes option valuation calculation.

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In February 2009, our Board formally adopted certain revisions to our non-employee director compensation plan, retroactive to December 19, 2008. Under the revised non-employee director compensation plan, each member of each of the Company's Audit, Compensation and Nominating and

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Corporate Governance Committees, other than the Chairman of each committee, is paid an aggregate annual retainer fee of \$5,000, payable in four equal quarterly installments, in addition to his annual retainer fee for service on the Board. The Chairman of each of the Audit, Compensation, and Nominating and Corporate Governance Committees is paid an aggregate annual retainer fee of \$10,000, payable in four equal quarterly installments, in addition to his annual retainer fee for service on the Board.

In addition, under the revised non-employee director compensation plan, the Board intends to award once per year to each non-employee director, an option to purchase 5,000, or in the case of the Chairman, an option to purchase 10,000, shares of our common stock. In lieu of the foregoing annual grant for the first year of service on the Board, each newly-elected non-employee director will be granted an option to purchase 10,000 shares of our common stock pursuant to our 2007 plan. The foregoing director option grants will vest in equal annual installments over a four-year period beginning on the first anniversary of the date of grant, have an exercise price equal to the fair market value of a share of our common stock on the date of grant, and have a ten-year term.

The Board believes that the foregoing cash and equity compensation payable to our non-employee directors is consistent with our overall compensation philosophy in that it aligns the long-term interests of our directors with those of our stockholders. In addition, the Board believes that the cash and equity compensation payable to Mr. Skaletsky is justified in light of his additional responsibilities and time commitment to us in his role as Chairman of the Board.

In accordance with our revised non-employee director compensation plan, on December 19, 2008, each non-employee director, including Drs. Bonventre and Loberg, and Messrs. Narachi, Scoon and Zwanziger, was granted a stock option to purchase 5,000 shares of common stock at an exercise price equal to \$32.27, with such option to vest in equal annual installments over a four-year period beginning on the first anniversary of the date of grant and to have a ten-year term. In addition, on December 19, 2008, Mark Skaletsky, as Chairman of the Board, was granted an option to purchase 10,000 shares of common stock at an exercise price equal to \$32.27, with such option to vest in equal annual installments over a four-year period beginning on the first anniversary of the date of grant and to have a ten-year term.

In February 2008, the Board appointed Dr. Bonventre to serve as a member of the Board. In connection with his appointment as a non-employee director, in lieu of the grant that would have otherwise been made under the terms of the then current non-employee director compensation plan, Dr. Bonventre was granted an option to purchase 9,000 shares of the Company's common stock at an exercise price equal to \$47.08, the fair market value of a share of our common stock on the date of grant. This option vests in equal annual installments over a four-year period beginning on the first anniversary of the date of grant and has a ten-year term. In addition, the Company entered into an indemnification agreement with Dr. Bonventre in substantially the same form entered into with the other members of the Board.

In January 2009, the Board appointed Mr. Perez to serve as a member of the Board. On February 25, 2009, in connection with his appointment as a non-employee director, Mr. Perez was granted an option to purchase 10,000 shares of the Company's common stock at an exercise price equal to \$34.26, the fair market value of a share of our common stock on the date of the grant. This option will vest in equal annual installments over a four-year period beginning on the first anniversary of the date of Mr. Perez's appointment to the Board and has a ten-year term. In addition, the Company entered into an indemnification agreement with Mr. Perez in substantially the same form entered into with the other members of the Board.

The exercise price of all options granted to our non-employee directors under our 2007 Plan was, and will be, the fair market value of our common stock on the close of business on the date the option was or is to be granted (subject to adjustment for any stock dividend, stock split or other relevant

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change in our capitalization). Directors are also eligible for additional discretionary option and other equity-based grants under the terms of our 2007 Plan.

We also reimburse all directors for travel expenses and other out-of-pocket costs incurred in connection with their attendance at board or committee meetings, and we provide indemnification agreements and director and officer insurance for all directors.

**Director Compensation for Fiscal 2008**

The following table summarizes the compensation paid to or earned by our non-employee directors during the year ended December 31, 2008.

| Name(1)                             | Fees<br>Earned<br>or Paid in<br>Cash (\$) | Option<br>Awards<br>\$(2) | All Other<br>Compensation<br>(\$) | Total (\$) |
|-------------------------------------|---|---------------------------|-----------------------------------|------------|
| Joseph V. Bonventre, M.D., Ph.D.(3) | 25,000                                    | 46,303                    |                                   | 71,303     |
| Michael D. Loberg, Ph.D.(4)         | 35,000                                    | 26,701                    |                                   | 61,701     |
| Michael Narachi(5)                  | 35,000                                    | 89,199                    | 10,217                            | 134,416    |
| Robert J. Perez(6)                  | N/A                                       | N/A                       | N/A                               | N/A        |
| Davey S. Scoon(7)                   | 42,500                                    | 89,199                    |                                   | 131,699    |
| Mark Skaletsky(8)                   | 75,000                                    | 53,403                    |                                   | 128,403    |
| Ron Zwanziger(9)                    | 40,000                                    | 89,199                    |                                   | 129,199    |

- (1) Dr. Pereira, who is also our employee, received no additional compensation for his service on our Board and is not included in this table. However, Dr. Pereira received certain stock option grants, as provided in detail in the table entitled "Outstanding Equity Awards at December 31, 2008," when he served as an independent director on our Board prior to joining us as an employee in November 2005. The compensation expense associated with such options for the year ended December 31, 2008 was \$14,926, calculated in accordance with Statement of Financial Accounting Standards 123R, "Share-Based Payment," or SFAS 123R, disregarding adjustments for forfeiture assumptions.
- (2) Amounts shown do not reflect compensation actually received by the listed directors but represent expense recognized in accordance with SFAS 123R, disregarding adjustments for forfeiture assumptions. Assumptions used to calculate the expense amounts shown above are set forth in Note G to our Annual Report on Form 10-K for the year ended December 31, 2008. The exercise price for all stock option grants is the fair market value of a share of our common stock on the date of grant. Unless otherwise specified, all option awards vest in equal annual installments over a four-year period beginning on the first anniversary of the grant date and have a ten year term.
- (3) Dr. Bonventre joined the Board in February 2008 and was therefore not paid director fees for the first quarter of 2008. He was a member of the Nominating and Corporate Governance Committee during 2008, which prior to mid-2008 was a non-paid position. In February 2008, Dr. Bonventre was granted an option to purchase 9,000 shares of the Company's common stock at an exercise price equal to \$47.08. The full grant date fair value of such option, as calculated under SFAS 123R for purposes of preparing our financial statements, was \$198,266. In addition, on December 19, 2008, Dr. Bonventre was granted an option to purchase 5,000 shares of our common stock at an exercise price of \$32.27. The full grant date fair value of such option, as calculated under SFAS 123R for purposes of preparing our financial statements, was \$75,423. As of December 31, 2008, Dr. Bonventre held 14,000 outstanding options.
- (4) Dr. Loberg was a member of the Audit Committee during 2008. On December 19, 2008, Dr. Loberg was granted an option to purchase 5,000 shares of our common stock at an exercise price of \$32.27. The full grant date fair value of such option, as calculated under SFAS 123R for





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purposes of preparing our financial statements, was \$75,423. As of December 31, 2008, Dr. Loberg held 30,050 outstanding options.

- (5) Mr. Narachi was a member of the Compensation Committee during 2008. On December 19, 2008, Mr. Narachi was granted an option to purchase 5,000 shares of our common stock at an exercise price of \$32.27. The full grant date fair value of such option, as calculated under SFAS 123R for purposes of preparing our financial statements, was \$75,423. In August 2008, we entered into a one-year consulting agreement with Mr. Narachi, under which he provides consulting and advisory services to us in exchange for a grant of an option to purchase 2,000 shares of common stock at an exercise price of \$41.57. This option vests in its entirety on the first anniversary of the date of grant. The full grant date fair value of such option, as calculated under SFAS 123R for purposes of preparing our financial statements was \$10,217. As of December 31, 2008, Mr. Narachi held 19,017 outstanding options.
- (6) Mr. Perez has been a director since January 2009.
- (7) Mr. Scoon was the Chairman of the Audit Committee and a member of the Nominating and Corporate Governance Committee during 2008, which prior to mid-2008 was a non-paid position. On December 19, 2008, Mr. Scoon was granted an option to purchase 5,000 shares of our common stock at an exercise price of \$32.27. The full grant date fair value of such option, as calculated under SFAS 123R for purposes of preparing our financial statements, was \$75,423. As of December 31, 2008, Mr. Scoon held 14,344 outstanding options.
- (8) Mr. Skaletsky was the Chairman of the Board, a member of the Audit Committee and the Chairman of the Compensation Committee during 2008. On December 19, 2008, Mr. Skaletsky was granted an option to purchase 10,000 shares of our common stock at an exercise price of \$32.27. The full grant date fair value of such option, as calculated under SFAS 123R for purposes of preparing our financial statements, was \$150,845. As of December 31, 2008, Mr. Skaletsky held 33,266 outstanding options.
- (9) Mr. Zwanziger was a member of the Compensation Committee and the Chairman of the Nominating and Corporate Governance Committee during 2008, which prior to mid-2008 was a non-paid position. On December 19, 2008, Mr. Zwanziger was granted an option to purchase 5,000 shares of our common stock at an exercise price of \$32.27. The full grant date fair value of such option, as calculated under SFAS 123R for purposes of preparing our financial statements, was \$75,423. As of December 31, 2008, Mr. Zwanziger held 17,017 outstanding options.

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**PROPOSAL 2: AMENDMENT AND RESTATEMENT OF OUR 2007 EQUITY INCENTIVE PLAN  
TO, AMONG OTHER THINGS, INCREASE THE NUMBER OF SHARES OF OUR COMMON  
STOCK AVAILABLE FOR ISSUANCE UNDER THE PLAN BY 600,000 SHARES**

**Overview**

On March 25, 2009, our Board of Directors approved the amendment and restatement of our 2007 Equity Incentive Plan, or the Amended and Restated 2007 Plan, subject to the approval of our stockholders. If the proposed amendment and restatement of our 2007 Plan is not approved by our stockholders, we currently anticipate that we will exhaust all the shares available for issuance under our 2007 Plan by early 2010.

We use equity incentive plans to grant equity-based awards broadly to our employees, a practice that reflects our compensation philosophy that all of our employees should have a stake in increasing stockholder value. We believe that equity-based awards help us recruit, retain, and drive superior performance by our directors, officers, employees and consultants. Accordingly, we also believe that equity-based awards contribute significantly to our success and align the interests of our employees and stockholders.

Our 2007 Plan was approved by our stockholders on November 27, 2007, or the Effective Date, as a successor plan to our Amended and Restated 2000 Stock Plan, or 2000 Plan. Any shares that remained available for issuance under the 2000 Plan as of the Effective Date were included in the number of shares of common stock that may be issued under the 2007 Plan. Any shares subject to outstanding awards granted under the 2000 Plan that expire or terminate for any reason prior to exercise will be added to the total number of shares available for issuance under the 2007 Plan. As of December 31, 2008, we have granted options and RSUs covering 1,137,546 shares of common stock under our 2007 Plan, of which 41,290 stock options and 5,000 RSUs have expired or terminated, and of which no options have been exercised and no shares of common stock have been issued pursuant to RSUs that have become fully vested. The number of options and RSUs outstanding under this plan as of December 31, 2008 was 896,756 and 194,500, respectively.

As of December 31, 2008, there were 1,074,119 shares of common stock plus any shares that might in the future be returned to the plan as a result of cancellation or expiration of options available for grant under the 2007 Plan. In addition, as of such date, an aggregate of 2,209,986 shares were subject to outstanding stock awards granted under our equity incentive plans, of which 1,991,486 were subject to outstanding, unexercised stock options, and 218,500 of which were subject to unvested restricted stock awards and RSU awards. The weighted average exercise price of options outstanding under our equity incentive plans as of December 31, 2008 was approximately \$39.14 per share, and the weighted average remaining term of such options was approximately 8.4 years. A total of 17,024,284 shares of our common stock were outstanding as of the Record Date.

**Burn Rate**

Over the last three years, we have maintained an average equity award burn rate of 4.72% per year. We calculate our burn rate as shares covered by new equity awards granted during each year as a percentage of the weighted average common shares outstanding during the year. Shares underlying performance-based or market condition-based equity awards are not included in our burn rate until the year in which such shares are vested and then only to the extent so vested. Our burn rate during 2008 is primarily a reflection of the fact that we increased our total number of employees from 81 as of December 31, 2007 to 256 as of December 31, 2008 as we expanded our infrastructure in preparation for our planned commercial launch of our product candidate, *Feraheme*. As shown in the following chart, in our three year average burn rate calculation we apply a multiplier of 1.5 to RSU grants so the

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"Total Awards Granted" is the sum of the number of "Option Grants" plus 1.5 times the number of "RSU grants" each year:

| Year Ended December 31,             | Option Grants | RSU Grants | Total Awards Granted | Weighted Average Common Shares Outstanding | Burn Rate    |
|-------------------------------------|---------------|------------|----------------------|--|--------------|
| 2008                                | 803,750       | 149,500    | 1,028,000            | 16,993,148                                 | 6.05%        |
| 2007                                | 437,346       | 10,000     | 452,346              | 15,777,000                                 | 2.87%        |
| 2006                                | 555,650       | 34,000     | 606,650              | 11,593,764                                 | 5.23%        |
| <b>Three year average burn rate</b> |               |            |                      |  | <b>4.72%</b> |

**Key Amendments to the 2007 Plan**

We are asking our stockholders to approve the following amendments to our 2007 Plan, effective May 5, 2009:

To increase the number of shares of our common stock available for issuance under the 2007 Plan by an additional 600,000 shares;

To replace the limitation that no more than 600,000 shares in the aggregate may be issued under the 2007 Plan with respect to RSUs, restricted stock, stock and similar equity interests in our company with a fungible share reserve whereby the number of shares available for issuance under the 2007 Plan would be reduced by one share of our common stock issued pursuant to an option or a stock appreciation right and by 1.5 shares for each share of our common stock issued pursuant to a restricted stock award, restricted stock unit award or other similar equity-based award;

To incorporate a provision that all Awards to non-employee directors must be made by an independent committee of the Board, such as the Company's Compensation Committee;

To incorporate a provision that the vesting of Awards may only be accelerated upon death, disability, Acquisition or retirement;

To incorporate a minimum 3 year annual vesting period for all time-based restricted stock, RSU or similar equity-based Awards;

To incorporate a 12 month minimum vesting period for all performance-based restricted stock, RSU or similar equity-based Awards;

To revise the definition of an "Acquisition" under the 2007 Plan; and

To incorporate, as an exception to the minimum vesting and acceleration provisions above, a cap equal to 10% of the total number of shares reserved for issuance under the 2007 Plan on the number of Awards which do not meet the foregoing vesting and acceleration provisions.

The other material features of the proposed Amended and Restated 2007 Plan remain the same as under the terms of the 2007 Plan previously approved by our stockholders.

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While our Board is aware of and has considered the potential dilutive effect of additional awards and option grants, it also recognizes the performance and motivational benefits of equity compensation and believes that the proposed increase in available shares is consistent with our Executive Compensation Philosophy Statement and the compensatory practices of other bio-pharmaceutical companies in our peer group. The exercise price associated with all of the option grants under the Amended and Restated 2007 Plan will be at or above the fair market value of our common stock on the close of business on the date the option is granted. As a result, no dilution to our stockholders occurs upon the grant of an option unless and until the stock price increases. Furthermore, since our

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Board typically grants options that become exercisable over a four year period, employees must generally remain with the Company in order to reap the potential benefits of their option grants.

We summarize the Amended and Restated 2007 Plan in this section, but our summary should be read in conjunction with the full Amended and Restated 2007 Plan, which we include in Appendix A. If we use capitalized terms in this section and do not define them, the terms are as defined in the Amended and Restated 2007 Plan.

**Description of the Amended and Restated 2007 Plan**

*Overall*

The Amended and Restated 2007 Plan allows us to grant stock options, RSUs, restricted stock, stock, and other equity interests in our company, which we refer to in this Proxy Statement individually as an Award, to employees, officers, directors, consultants, and advisors of the Company and our subsidiaries.

*Shares Subject to the Plan*

We are proposing an increase in the available share reserve under the 2007 Plan by 600,000 shares of our common stock. If such increase is approved by our stockholders, the maximum number of shares that may be issued pursuant to the Amended and Restated 2007 Plan, including shares subject to outstanding awards under our 2000 Plan and our 2007 Plan, will increase from 3,284,105, or the Existing Share Reserve, to 3,884,105, or the Amended Share Reserve, as of December 31, 2008.

Of the Amended Share Reserve under the Amended and Restated 2007 Plan, if any Award expires, or is terminated, surrendered or forfeited, in whole or in part, the unissued common stock covered by such Award will again be available for the grant of Awards under the Amended and Restated 2007 Plan. If any shares underlying a Restricted Stock Award, RSU Award, or similar equity-based award granted under the Amended and Restated 2007 Plan again become available for issuance due to forfeiture, expiration, termination, or any other reason, then the number of shares available for issuance under the Amended and Restated 2007 Plan will increase by 1.5 shares. If any shares underlying an Option or stock appreciation right granted under the Amended and Restated 2007 Plan again become available for issuance due to forfeiture, expiration, termination, or any other reason, then the number of shares available for issuance under the Amended and Restated 2007 Plan will increase by 1.0 shares. In addition, the number of shares that are issuable pursuant to Awards outstanding under the 2000 Plan and which would otherwise revert to the share reserve of the 2000 Plan will be included in the number of shares available for the grant of Awards under the Amended and Restated 2007 Plan. In any event, the cumulative number of such shares that may be reissued under the Amended and Restated 2007 Plan will not exceed the Amended Share Reserve. Shares issued under the Amended and Restated 2007 Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

In the event of certain corporate transactions or events affecting the number or type of outstanding shares of our common stock, including, for example, a stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off, split-up, or other similar change in capitalization or event, which we refer to in this Proxy Statement as Extraordinary Capitalization Events, described more fully below and in the attached Amended and Restated 2007 Plan, our Board will adjust the Amended Share Reserve and other terms of outstanding awards.

If shares of common stock issued pursuant to the Amended and Restated 2007 Plan are repurchased by, or are surrendered or forfeited to, us at no more than cost, such shares of common stock will again be available for the grant of Awards under the Amended and Restated 2007 Plan

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provided that the aggregate number of shares that may be reissued under the Amended and Restated 2007 Plan will not exceed the Amended Share Reserve. However, if any shares of common stock are surrendered to us in payment of the exercise price of any Option granted under the Amended and Restated 2007 Plan or in payment of any withholding taxes payable by a Participant in connection with any Award under the Amended and Restated 2007 Plan, such shares will not be available for reissuance under the Amended and Restated 2007 Plan.

*Eligibility*

Any employee, officer, director, consultant or advisor of the Company or our subsidiaries, which we refer to in this Proxy Statement individually as a Participant, will be eligible to participate in the Amended and Restated 2007 Plan.

*Administration*

Our Board is responsible for the administration of the Amended and Restated 2007 Plan. The Board is also responsible for making equity-based Awards to executive officers. Upon approval of this proposal, all Awards granted to "non-employee directors" as defined in Rule 16b-3 under the Exchange Act must be granted by a committee comprised solely of "outside directors" as defined in Section 162(m) of the Code which would exclude from the committee directors who are (i) current employees of the Company or an affiliate, (ii) former employees of the Company or an affiliate receiving compensation for past services (other than benefits under a tax-qualified pension incentive plan), (iii) current and former officers of the Company or an affiliate, (iv) directors currently receiving direct or indirect remuneration from the Company or an affiliate in any capacity (other than as a director), and (v) any person who is otherwise not considered an "outside director" for purposes of Section 162(m).

To the extent permitted by applicable law, our Board may delegate any or all of its powers under the Amended and Restated 2007 Plan to one or more committees or subcommittees of the Board. References to the Board in this description of the Amended and Restated 2007 Plan are meant to include one or more of such committees or subcommittees as an alternative to the Board as well. To the extent permitted by applicable law, the Board may also delegate to one or more of our executive officers the power to grant equity-based awards under the Amended and Restated 2007 Plan as the Board may determine, provided that the Board may fix the maximum number of equity-based awards to be granted in the aggregate and the maximum number of shares granted to any individual participant by such executive officers. The Board may also impose additional limitations on the authority of any such executive officers to grant Awards under the Amended and Restated 2007 Plan as it deems appropriate.

*Restricted Stock and RSUs*

Our Board may award restricted stock and RSUs and establish the applicable terms for such Awards. Each share issued under the Amended and Restated 2007 Plan in connection with any Restricted Stock Award, RSU Award or other similar equity-based awards will reduce the Amended Share Reserve on a 1.5-for-one basis.

*Stock Options*

Our Board may award stock options in the form of nonqualified stock options or incentive stock options, which we refer to in this Proxy Statement as ISOs. All stock options granted under the Amended and Restated 2007 Plan will have a term of no longer than ten years. Our Board will establish the vesting schedule for stock options and the method of payment for the exercise price, which may include cash, shares, or other consideration. Without stockholder consent, stock options may

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not be amended, cancelled or repurchased for the purpose of repricing, replacing or regrating such options with an exercise price that is less than the original exercise price of such stock options, except in cases of Extraordinary Capitalization Events.

*Other Equity-Based Awards*

The Board may grant other equity-based Awards on such terms and conditions as it may establish, including grants of stock appreciation rights, phantom stock awards, and similar equity-based awards. Each share issued under the Amended and Restated 2007 Plan in connection with any stock appreciation right, phantom stock award, or similar equity-based awards will reduce the Amended Share Reserve on a 1.5-for-one basis.

*Per Participant Limitations*

The Amended and Restated 2007 Plan will continue to include an annual 300,000 share per Participant limitation for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code. This limitation generally provides that any deductions to which we would otherwise be entitled upon either the exercise of stock options granted under the Amended and Restated 2007 Plan or upon the subsequent sale of the shares acquired under those Options, will not be subject to the \$1,000,000 limitation on the income tax deductibility of compensation paid to certain executive officers imposed by Code Section 162(m) provided such grants are otherwise made in accordance with such section of the Code.

*Transferability and Restrictions*

Awards are not transferable other than by will or the laws of descent and distribution unless our Board determines or provides otherwise. Only the Participant may exercise an option, with limited exceptions.

*Acquisition of the Company*

Unless otherwise expressly provided in the applicable Award, upon the occurrence of an Acquisition, the Board or the board of directors of the surviving or acquiring entity must provide that any outstanding Awards will be assumed or that substantially similar Awards will be substituted by the acquiring company. The Board may also provide that any outstanding options must be exercised by a certain date at which point the options would terminate or terminate any outstanding options in exchange for a cash payment equal to the excess of the fair market value over the exercise price. An Acquisition will be considered to have occurred any of the following events: (i) any merger or consolidation occurs after which our outstanding voting securities represent less than 50% of the combined voting power of the surviving entity outstanding after such event, (ii) any sale of all or substantially all of our assets or capital stock (other than in a spin-off), (iii) any "person" or "group" as defined in the Exchange Act becomes the beneficial owner of a majority of the combined voting power of our outstanding securities with respect to the election of our Board, or (iv) any other acquisition of our business as determined by the Board. The definition of Acquisition contained in the 2007 Plan does not contain clause (iii) above.

*Acceleration*

Subject to the exceptions below, upon stockholder approval of this proposal, only in the event of a Participant's death or disability, upon an Acquisition, or upon the Participant's retirement (as such term may be defined in the Participant's Award agreement or in another applicable agreement) the Board may provide that any Options shall become immediately exercisable in full or in part, that any Restricted Stock Awards shall be free of some or all restrictions, or that any other equity-based Awards



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may become exercisable in full or in part or free of some or all restrictions or conditions, or otherwise realizable in full or in part. Under the current 2007 Plan, our Board may elect in its discretion at any time to accelerate the vesting of, or eliminate some or all of the restrictions on, a Participant's Awards.

*Minimum Vesting*

Upon stockholder approval of this proposal, except for Awards granted to "non-employee directors" as defined in Rule 16b-3 under the Exchange Act as non-discretionary initial or annual grants, and subject to the exceptions noted below, generally (i) no Restricted Stock Award, RSU Award or other equity-based award that vests on the basis of the Participant's service with the Company shall vest at a rate which is any more rapid than ratably over a three-year period and (ii) no Restricted Stock Award, RSU Award or other equity-based award that vests based on the satisfaction of performance goals shall provide for a performance period of less than 12 months. Under the current 2007 Plan, there are no minimum required vesting periods.

*Exceptions*

Notwithstanding the foregoing, following May 5, 2009, the following Awards will not exceed 10% of the total number of shares reserved for issuance under the Amended and Restated 2007 Plan: (i) Awards granted after such date that do not satisfy the vesting and acceleration guidelines described above and (ii) Awards which are accelerated after such date pursuant to acceleration arrangements entered into after such date.

*Adjustments*

In the event of Extraordinary Capitalization Events, our Board will make adjustments in a proportionate and equitable manner. These adjustments may include changing the number and type of shares to be issued under the Amended and Restated 2007 Plan and per participant limits on awards, as well as vesting schedules and exercise price of stock options and other equity-based awards, repurchase prices per security subject to repurchase, and the terms of each outstanding equity-based Award.

*United States Federal Income Tax Consequences*

The following summarizes certain United States federal income tax considerations for persons receiving Awards under the Amended and Restated 2007 Plan and certain tax effects on the Company based on provisions of the Code in effect on the date of this Proxy Statement, current regulations, and administrative rulings of the Internal Revenue Service. This summary is not intended to be a complete discussion of all the United States federal income tax consequences of the Amended and Restated 2007 Plan.

*Incentive Stock Options*

ISOs granted under the Amended and Restated 2007 Plan are intended to be eligible for the favorable federal income tax treatment accorded "incentive stock options" under the Code.

In general, no taxable income results to the optionee upon the grant of an ISO or upon the issuance of shares to him or her upon the exercise of the ISO, and we are not entitled to a federal income tax deduction upon either grant or exercise of an ISO. However, the exercise of an ISO may increase the Participant's alternative minimum tax liability, if any.

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If shares acquired upon exercise of an ISO are disposed of (i) more than two years from the date the ISO was granted and (ii) more than one year from the date the shares are issued to the optionee pursuant to the ISO exercise, referred to herein as the Holding Periods, the difference between the amount realized on any subsequent disposition of the shares and the exercise price will generally be treated as long-term capital gain or loss to the optionee. Upon such a qualifying disposition, we will not be entitled to a corresponding federal income tax deduction.

If shares acquired upon exercise of an ISO are disposed of and the optionee does not satisfy the Holding Periods, which is known as a Disqualifying Disposition, then in most cases the lesser of (i) any excess of the fair market value of the shares at the time of exercise of the ISO over the exercise price or (ii) the actual gain on disposition will be treated as compensation to the optionee and will be taxed as ordinary income in the year of such disposition.

To the extent the optionee recognizes ordinary income by reason of a Disqualifying Disposition, we will generally be entitled (subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation) to a corresponding business expense deduction in the tax year in which the Disqualifying Disposition occurs.

The difference between the amount realized by the optionee as the result of a Disqualifying Disposition and the sum of (i) the exercise price and (ii) the amount of ordinary income recognized under the above rules generally will be treated as capital gain or loss, which will be long-term or short-term depending on whether the shares are held for more than one year.

An optionee may be entitled to exercise an ISO by delivering shares of our common stock to us in payment of the exercise price if the optionee's ISO agreement so provides. If an optionee exercises an ISO in such fashion, special rules will apply.

In addition to the tax consequences described above, the exercise of ISOs may result in the optionee recognizing "alternative minimum tax" under the Code. The Code provides that an alternative minimum tax will be applied against a taxable base which is equal to "alternative minimum taxable income," generally reduced by a statutory exemption. In general, the amount by which the value of the shares received upon exercise of the ISO exceeds the exercise price is included in the optionee's alternative minimum taxable income. A taxpayer is required to pay the higher of his or her regular tax liability or the alternative minimum tax. A taxpayer who pays alternative minimum tax attributable to the exercise of an ISO may be entitled to a tax credit against his or her regular tax liability in later years.

Special rules apply if the shares acquired upon the exercise of an ISO are subject to vesting or are subject to certain restrictions on resale under federal securities laws applicable to directors, officers, and 10% stockholders.

*Nonqualified Stock Options*

The optionee generally does not recognize any taxable income upon the grant of a nonqualified stock option, and we are not entitled to a federal income tax deduction by reason of such grant.

The optionee generally will recognize ordinary income at the time of exercise of a nonqualified stock option in an amount equal to the excess, if any, of the fair market value of the shares on the date of exercise over the exercise price. We may be required to withhold income tax on this amount. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a business expense deduction equal to the taxable ordinary income of the optionee.

When the optionee sells the shares acquired upon exercise of a nonqualified stock option, he or she generally will recognize capital gain or loss in an amount equal to the difference between the

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amount realized upon the sale of the shares and his or her basis in the shares (generally, the exercise price plus the amount taxed to the optionee as ordinary income). If the optionee's holding period for the shares exceeds one year, such gain or loss will be a long-term capital gain or loss.

An optionee may be entitled to exercise a nonqualified stock option by delivering shares of our common stock to us in payment of the exercise price. If an optionee exercises a nonqualified stock option in such fashion, special rules will apply.

Special rules apply if the shares acquired upon the exercise of a nonqualified stock option are subject to vesting or are subject to certain restrictions on resale under federal securities laws applicable to directors, officers, and 10% stockholders.

*Restricted Stock and RSUs*

Under current federal income tax law, persons receiving common stock pursuant to a grant of restricted stock or a RSU generally will recognize ordinary income equal to the excess of the fair market value of the shares received over the purchase price, if any. We generally will be entitled to a corresponding federal income tax deduction. When such stock is sold, the seller generally will recognize capital gain or loss based on the excess of the fair market value of the shares received over the seller's tax basis in the stock.

Special rules apply if the stock acquired is subject to vesting or is subject to certain restrictions on resale under federal securities laws applicable to directors, officers, and 10% stockholders.

If required by law, Participants must pay withholding taxes or agree to have such taxes withheld by transferring shares or allowing shares to be withheld, if allowed by law. RSUs will be structured to avoid potential adverse tax consequences to Participants imposed by Code Section 409A.

*Stock Appreciation Rights*

No taxable income is realized upon the receipt of a stock appreciation right, but upon exercise of the stock appreciation right the fair market value of the shares (or cash in lieu of shares) received must be treated as compensation taxable as ordinary income to the Participant in the year of such exercise. Generally, with respect to employees, we are required to withhold from the payment made on exercise of the stock appreciation right or from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, Section 162(m) of the Code and the satisfaction of a reporting obligation, we will be entitled to a business expense deduction equal to the taxable ordinary income recognized by the Participant.

*Potential Limitation on Deductions*

Code Section 162(m) denies a deduction to any publicly-held corporation for compensation paid to certain executive officers in a taxable year to the extent that compensation to such officers exceeds \$1,000,000. It is possible that compensation attributable to equity-based awards, when combined with all other types of compensation received by an executive officer from us, may cause this limitation to be exceeded in a particular year. However, certain kinds of compensation, including qualified "performance-based compensation," are disregarded for purposes of the deduction limitation.

Accordingly, compensation attributable to stock options and stock appreciation rights will qualify as performance-based compensation if such options are granted by a compensation committee or committee of the Board comprised solely of "outside directors," and either (i) the plan contains a per-employee limitation on the number of shares for which such awards may be granted during a specified period, the per-employee limitation is approved by the stockholders and the exercise price of the Award is no less than the fair market value of the stock on the date of grant, or (ii) the Award is granted (or exercisable) only upon the achievement (as certified in writing by the compensation

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committee) of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, and the Award is approved by stockholders. It is intended that all options granted by our Compensation Committee under the Amended and Restated 2007 Plan qualify as performance-based compensation which is exempt from the \$1,000,000 deduction limitation. However, compensation attributable to restricted stock, RSUs, and other equity-based awards under the Amended and Restated 2007 Plan will not qualify as performance-based compensation, and therefore remain subject to the \$1,000,000 deduction limitation.

*Amendments*

Other than in connection with the repricing of an option, our Board may amend, modify, or terminate Awards; provided that a Participant's consent to such action shall be required unless our Board determines that the action would not materially and adversely affect the Participant. Our Board may also amend, suspend, or terminate the Amended and Restated 2007 Plan, without stockholder approval, provided that there is no increase in the number of authorized shares (except in connection with the occurrence of certain events) or the per Participant limit, no change in eligible classes, and no change that requires stockholder approval by law or stock exchange rules. In addition, other than in connection with an Extraordinary Capitalization Event, the Board may not reduce the exercise price of an option or amend or cancel an option for the purpose of repricing, replacing or regranting such option with an exercise price that is less than the original exercise price of the option, without approval of our stockholders.

*Future Plan Benefits*

Our Board generally awards company-wide annual equity grants to our employees, including our executive officers, under the 2007 Plan. However, because the Board has significant discretion in determining whether to grant employee awards and the levels of any such awards, we cannot currently estimate the benefits or number of shares subject to awards that may be granted in the future to our executive officers, employees, or consultants under the Amended and Restated 2007 Plan. Under our current Non-Employee Director Compensation Plan, it is anticipated that on an annual basis, each of our non-employee directors, other than the Chairman of our Board, will be granted an option to purchase 5,000 shares of our common stock. In addition, our Chairman (provided that the Chairman is a non-employee director) will be granted an annual option to purchase 10,000 shares of our common stock. In lieu of the annual grant for the first year of service on our Board, each newly-elected non-employee director will be granted an option to purchase 10,000 shares of our common stock. It is anticipated that all option grants to our directors in connection with their service on the Board will vest in four equal annual installments beginning on the first anniversary of the date of grant, have an exercise price equal to the fair market value of a share of our common stock on the date of grant, and have a ten-year term.

As of December 31, 2008, we have granted our current executive officers, as a group, options and RSUs covering 441,000 shares of common stock under our 2007 Plan. In addition, we have granted all our other employees and our non-employee directors, 631,250 and 65,296 shares of common stock, respectively, under our 2007 Plan.

Table of Contents**Equity Compensation Plan Information**

The following table presents information as of December 31, 2008 about our compensation plans under which shares of our common stock have been authorized.

| <b>Plan Category</b>                                       | <b>Number of securities to be issued upon exercise of outstanding options, RSUs and rights</b> | <b>Weighted average exercise price of outstanding options, and rights(1)</b> | <b>Number of securities remaining available for future issuance under equity compensation plans(2)(3)</b> |
|--|--|--|---|
| Equity compensation plans approved by security holders     | 2,209,986  | \$ 39.14   | 1,158,214   |
| Equity compensation plans not approved by security holders |  |  |   |
| <b>Total</b>   | <b>2,209,986</b>   | <b>\$ 39.14</b>  | <b>1,158,214</b>  |

- (1) Excludes 218,500 shares of common stock issuable in connection with RSUs granted to employees, for which there is no exercise price.
- (2) Available for grant under our 2007 Plan and our 2006 ESPP.
- (3) Excluding number of securities listed in the first column to be issued upon exercise of outstanding options and rights.

**Vote Required**

The affirmative vote of the holders of a majority of the outstanding shares of common stock on the Record Date is required to approve the proposed amendment and restatement of our 2007 Plan. Broker non-votes are not considered to have been voted "for" or "against" the proposal and will have the practical effect of reducing the number of affirmative votes required to approve the amendment and restatement of our 2007 Plan. Abstentions are included in the number of shares present or represented and therefore have the same effect as negative votes.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS, AND DEEMS ADVISABLE, A VOTE "FOR" THE APPROVAL OF THE AMENDMENT AND RESTATEMENT OF OUR 2007 EQUITY INCENTIVE PLAN.**

Table of Contents**PROPOSAL 3. RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR**

Our Audit Committee has selected the firm of PricewaterhouseCoopers LLP, an independent registered public accounting firm, as the Company's independent auditor for the year ending December 31, 2009, and the Board has ratified such appointment. The Board has directed that management submit the appointment of PricewaterhouseCoopers LLP as our independent auditor for ratification by our stockholders at the Annual Meeting.

PricewaterhouseCoopers LLP or its predecessor has served as our independent auditor since our inception in 1981. Representatives of PricewaterhouseCoopers LLP are expected to be at the Annual Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Stockholder ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditor is not required by our by-laws or otherwise. However, the Board is submitting this appointment to the stockholders for ratification as a matter of good corporate practice. In the event our stockholders fail to ratify the appointment of PricewaterhouseCoopers LLP, the Audit Committee will not be required to replace PricewaterhouseCoopers LLP as our independent auditor. In the event of such a failure to ratify, the Audit Committee and the Board will reconsider whether or not to retain that firm for future service. Even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of a different independent auditor at any time if the Audit Committee determines that such a change would be in our and our stockholders' best interests.

**Principal Accountant Fees and Services**

The following table summarizes the fees billed for professional services by PricewaterhouseCoopers LLP for the years ended December 31, 2008 and 2007:

| Fee Category          | Year Ended<br>December 31,<br>2008 | Year Ended<br>December 31,<br>2007 |
|-----------------------|------------------------------------|------------------------------------|
| Audit Fees(1)         | \$ 458,750                         | \$ 380,000                         |
| Audit-Related Fees(2) | 5,000                              | 22,900                             |
| Tax Fees(3)           | 33,425                             | 43,490                             |
| All Other Fees(4)     | 1,500                              | 1,500                              |
| <b>Total</b>          | <b>\$ 498,675</b>                  | <b>\$ 447,890</b>                  |

- 
- (1) Audit fees consisted of fees for the audit of our financial statements, the review of our interim financial statements included in our quarterly reports on Form 10-Q, services in connection with our public stock offerings, benefit plan registration statements and other professional services provided in connection with regulatory filings or engagements.
- (2) Audit-related fees consisted of fees for services related to accounting consultations and advice.
- (3) Tax fees consisted of fees for tax compliance and consultations.
- (4) All other fees represent payment for access to the PricewaterhouseCoopers LLP on-line accounting research database.

All services expected to be rendered by PricewaterhouseCoopers LLP in 2009 are permissible under applicable laws and regulations, and were pre-approved by the Audit Committee. The Audit Committee has also approved certain non-audit services expected to be performed by PricewaterhouseCoopers LLP in 2009.



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In connection with the audit of our 2008 financial statements, we entered into an engagement agreement with PricewaterhouseCoopers LLP which sets forth the terms by which PricewaterhouseCoopers LLP would perform audit services for the Company. That agreement is subject to alternative dispute resolution procedures and an exclusion of punitive damages.

**Pre-Approval Policies and Procedures**

Consistent with policies of the SEC regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of our independent registered public accounting firm.

The Audit Committee has approved the engagement of PricewaterhouseCoopers LLP as the Company's independent auditor and has approved the provision of certain specific non-audit services expected to be performed by PricewaterhouseCoopers LLP in 2009. In addition, circumstances may arise during the year necessitating the engagement of PricewaterhouseCoopers LLP or another independent registered public accounting firm for additional audit or permissible non-audit services. In those instances, under our current pre-approval policy, each member of the Audit Committee has the authority to approve any additional audit services and permissible non-audit services provided that such member promptly informs the Audit Committee of such approval.

**Vote Required**

The affirmative vote of stockholders holding a majority of the votes cast on this proposal is required to ratify PricewaterhouseCoopers LLP as our independent auditor for the year ending December 31, 2009. Broker non-votes are not considered to have been voted "for" or "against" the proposal and will have the practical effect of reducing the number of affirmative votes required to approve the ratification of the appointment of PricewaterhouseCoopers LLP. Abstentions are included in the number of shares present or represented and therefore have the same effect as negative votes.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT AUDITOR.**



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**EXECUTIVE OFFICERS AND COMPENSATION**

Set forth below is a description of our current executive officers and of compensation received by our named executive officers for the year ended December 31, 2008.

**Executive Officers**

**Brian J.G. Pereira, M.D.**, age 50, has been President of our Company since November 2005 and Chief Executive Officer of our Company since November 2006. He has served as a member of our Board of Directors since July 2004. Dr. Pereira served as President and Chief Executive Officer of the New England Health Care Foundation, a physician's group at Tufts-New England Medical Center, from 2001 to 2005, and held various other positions at Tufts-New England Medical Center from 1993 to 2001. He is a Professor of Medicine at Tufts University School of Medicine and at the Sackler School of Biomedical Sciences of Tufts University. Dr. Pereira served as President of the National Kidney Foundation from 2002 to 2004, and has served on the editorial board of twelve scientific journals. He also serves as a director of Bidel, Inc., a pharmaceutical company, Tengion Inc., a private regenerative medicine company and Satellite Health Care Inc., a non-profit dialysis provider. In addition, Dr. Pereira is Chairman of the Board of the Harvard-MIT Biomedical Enterprise Program. Dr. Pereira graduated from St. John's Medical College, Bangalore, India and received his M.B.A. from the Kellogg School of Management, Northwestern University.

**David A. Arkowitz**, age 47, joined us in April 2007 and currently serves as Executive Vice President, Chief Financial Officer and Chief Business Officer. Prior to joining us, Mr. Arkowitz served as Chief Financial Officer and Treasurer at Idenix Pharmaceuticals, Inc., a biopharmaceutical company, from 2003 to 2007. Prior to his tenure at Idenix, Mr. Arkowitz was with Merck & Co. Inc., a pharmaceutical company, for over thirteen years where he served most recently as Vice President and Controller of the U.S. sales and marketing division from September 2002 to December 2003, Controller of the global research and development division from April 2000 to September 2002, and as Vice President of Finance and Business Development of the Canadian subsidiary of Merck & Co. from July 1997 to April 2000. Mr. Arkowitz currently serves on the Board of Directors and is the Chairman of the Audit Committee of Aegerion Pharmaceuticals, Inc., a pharmaceutical company. Mr. Arkowitz holds a B.A. from Brandeis University and an M.B.A. from Columbia University.

**Lee F. Allen, M.D., Ph.D.**, age 57, joined us in August 2007 and currently serves as Chief Medical Officer and Executive Vice President of Clinical Development. Prior to joining us, Dr. Allen served as Vice President of Clinical Research and Development of Wyeth Pharmaceuticals, a pharmaceutical company, from 2003 to 2007. Prior to his tenure at Wyeth, Dr. Allen held positions of increasing responsibility at Pfizer Inc., a biomedical and pharmaceutical company, from 1999 to 2003 and BASF Corporation's Knoll Pharmaceutical Company from 1998 to 1999. Prior to entering the pharmaceutical industry, he was a faculty member at Duke University Medical Center and at the University of Utah's Huntsman Cancer Institute. His work has been published in several scientific journals, including the Proceeding of the National Academy of Sciences, Nature and Science. Dr. Allen received his Ph.D. and subsequently his M.D. from the University of Medicine and Dentistry of New Jersey.

**Louis Brenner, M.D.**, age 39, joined us in September 2006 as Senior Vice President. Prior to joining us, Dr. Brenner worked as Senior Director of Business Development for the Renal and Transplantation Units at Genzyme Corporation, or Genzyme, a biotechnology company, from 2004 to 2006 and held various other positions of increasing responsibility at Genzyme from 2002 to 2004. Dr. Brenner holds a B.S. in Biology from Yale University, an M.D. from Duke University, and an M.B.A. from the Harvard Business School. Dr. Brenner is board certified in nephrology and internal medicine and cares for patients with chronic kidney disease at Brigham and Women's Hospital in Boston.

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**Robert M. Brenner, M.D.**, age 41, joined us in May 2008 as Senior Vice President of Medical Affairs. Prior to joining us, Dr. Brenner was at Amgen, Inc. for nine years where he served in a variety of nephrology leadership roles both in clinical development and medical affairs. Dr. Brenner received his B.A. from Johns Hopkins University and his M.D. from Albert Einstein College of Medicine. He completed his medical residency in internal medicine at Brigham and Women's Hospital in Boston and his fellowship in nephrology at Stanford University Medical Center.

**Joseph L. Farmer**, age 37, joined us in February 2005 and currently serves as General Counsel and Senior Vice President of Legal Affairs. He was appointed Secretary in 2007. Prior to joining us, Mr. Farmer was an associate in the business practice group of the law firm Testa, Hurwitz and Thibault, LLP from September 1997 to February 2005. He received his B.A. in Economics from Boston University and his J.D. from Boston College Law School. Mr. Farmer currently serves as a member of the Board of Trustees of Caritas Carney Hospital.

**Timothy G. Healey**, age 43, joined us in December 2006 as Senior Vice President of Commercial Operations. Prior to joining us, Mr. Healey was Executive Director, CNS Marketing at Sepracor Inc., a pharmaceutical company, from October 2004 to December 2006. Mr. Healey held various other positions of increasing responsibility at Sepracor Inc. from March 2001 to October 2004. Mr. Healey holds a B.S. from Boston College and an M.B.A. from Babson College.

**Christopher G. White**, age 47, joined us in September 2007 and currently serves as Senior Vice President of Business Development and Corporate Planning. From July 2005 through September 2007, Mr. White was a Partner in the Pharmaceutical and Medical Products Practice at Accenture. Prior to Accenture, he was a Vice President and Partner in the Pharmaceuticals and Healthcare Practice at A.T. Kearney, Inc., from 1998 to 2005. From 1984 to 1998, Mr. White held positions of increasing responsibility at DuPont Pharmaceuticals Company, Arthur D. Little and Merck & Co. Inc., respectively. Mr. White holds a B.S. in Chemical Engineering from Tufts University and an M.B.A. from Columbia University.

## Compensation Discussion and Analysis

### *Oversight of Our Executive Compensation Program*

During 2008, our Compensation Committee was comprised of Mark Skaletsky (Chair), Michael Narachi and Ron Zwanziger. As of February 2009, Michael Narachi serves as the Chairman of the Compensation Committee. The Board has determined that each of the members of the Compensation Committee is "independent" as such term is defined in the listing standards of the NASDAQ Global Market and SEC rules. In January 2006, the Board adopted a charter for the Compensation Committee, which was subsequently amended at various times, most recently in February 2008. Our current Compensation Committee charter is available on our website at [www.amagpharma.com](http://www.amagpharma.com), under the heading "Investors." However, information found on our website is not incorporated by reference into this Proxy Statement.

Among other duties, the Compensation Committee is charged with reviewing, refining and developing our overall compensation philosophy and submitting it to the Board for approval. The Compensation Committee is empowered to discharge certain of the responsibilities of the Board relating to compensation of our executive officers, including the following:

The authority to review, negotiate, authorize and approve the recruitment, hiring and compensation for any of our executive officers, other than our Chief Executive Officer, and any other of our officers with a title of Senior Vice President or higher;

The authority to review and recommend to the full Board for approval, but not approve, the compensation of our Chief Executive Officer, President and any other newly-created officer

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position which was not provided for in a Board-approved budget, each of which must be approved by the independent members of the Board;

Subject to certain limitations, the authority to administer and make awards under our existing stock option, stock incentive, employee stock purchase and other equity-based award plans;

The authority to review and make recommendations to the full Board with respect to incentive compensation plans and director compensation plans; and

The authority to engage independent advisors as it deems necessary or appropriate to carry out its responsibilities.

*Objectives of Our Executive Compensation Program*

Our key executive compensation objectives are to attract and retain the highest quality executive talent, motivate executives by aligning their short- and long-term interests with those of our stockholders, and reward short- and long-term individual and company performance.

We use the following principles to guide our decisions regarding executive compensation:

*External Competitiveness*

We strive to ensure that our executives' total compensation levels are competitive with peer companies so that we can attract and retain high performing key executive talent. Given the highly competitive landscape for top talent and our relative position to compete for that talent, we recognize that it may, in some instances, be necessary to pay above market rates to attract critical talent.

To ensure that our executives' total compensation levels are competitive, our Compensation Committee, in consultation with senior management, periodically reviews the compensation policies and practices of other companies in our peer group, which we define to include companies with the following characteristics:

Publicly-traded;

Primary operations in the biotechnology/pharmaceuticals industries;

Similar market capitalization;

Similar risk profile; and

Similar number of employees.

In addition to reviewing executive officers' compensation levels against that of similarly-situated executives in our peer group, the Compensation Committee also supplements peer group data with more broad based compensation survey data from companies of similar size and industry and considers recommendations from our Chief Executive Officer regarding total compensation for those executives reporting directly to him.

*Internal Parity*

To the extent practicable, base salary levels and short- and long-term incentive target levels for similarly-situated executives within the Company should be comparable to encourage teamwork, collaboration, and a cooperative working environment and avoid divisiveness.

*Pay for Performance*

Total compensation should reflect a "Pay for Performance" philosophy such that a substantial portion of executive compensation should include short- and long-term incentive awards that are tied to

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the achievement of the short- and long-term performance objectives of both the Company and the individual.

*Alignment with Stockholders' Interests*

Total compensation levels should include a component that reflects relative stockholder returns and our overall performance through the use of equity-based awards.

*Simplicity and Flexibility*

Our executive compensation program should be straightforward and easy to understand for both our employees and stockholders. The compensation program should also be sufficiently flexible to be able to adapt to rapid changes in the competitive environment for executives in the biotechnology and pharmaceuticals sectors.

*Avoidance of Excessive Perquisites*

Although we will consider certain perquisites that are common and appropriate for similarly-situated executives of public companies, as a general matter, we intend to avoid the payment of excessive, unusual, or unnecessary perquisites to executives.

*Elements of Our Executive Compensation Program*

Consistent with our executive compensation objectives, we have developed an executive compensation program consisting of the following elements:

Base Salary;

Short-term incentives in the form of annual cash bonus opportunities;

Long-term incentives in the form of equity-based awards (stock options and RSUs); and

Benefits/perquisites.

To further our guiding compensation principles, the relative mix of the foregoing components of each executive's total potential compensation should be weighted more toward short- and long-term incentive compensation. In addition, the value of variable compensation is generally weighted more heavily toward long- than short-term incentives to ensure the interests of the executives are properly aligned with those of our stockholders. In general, the proportion of total compensation at risk generally rises as an executive's level of responsibility increases to reflect the executive's ability to influence our overall performance.

In determining the appropriate level of each element of total executive compensation, we seek to accomplish the goals set out below.

*Base salary*

Base salary levels are designed to provide fixed annual cash compensation at the median or higher of that provided by our peer group to executives of similar position, responsibility, experience, qualifications, and performance to (i) allow us to recruit and retain the best qualified executives in a very tight market for talent in the biotechnology and pharmaceuticals sectors, and (ii) provide executives with reasonable predictability regarding their basic annual standard of living. Base salaries of executives are reviewed annually by the Board and Compensation Committee as part of our annual review process and in light of the executive's individual performance and the Company's performance during the year and the then current competitive conditions. In addition, our Board and Compensation Committee believe that it is appropriate during most years to provide a modest upward adjustment to



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executive salaries if the executive's performance warrants such adjustment and our financial condition permits.

*Short-term incentives*

Short-term incentives in the form of an annual cash bonus opportunity are intended to provide motivation for executives to achieve both the Company's annual operating goals and the individual's annual performance goals. The target amount for the annual bonus opportunity is generally established at the outset of the fiscal year and is based on a percentage of the executive's base salary that is intended to be at or above the median percentage offered to similarly-situated executives in our peer group. In addition, the Compensation Committee has the flexibility to award additional discretionary bonuses to recognize and reward outstanding individual performance in excess of measurable performance objectives.

*Long-term incentives*

Long-term incentives in the form of annual equity-based awards, typically stock options, are intended to align the interests of executives with those of our stockholders and to provide executives with a continuing ownership stake in our long-term success. The amount of an annual award is intended to be at or above the median value offered to similarly-situated executives in our peer group. Equity-based awards are generally subject to market-standard vesting to promote retention and align the executive's long-term interests with those of our stockholders. In addition, in certain instances the Board and Compensation Committee believe it is appropriate to grant to certain executive officers options with performance or market condition-based vesting provisions to further align the interests of such executives with those of our stockholders. As a general rule, option grants to executive officers will be reviewed by the Compensation Committee once per year in connection with our annual performance review process. However, the Board and the Compensation Committee may issue equity-based awards throughout the year as they deem appropriate.

*Benefits/Perquisites*

We seek to provide an overall benefits package that is intended to be at or above the median of that offered by our peer group to ensure that we do not lose talented candidates or employees as a result of an inferior benefits package.

*Executive Performance Criteria and Compensation Decisions*

The Compensation Committee conducts an annual review of the base salary paid to each executive officer. Typically, our Chief Executive Officer meets with the Compensation Committee and makes initial compensation recommendations with respect to the senior executives who report to him. At the end of each fiscal year, our Chief Executive Officer shares with the Compensation Committee his evaluation of each executive including recent contributions and performance, strengths and weaknesses, and advancement potential. Based on this input, the Compensation Committee makes its own assessment and approves the base salary for each executive officer, other than our Chief Executive Officer, for the succeeding fiscal year. With respect to our Chief Executive Officer's base salary, the Compensation Committee makes a recommendation to the Board, which makes the final determination of any change in base salary for the following fiscal year.

Generally, during the early part of each fiscal year, the Compensation Committee and the Board review and approve company performance goals against which the Compensation Committee and the Board will evaluate corporate performance and the performance of our Chief Executive Officer at the end of the fiscal year. In addition, during each fiscal year, the Compensation Committee reviews and approves individual performance goals against which the Compensation Committee will evaluate the

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performance of our other executives. In general, annual performance goals are intended to be challenging yet attainable. For example, our 2008 corporate goals included the approval by the U.S. Food & Drug Administration, or FDA, of our New Drug Application, or NDA, for *Feraheme* as an intravenous, or IV, iron replacement therapeutic for the treatment of iron deficiency anemia in chronic kidney disease, or CKD, patients by December 31, 2008, scaling the organization and *Feraheme* launch readiness, and progress toward *Feraheme* indication expansion beyond CKD. There are established bonus target amounts as a percentage of base salary for each of our executive officers, which currently range from 40% to 50% of base salary. In addition, in the event of exceptional performance, such bonus target percentages could be increased by up to an additional 50% of such target for any given year such that the actual bonus target range could be as high as 60% to 75% of base salary. The Board or Compensation Committee may establish or take into account additional subjective performance criteria in evaluating either the overall corporate performance or an individual executive's performance during a given fiscal year and establishing an executive's actual bonus amount for a given fiscal year.

The Board and the Compensation Committee believe long-term incentive awards to our executive officers should reflect our pay for performance philosophy and be based at or above the median value offered to similarly-situated executives in our peer group. Our Board believes that the proportion of total compensation at risk should rise as an executive's level of responsibility increases to reflect the executive's ability to influence overall company performance. With respect to our Chief Executive Officer, our Board believes that in certain instances long-term incentive awards should be tied to specific corporate performance goals.

Determinations of base salary and target short-term incentive compensation of our executive officers for the fiscal year ended December 31, 2008 were made at the beginning of fiscal 2008 by the Compensation Committee and, in the case of our Chief Executive Officer, the independent members of the Board, based on the recommendations of the Compensation Committee. In February 2009, our Board approved the 2008 bonus awards and salary adjustments for 2009 as described in more detail below.

*Our Recent Compensation Decisions*

In August 2007, the Compensation Committee retained Radford Surveys & Consulting, or Radford, an independent compensation consulting firm, to provide, among other things, a comprehensive executive compensation assessment of the Company. In its report, Radford compared the overall compensation then provided by the Company to each of its executive officers to publicly-available compensation information from twenty peer companies identified in consultation with senior management and the Compensation Committee, which were determined primarily on the basis of industry, market capitalization and number of employees, and to compensation data contained in the Radford Global Life Sciences Survey for companies of similar size. The twenty peer companies considered by Radford included: Acadia Pharmaceuticals, Inc.; Adams Respiratory Therapeutics, Inc.; Alexion Pharmaceuticals, Inc.; Alnylam Pharmaceuticals, Inc.; Auxilium Pharma, Inc.; Cubist Pharmaceuticals, Inc.; Indevus Pharmaceuticals, Inc.; Isis Pharmaceuticals, Inc.; LifeCell Corp; Ligand Pharmaceuticals Incorporated; Onyx Pharmaceuticals, Inc.; Pharmion Corp; Progenics Pharmaceuticals, Inc.; Regeneron Pharmaceuticals, Inc.; Savient Pharmaceuticals, Inc.; Theravance, Inc.; United Therapeutics Corp; Viropharma, Inc.; Xenoport, Inc.; and Zymogenetics, Inc. Throughout 2008, the Compensation Committee supplemented the information contained in the August 2007 Radford report with additional updated Radford survey data which is available through a subscription service, additional peer group data which was available through proxy statements filed with the SEC, as well as additional informal survey and anecdotal data from peer companies obtained by members of management and the Board.



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In August 2008, the Compensation Committee and the Board approved a proposal from management for a broad-based equity award to certain employees, including the Company's executive officers, in the form of RSUs, based on the fact that the next several quarters would be critical to the success of the Company as we prepared for the commercial launch of *Feraheme*, that many senior executives and other employees held options with exercise prices that were significantly above the market price of our common stock, and that it was very important to keep employees motivated given the demands that were to be placed on them. The exact size and the vesting schedule of each RSU grant to our named executive officers are set forth below under "Chief Executive Officer Compensation" and "Other Named Executive Officers' Compensation." The Compensation Committee and the Board believed that the foregoing RSU grants were appropriate and consistent with the Company's Executive Compensation Philosophy Statement in that the awards serve the purpose of motivating and retaining key employees and executives while aligning their long term interests with those of our stockholders.

During the first quarter of 2009, the Board and the Compensation Committee evaluated our Chief Executive Officer and other executive officers' performance for the year ended December 31, 2008. The Board's evaluation of Dr. Pereira's performance was based entirely on the level of achievement of our 2008 corporate goals. The Board and the Compensation Committee's evaluation of our other executive officers' performance was based on a combination of each such executive officer's achievement of specific individual goals, which were established and approved by the Compensation Committee during 2008, Dr. Pereira's evaluation of the performance and potential of each such executive officer, and the Company's level of achievement of its 2008 corporate goals. The Company's 2008 corporate goals included the approval by the FDA of our NDA for *Feraheme* as an IV iron replacement therapeutic in CKD patients by December 31, 2008, scaling the organization and *Feraheme* launch readiness, and progress toward *Feraheme* indication expansion beyond CKD. Based on a comprehensive evaluation of the Company's performance against the three 2008 goals described above, as well as the numerous additional achievements by the Company beyond its 2008 corporate goals, the Board and the Compensation Committee determined that although the Company did not fully achieve all of its 2008 goals, it believed that, based on the Company's substantial progress made toward the achievement of such goals throughout 2008, the Company's overall performance was very good and warranted a score of 80 points on a 100 point scale. As a result, the overall 2008 performance bonus pool for executive officers, including Dr. Pereira, was established at 80% of the target amount.

Compensation approved by the Board and the Compensation Committee and received by our named executive officers for the year ended December 31, 2008 is disclosed in the Summary Compensation Table. During the year ended December 31, 2008, the Board and the Compensation Committee granted our named executive officers the number of stock options and RSUs disclosed in the Grants of Plan-Based Awards in Fiscal 2008 table.

*Chief Executive Officer Compensation*

In February 2008, the Board approved, based on the recommendation of the Compensation Committee, the following:

A grant to Dr. Pereira of an option to purchase 100,000 shares of our common stock pursuant to our 2007 Plan at an exercise price of \$47.08, which was the fair market value of a share of our common stock on the date of grant. The foregoing option was to begin to vest only upon the achievement of a performance target with respect to our commercial sale of *Feraheme* on or prior to March 31, 2009. The performance target associated with this grant was not achieved by March 31, 2009 and therefore the foregoing option expired on March 31, 2009;

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An increase in Dr. Pereira's salary from \$431,000 to \$505,600, effective March 1, 2008, and the elimination of the Company's obligation to pay for a life insurance policy for the benefit of Dr. Pereira's designated beneficiaries;

A total cash bonus of \$296,313 with respect to both the three months ended December 31, 2006 and the year ended December 31, 2007. This bonus amount was paid in March 2008 and based upon the Board's evaluation of the Company's achievement of its 2007 corporate goals; and

An additional one-time \$100,000 cash performance bonus based upon the Board's determination that the Company had substantially achieved the specific 2007 performance goal of obtaining the FDA's acceptance to file our *Feraheme* NDA in a timely manner. This bonus amount was paid in March 2008.

For the reasons described above under "Our Recent Compensation Decisions" in August 2008, our Board approved, based on the recommendation of the Compensation Committee, a grant of 50,000 RSUs to Dr. Pereira. These RSUs will commence vesting upon achievement of a specific stock price target as follows: 50% will vest upon the first anniversary of such stock price target achievement, and the remaining 50% will vest on the second anniversary of such stock price target achievement; provided that if the price target is not achieved on or prior to August 5, 2012, then such grant shall automatically terminate. The exact stock price target is not being disclosed for competitive reasons. In addition, upon the consummation of a change of control, the foregoing RSUs shall become immediately vested in full with respect to all 50,000 shares of common stock provided that the consideration payable to holders of our common stock in connection with such change of control is equal to or greater than a specified price.

For the reasons described above in "Executive Performance Criteria" and "Our Recent Compensation Decisions", on February 25, 2009, the Board approved, based on the recommendation of the Compensation Committee, the following:

A grant to Dr. Pereira of an option to purchase 270,000 shares of our common stock pursuant to our 2007 Plan at an exercise price of \$34.26, which was the fair market value of a share of our common stock on the date of grant. The option will vest in equal annual installments over a four-year period beginning on the first anniversary of the date of grant and has a ten-year term. In addition, upon the consummation of a change of control, the foregoing option shall become immediately vested in full with respect to all 270,000 shares of common stock;

A total cash bonus of \$202,240 for the performance period of January 1, 2008 through December 31, 2008. This bonus amount was paid in March 2009 and was based upon the Board's evaluation of the Company's achievement of its 2008 performance goals as described above; and

An increase in Dr. Pereira's salary from \$505,600 to \$530,000, effective March 1, 2009.

The Board and the Compensation Committee believed that the foregoing salary adjustments, bonus payments, and stock option and RSU awards were justified in light of our 2008 corporate performance, Dr. Pereira's 2008 individual performance, and our Executive Compensation Philosophy Statement.

*Other Named Executive Officers' Compensation*

Our named executive officers, other than Dr. Pereira, include David A. Arkowitz, Lee F. Allen, M.D., Ph.D., Louis Brenner, M.D., and Timothy G. Healey, each of whom entered into employment agreements with us in connection with their joining the Company. The terms of each of these original employment agreements were negotiated by the executive officer with the Company at arms-length. On July 31, 2007, the employment agreements for Messrs. Arkowitz and Healey and Dr. Brenner, as well

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as the employment agreement for Dr. Pereira, were amended and restated to amend the severance and change of control provisions contained therein. The amended and restated employment agreements, or the July 2007 Employment Agreements, did not otherwise change the compensation arrangements between the Company and the named executive officers. In connection with his joining the Company in August 2007, Dr. Allen entered into an employment agreement which contained substantially similar severance and change of control provisions as the July 2007 Employment Agreements. The terms of these employment agreements are further described below in the section of this Proxy Statement entitled "Change of Control and Severance Compensation." The employment agreements as well as any further change in the base salary, cash bonus potential and equity incentives for each of these named executive officers were and will be approved by our Board based upon the recommendations made by the Compensation Committee and, except in the case of Dr. Pereira, our Chief Executive Officer.

In establishing the salary, cash bonus potential and equity incentives for our named executive officers, the Board and the Compensation Committee intends to set such officers' overall compensation level, as well as each component of compensation, at approximately the median compensation paid to similarly-situated executives in our peer group, consistent with the Company's Executive Compensation Philosophy Statement. In making their compensation decisions, the Board and the Compensation Committee also consider the relevant experience of the respective executive officer, the individual's past performance as compared to both his individual and corporate goals, and his potential. The Board and the Compensation Committee also believe that the overall compensation package for executive officers should be more heavily weighted toward short- and long-term incentive compensation than fixed compensation. For our named executive officers, with the exception of Dr. Pereira, the 2008 bonus awards were based in part on the Company's achievement of its 2008 corporate goals and in part on such named executive officers' individual performance throughout 2008 as compared to his individual goals.

Based on the foregoing and the recommendation of the Compensation Committee, in February 2008, our Board approved the following for our current other named executive officers:

| Named Executive Officer   | 2006 2007<br>Performance<br>Bonus<br>Amount(1) | Stock<br>Option<br>Award(2) | 2008<br>Salary<br>Rate(3) |
|---------------------------|--|-----------------------------|---------------------------|
| David A. Arkowitz         | \$ 106,560                                     | 30,000                      | \$ 330,000                |
| Lee F. Allen, M.D., Ph.D. |  | 20,000                      | \$ 312,000                |
| Louis Brenner, M.D.       | \$ 133,750                                     | 20,000                      | \$ 270,000                |
| Timothy G. Healey         | \$ 122,494                                     | 22,000                      | \$ 280,000                |

(1) Due to our fiscal year change in 2007 from September 30 to December 31, these performance bonus amounts reflect a performance period of October 1, 2006 through December 31, 2007 in the case of Dr. Brenner, and from the date of hire through December 31, 2007 in the case of Mr. Arkowitz and Mr. Healey.

(2) Stock option awards reflect awards of options to purchase shares of our common stock pursuant to our 2007 Plan at an exercise price of \$47.08, which was the fair market value of a share of our common stock on February 26, 2008, the date of grant. These options have a ten-year term and vest in equal annual installments over a four-year period beginning on the first anniversary of the date of grant.

(3) Salary increases were effective as of March 1, 2008.

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In addition, for the reasons described above under "Our Recent Compensation Decisions," in August 2008, our Board approved, based on the unanimous recommendation of the Compensation Committee, the following RSU grants to our current other named executive officers:

| Named Executive Officer   | RSU<br>Grant |
|---------------------------|--------------|
| David A. Arkowitz         | 30,000       |
| Lee F. Allen, M.D., Ph.D. | 20,000       |
| Louis Brenner, M.D.       | 10,000       |
| Timothy G. Healey         | 20,000       |

All of the foregoing RSUs will vest according to the following vesting schedule: 50% on the second anniversary of the grant date; an additional 25% on the third anniversary of the grant date; and the remaining 25% on the fourth anniversary of the grant date.

Further, for the reasons described above in "Executive Performance Criteria" and "Our Recent Compensation Decisions" in February 2009 our Board approved the following for our current named executive officers, except for our Chief Executive Officer:

| Named Executive Officer   | 2008                              |                             | 2009 Salary<br>Rate(3) |
|---------------------------|-----------------------------------|-----------------------------|------------------------|
|                           | Performance<br>Bonus<br>Amount(1) | Stock<br>Option<br>Award(2) |                        |
| David A. Arkowitz         | \$ 120,000                        | 45,000                      | \$ 350,000             |
| Lee F. Allen, M.D., Ph.D. | \$ 110,000                        | 30,000                      | \$ 330,000             |
| Louis Brenner, M.D.       | \$ 86,000                         | 20,000                      | \$ 280,000             |
| Timothy G. Healey         | \$ 90,000                         | 25,000                      | \$ 290,000             |

- (1) These performance bonus amounts reflect a performance period of January 1, 2008 through December 31, 2008. These amounts were paid in March 2009.
- (2) Stock option awards reflect awards of options to purchase shares of our common stock pursuant to our 2007 Plan at an exercise price of \$34.26, which was the fair market value of a share of our common stock on February 25, 2009, the date of grant. These options have a ten-year term and vest in equal annual installments over a four-year period beginning on the first anniversary of the date of grant.
- (3) Salary increases were effective as of March 1, 2009.

Our Board and the Compensation Committee believe that the foregoing salary adjustments, bonus payments, and equity-based awards were justified in light of our 2008 corporate performance, the individual executive's 2008 performance and our Executive Compensation Philosophy Statement.

## Regulatory Requirements

### *Tax Deductibility of Executive Compensation*

Section 162(m) of the Code prohibits us from deducting compensation paid in any year to certain executives in excess of \$1 million but does not subject performance-based compensation to this limit. While our Board intends to design certain components of executive compensation to preserve deductibility under Section 162(m) of the Code, it believes that stockholder interests are best served by not restricting our Board's or the Compensation Committee's discretion and flexibility in crafting compensation programs, even though such programs may result in certain non-deductible compensation expenses. Accordingly, our Board and the Compensation Committee have from time to time approved, and our Board or the Compensation Committee may in the future approve, compensation arrangements for certain officers, including the grant of equity-based awards, that may not be fully deductible for federal corporate income tax purposes.

### *Other Regulations Affecting Executive Compensation*

We generally intend to structure post-termination compensation to our executive officers to minimize the effect of additional taxes imposed by Section 409A of the Code.

Table of Contents**Summary Compensation Table**

The following table sets forth the annual and long-term compensation of each of our named executive officers for the fiscal years ended December 31, 2008 and 2007, and the three months ended December 31, 2006:

| <b>Name and Principal Position</b>   | <b>Period</b>       | <b>Salary<br/>(\$)(1)</b> | <b>Bonus<br/>(\$)(2)</b> | <b>Stock<br/>Awards<br/>(\$)(3)</b> | <b>Option<br/>Awards<br/>(\$)(4)</b> | <b>Non-Equity<br/>Incentive Plan<br/>Compensation<br/>(\$)(5)</b> | <b>All Other<br/>Compensation<br/>(\$)(6)</b> | <b>Total (\$)</b> |
|--|---------------------|---------------------------|--------------------------|-------------------------------------|--------------------------------------|---|---|-------------------|
| Brian J.G. Pereira, M.D.   | 2008                | 492,677                   |                          | 393,219                             | (785,606)(7)                         | 202,240   | 6,750   | 309,280           |
| President and Chief<br>Executive Officer   | 2007                | 428,608                   |                          | 99,900                              | 3,493,159                            | 337,050   | 14,461  | 4,373,178         |
|  | 10/1/06<br>12/31/06 | 100,000                   |                          | 24,975                              | 238,684                              | 59,263  | 10,926  | 433,848           |
| David A. Arkowitz(8)   | 2008                | 324,808                   |                          | 165,024                             | 502,448(9)                           | 120,000   | 6,433   | 1,118,713         |
| Executive Vice President,<br>Chief Financial Officer and<br>Chief Business Officer | 2007                | 210,000                   |                          | 36,014                              | 567,742                              | 106,560   | 6,620   | 926,936           |
|  | 10/1/06<br>12/31/06 | N/A                       | N/A                      | N/A                                 | N/A                                  | N/A   | N/A   | N/A               |
| Lee F. Allen, M.D., Ph.D.(10)  | 2008                | 309,923                   | 50,000(2)                | 142,619                             | 477,751                              | 110,000   | 6,750   | 1,097,043         |
| Executive Vice President<br>and Chief Medical Officer                              | 2007                | N/A                       | N/A                      | N/A                                 | N/A                                  | N/A   | N/A   | N/A               |
|  | 10/1/06<br>12/31/06 | N/A                       | N/A                      | N/A                                 | N/A                                  | N/A   | N/A   | N/A               |
| Louis Brenner, M.D.  | 2008                | 266,539                   |                          | 38,703                              | 541,532                              | 86,000  | 6,750   | 939,524           |
| Senior Vice President  | 2007                | 250,000                   |                          |                                     | 330,612                              | 107,000   | 7,020   | 694,632           |
|  | 10/1/06<br>12/31/06 | 62,500                    |                          |                                     | 73,878                               | 26,750  |   | 163,128           |
| Timothy G. Healey  | 2008                | 277,404                   |                          | 121,731                             | 766,491                              | 90,000  | 6,750   | 1,262,376         |
| Senior Vice President of<br>Commercial Operations                                  | 2007                | 265,000                   |                          | 44,325                              | 545,000                              | 113,071   | 7,050   | 974,446           |
|  | 12/1/06<br>12/31/06 | 21,404                    |                          |                                     |                                      |   |   |                   |