

Regulus Therapeutics Inc.  
Form DEF 14A  
April 11, 2014

**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

**Regulus Therapeutics Inc.**

**(Name of Registrant as Specified In Its Charter)**

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:

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

4. Proposed maximum aggregate value of transaction:

5. Total fee paid:

Fee paid previously with preliminary materials.

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

6. Amount Previously Paid:

7. Form, Schedule or Registration Statement No.:

8. Filing Party:

9. Date Filed:

**REGULUS THERAPEUTICS INC.**

3545 John Hopkins Court, Suite 210

San Diego, California 92121

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On May 22, 2014**

Dear Stockholder:

You are cordially invited to attend the 2014 Annual Meeting of Stockholders of Regulus Therapeutics Inc., a Delaware corporation (the Company). The meeting will be held on Thursday, May 22, 2014 at 9:00 a.m. local time at the Company's offices located at 3545 John Hopkins Court, Suite 210, San Diego, CA 92121 for the following purposes:

1. To elect the eight nominees for director named herein to serve until the next annual meeting and their successors are duly elected and qualified.
2. To ratify the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending 2014.
3. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the Proxy Statement accompanying this notice.

The record date for the annual meeting is March 28, 2014. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to Be Held on May 22, 2014 at 9:00 a.m. local time at the Company's offices located at 3545 John Hopkins Court, Suite 210, San Diego, CA 92121.**

**The proxy statement and annual report to stockholders are available at [www.regulusrx.com](http://www.regulusrx.com).**

By Order of the Board of Directors

David L. Szekeres  
Secretary

San Diego, California

April 11, 2014

**You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the proxy mailed to you or vote by telephone or through the internet as instructed in these materials, as promptly as possible in order to ensure your representation at the meeting. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.**

**REGULUS THERAPEUTICS INC.**

3545 John Hopkins Court, Suite 210

San Diego, California 92121

**PROXY STATEMENT**

**FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS**

**To be held on May 22, 2014**

**QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING**

**Why did I receive a notice regarding the availability of proxy materials on the internet, rather than a full set of proxy materials?**

Pursuant to rules adopted by the Securities and Exchange Commission (the "SEC"), we have elected to provide access to our proxy materials over the internet. Accordingly, we have sent you a Notice of Internet Availability of Proxy Materials (a "Notice") because the Board of Directors (sometimes referred to as the "Board") of Regulus Therapeutics Inc. (sometimes referred to as we, us, the Company or Regulus) is soliciting your proxy to vote at our 2014 Annual Meeting of Stockholders, including at any adjournments or postponements of the meeting. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the internet or to request a printed copy may be found in the Notice.

We intend to first mail the Notice on April 11, 2014 to all stockholders of record.

**How do I attend the annual meeting?**

The meeting will be held on Thursday, May 22, 2014 at 9:00 a.m. local time at 3545 John Hopkins Court, Suite 210, San Diego, California 92121. Directions to the annual meeting may be found at [www.regulusrx.com](http://www.regulusrx.com). Information on how to vote in person at the annual meeting is discussed below.

**Who can vote at the annual meeting?**

Only stockholders of record at the close of business on March 28, 2014 will be entitled to vote at the annual meeting. On this record date, there were 43,335,571 shares of common stock outstanding and entitled to vote.

*Stockholder of Record: Shares Registered in Your Name*

If on March 28, 2014 your shares were registered directly in your name with the Company's transfer agent, Computershare, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted.

*Beneficial Owner: Shares Registered in the Name of a Broker or Bank*

If on March 28, 2014 your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in "street name" and received a

Notice from 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. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

**What am I voting on?**

There are two matters scheduled for a vote:

Election of the eight nominees for director named herein; and

Ratification of the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending 2014.

### **What if another matter is properly brought before the meeting?**

The Board of Directors knows of no other matters that will be presented for consideration at the annual meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the proxy to vote on those matters in accordance with their best judgment.

### **How do I vote?**

You may either vote For all the nominees to the Board of Directors or you may Withhold your vote for any nominee you specify. For Proposal 2, you may vote For or Against or abstain from voting.

The procedures for voting are as follows:

#### *Stockholder of Record: Shares Registered in Your Name*

If you are a stockholder of record, you may vote in person at the annual meeting, by proxy over the telephone, by proxy through the internet, or by proxy using a proxy card that you may request. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person even if you have already voted by proxy.

To vote using a proxy card that may be delivered to you at a later time, simply complete, sign and date the proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the annual meeting, we will vote your shares as you direct.

To vote over the telephone, dial toll-free 1-800-690-6903 using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the Notice. Your vote must be received by 11:59 p.m. Eastern Time on May 21, 2014 to be counted.

To vote through the internet, go to [www.proxyvote.com](http://www.proxyvote.com) to complete an electronic proxy card. You will be asked to provide the company number and control number from the Notice. Your vote must be received by 11:59 p.m. Eastern Time on May 21, 2014 to be counted.

To vote in person, come to the annual meeting and we will give you a ballot when you arrive.

#### *Beneficial Owner: Shares Registered in the Name of Broker or Bank*

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a Notice containing voting instructions from that organization rather than from Regulus. Simply follow the instructions in the Notice to ensure that your vote is counted. To vote in person at the annual meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

### **How many votes do I have?**

On each matter to be voted upon, you have one vote for each share of common stock you own as of March 28, 2014.

**What happens if I do not vote?**

*Stockholder of Record: Shares Registered in Your Name*

If you are a stockholder of record and do not vote by completing a proxy card, or by telephone, through the internet, or in person at the annual meeting, your shares will not be voted.

*Beneficial Owner: Shares Registered in the Name of Broker or Bank*

If you are a beneficial owner and do not instruct your broker, bank, or other agent how to vote your shares, the question of whether your broker or nominee will still be able to vote your shares depends on whether the



particular proposal is considered to be a routine matter under applicable rules. Brokers and nominees can use their discretion to vote uninstructed shares with respect to matters that are considered to be routine under applicable rules, but not with respect to non-routine matters. Under applicable rules and interpretations, non-routine matters are matters that may substantially affect the rights or privileges of stockholders, such as mergers, stockholder proposals, elections of directors (even if not contested), executive compensation (including any advisory stockholder votes on executive compensation and on the frequency of stockholder votes on executive compensation), and certain corporate governance proposals, even if management-supported. Accordingly, your broker or nominee may not vote your shares on Proposal 1, without your instructions, but may vote your shares on Proposal 2.

**What if I return a proxy card or otherwise vote but do not make specific choices?**

If you return a signed and dated proxy card or otherwise vote without marking voting selections, your shares will be voted, as applicable, For the election of all eight nominees for director and For ratification of the selection by the Audit Committee of the Board of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending 2014. If any other matter is properly presented at the meeting, your proxyholder (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

**Who is paying for this proxy solicitation?**

We will pay for the entire cost of soliciting proxies. In addition to these proxy materials, our directors and employees and Broadridge may also solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies, but Broadridge will be paid its customary fee of approximately \$3,000.00 plus out-of-pocket expenses if it solicits proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

**What does it mean if I receive more than one set of proxy materials?**

If you receive more than one set of proxy materials, your shares may be registered in more than one name or in different accounts. Please follow the voting instructions on the proxy cards in the proxy materials to ensure that all of your shares are voted.

**Can I change my vote after submitting my proxy?**

*Stockholder of Record: Shares Registered in Your Name*

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of the following ways:

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

You may grant a subsequent proxy by telephone or through the internet

You may send a timely written notice that you are revoking your proxy to Regulus Therapeutics Inc.'s Secretary at 3545 John Hopkins Court, Suite 210, San Diego, California 92121.

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

Your most current proxy card or telephone or internet proxy is the one that is counted.

*Beneficial Owner: Shares Registered in the Name of Broker or Bank*

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.

**When are stockholder proposals and director nominations due for next year's annual meeting?**

To be considered for inclusion in the Company's proxy materials for next year's annual meeting of stockholders, your proposal must be submitted in writing by December 12, 2014, to the attention of the Secretary of Regulus Therapeutics Inc. at 3545 John Hopkins Court, Suite 210, San Diego, California 92121. If you wish to submit a proposal (including a director nomination) at the meeting that is not to be included in the Company's proxy materials for next year's annual meeting, your written request must be received by the Secretary for Regulus Therapeutics between January 22, 2015 and February 21, 2015. You are also advised to review the Company's Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

**How are votes counted?**

Votes will be counted by the inspector of election appointed for the meeting, who will separately count, for the proposal to elect directors, votes For, Withhold and broker non-votes; and, for the proposal to ratify the Audit Committee's selection of Ernst & Young LLP as our independent public accounting firm, votes For and Against, abstentions and broker non-votes. Abstentions will be counted towards the vote total for Proposal 2 and will have the same effect as Against votes. Broker non-votes have no effect and will not be counted towards the vote total for any proposal.

**What are broker non-votes ?**

As discussed above, 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 to be non-routine under applicable rules, the broker or nominee may not vote the shares. These unvoted shares are counted as broker non-votes.

**How many votes are needed to approve each proposal?**

For Proposal 1, the election of directors, the eight nominees receiving the most For votes from the holders of shares present in person or represented by proxy and entitled to vote on the election of directors will be elected. Only votes For or Withheld will affect the outcome.

To be approved, Proposal 2 ratifying the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending 2014 must receive For votes from the holders of a majority of shares present and entitled to vote either in person or represented by proxy. If you mark your proxy to Abstain from voting, it will have the same effect as an Against vote.

**What is the quorum requirement?**

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 outstanding shares entitled to vote are present at the meeting in person or represented by proxy. On the record date, there were 43,335,571 shares outstanding and entitled to vote. Thus, the holders of 21,667,785 shares must be present in person or represented by proxy at the meeting to have a quorum.

Your shares will be counted towards 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 towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the meeting in person or represented by proxy may adjourn the meeting to another date.

**How can I find out the results of the voting at the annual meeting?**

Preliminary voting results will be announced at the annual meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four business days after the annual meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after

the meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional Form 8-K to publish the final results.

### What proxy materials are available on the internet?

The letter to stockholders, proxy statement, Form 10-K and annual report to stockholders are available at [www.regulusrx.com](http://www.regulusrx.com).

## PROPOSAL 1

### ELECTION OF DIRECTORS

Our Board of Directors consists of nine directors. There are eight nominees for director this year, consisting of our incumbent directors other than Dr. Maraganore, who has elected not to stand for re-election at the annual meeting. We intend to reduce the authorized size of our Board of Directors from nine directors to eight directors on or shortly following the date of the annual meeting. Proxies may not be voted for a greater number of persons than the number of nominees named in this proxy statement. Each director to be elected and qualified will hold office until the next annual meeting of stockholders and until his or her successor is elected, or, if sooner, until the director's death, resignation or removal. Each of the nominees listed below is currently a director of the Company who was previously elected by the stockholders. Directors are elected by a plurality of the votes of the holders of shares present in person or represented by proxy and entitled to vote on the election of directors. The eight nominees receiving the highest number of affirmative votes will be elected. It is the Company's policy to invite nominees for directors to attend the annual meeting. None of our current directors attended our 2013 Annual Meeting of Stockholders.

### Nominees

The following is a brief biography of each nominee for director and a discussion of the specific experience, qualifications, attributes or skills of each nominee that led the Nominating and Corporate Governance Committee to recommend that person as a nominee for director, as of the date of this proxy statement.

The Nominating and Corporate Governance Committee seeks to assemble a board that, as a whole, possesses the appropriate balance of professional and industry knowledge, financial expertise and high-level management experience necessary to oversee and direct the Company's business. To that end, the Committee has identified and evaluated nominees in the broader context of the board's overall composition, with the goal of recruiting members who complement and strengthen the skills of other members and who also exhibit integrity, collegiality, sound business judgment and other qualities that the Committee views as critical to effective functioning of the board. The brief biographies below include information, as of the date of this proxy statement, regarding the specific and particular experience, qualifications, attributes or skills of each director or nominee that led the Committee to recommend that person as a nominee. However, each of the members of the Committee may have a variety of reasons why he or she believes a particular person would be an appropriate nominee for the board, and these views may differ from the views of other members.

Name	Age	Position Held With the Company
Stelios Papadopoulos, Ph.D.	65	Chairman of the Board of Directors
David Baltimore, Ph.D.	76	Director
Bruce L.A. Carter, Ph.D.	70	Director
Mark G. Foletta	53	Director

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B. Lynne Parshall	60	Director
William H. Rastetter, Ph.D.	65	Director
Douglas Williams, Ph.D.	56	Director
Kleanthis G. Xanthopoulos, Ph.D.	55	Director, President and Chief Executive Officer

*Stelios Papadopoulos, Ph.D.* Chairman of the Board, has served on our Board of Directors since our conversion to a corporation in January 2009, and as our Chairman since June 2013 and prior to that was a director of Regulus Therapeutics LLC since July 2008. Since 1994, Dr. Papadopoulos has served as a director and, since 1998, as Chairman of the Board for Exelixis, Inc., a publicly-held biotechnology company, which he co-founded. From 2000 to 2006, Dr. Papadopoulos served as Vice Chairman with Cowen and Co., LLC, an investment banking firm. From 1987 to 2000, Dr. Papadopoulos served in several positions with PaineWebber, Incorporated, most recently as Chairman of PaineWebber Development Corp., a PaineWebber subsidiary focusing on biotechnology. From 2000 to 2011, Dr. Papadopoulos served as a member of the board of directors of Anadys Pharmaceuticals, Inc. prior to its acquisition by F. Hoffman-La Roche, or Roche. Since 2003, Dr. Papadopoulos has served as a member of the board of directors of BG Medicine, Inc., a publicly-held life sciences company. Since July 2008, Dr. Papadopoulos has served as a member of the board of directors of Biogen Idec Inc., a publicly-held biopharmaceutical company, and in February 2014 was appointed to serve as the chairman of the board of directors of Biogen Idec effective on the date of Biogen Idec's 2014 annual meeting of stockholders. Dr. Papadopoulos holds an M.S. in Physics, a Ph.D. in Biophysics and an M.B.A. in Finance from New York University. Our Nominating and Corporate Governance Committee believes that Dr. Papadopoulos is qualified to serve on our Board of Directors due to his knowledge and expertise regarding the biotechnology and healthcare industries, his broad leadership experience on various boards and his experience with financial matters.

*David Baltimore, Ph.D.* has served on our Board of Directors and on our scientific advisory board since our conversion to a corporation in January 2009, and prior to that was a director of Regulus Therapeutics LLC since November 2007. Since 2006, Dr. Baltimore has served as President Emeritus and Robert Andrews Millikan Professor of Biology at the California Institute of Technology, and before that from 1997 to 2006, Dr. Baltimore served as President of the California Institute of Technology. From 1968 to 1972, Dr. Baltimore served as an associate professor at the Massachusetts Institute of Technology, and from 1972 to 1997 was a professor at the Massachusetts Institute of Technology. From 1990 to 1994, Dr. Baltimore served as professor at The Rockefeller University where he also served as the President from July 1990 to December 1991. Since 1997, Dr. Baltimore has served as a director of Amgen Inc., a publicly-held biotechnology company, and also serves as a director of Immune Design Corp., a privately-held biotechnology company, and as chairman of the board of directors of Calimmune, Inc., a privately-held biotechnology company. In 1975, Dr. Baltimore received the Nobel Prize in Medicine as a co-recipient. Dr. Baltimore holds a Ph.D. in Biology from The Rockefeller University and a B.A. with High Honors in Chemistry from Swarthmore College. Our Nominating and Corporate Governance Committee believes that Dr. Baltimore is qualified to serve on our Board of Directors due to the many years Dr. Baltimore has spent in scientific academia, which has provided him with a deep understanding of our industry and our activities.

*Bruce L.A. Carter, Ph.D.* has served on our Board of Directors since June 2012. Since June 2008, Dr. Carter has served as a director of Dr. Reddy's Laboratories Limited, a publicly-held pharmaceutical company. From 2009 to 2013, Dr. Carter served as a director of Immune Design Corp., a privately-held biotechnology company. From April 1998 to January 2009, Dr. Carter served as Chief Executive Officer with ZymoGenetics, Inc., a publicly-held biotechnology company (acquired by Bristol-Myers Squibb in October 2010). From 1994 to 2000, Dr. Carter was the Chief Scientific Officer of Novo Nordisk, a publicly-held pharmaceutical company. Dr. Carter holds a Ph.D. in Microbiology from Queen Elizabeth College, University of London and a B.Sc. with Honors in Botany from the University of Nottingham, England. Our Nominating and Corporate Governance Committee believes that Dr. Carter is qualified to serve on our Board of Directors due to his years of service in the biotechnology industry and his service on the boards of directors of other life sciences companies.

*Mark G. Foletta* has served on our Board of Directors since January 2013. He previously served as Senior Vice President, Finance and Chief Financial Officer of Amylin Pharmaceuticals, Inc. from March 2006 through Amylin's acquisition by Bristol Myers-Squibb Company in August 2012. Prior to joining Amylin in 2000, Mr. Foletta held a number of management positions with Intermark, Inc. and Triton Group Ltd. and served as an Audit Manager with Ernst & Young. Mr. Foletta served as a director of Anadys Pharmaceuticals, Inc., a publicly-held





biopharmaceutical company, from September 2005 through November 2011 (acquired by Roche). He is currently a member of the Board of Directors and Audit Committee of AMN Healthcare Services, Inc., a publicly-traded health services company and ViaCyte, a privately-held biotechnology company. Mr. Foletta received a B.A. in Business Economics from the University of California, Santa Barbara. He is a Certified Public Accountant and a member of the Corporate Directors Forum. Our Nominating and Corporate Governance Committee believes that Mr. Foletta's extensive financial and operational experience in the biotechnology industry qualifies him to serve on our Board of Directors.

*B. Lynne Parshall* has served on our Board of Directors since our conversion to a corporation in January 2009, and prior to that was a director of Regulus Therapeutics LLC since November 2007. Ms. Parshall joined our Board of Directors as a representative of Isis Pharmaceuticals, Inc. in connection with its investment in us pursuant to our founding investor rights agreement. Ms. Parshall has served as the Chief Operating Officer of Isis since December 2007, as its Chief Financial Officer from June 1994 until December 2012, as its Secretary since November 1991 and as a director of Isis since September 2000. From 1986 to 1991, Ms. Parshall was a partner with Cooley LLP. Ms. Parshall currently serves as a director of Cytokinetics, Inc., a publicly-held biopharmaceutical company and from July 2005 to August 2009 she previously served as a director of Cardiodynamics International Corporation, a publicly-held biopharmaceutical company (acquired by SonoSite, Inc. in August 2009). Ms. Parshall holds a J.D. from Stanford Law School and a B.A. in Government and Economics from Harvard University. Our Nominating and Corporate Governance Committee believes that Ms. Parshall is qualified to serve on our Board of Directors due to her extensive financial and legal expertise, and her extensive experience in the biotechnology industry and with us.

*William H. Rastetter, Ph.D.* has served on our Board of Directors since April 2013. From 2006 to February 2013, Dr. Rastetter served as a partner in the venture capital firm, Venrock. He served as Chief Executive Officer of IDEC Pharmaceuticals from December 1986 through November 2003, and as Chairman from May 1996 to November 2003. Upon the merger of IDEC Pharmaceuticals and Biogen in November 2003, Dr. Rastetter served as Executive Chairman of Biogen Idec until the end of 2005. Dr. Rastetter currently serves as the chairman of the board of directors of Fate Therapeutics, Inc., a publicly-held biopharmaceutical company, chairman of the board of Illumina, Inc., a publicly-held biotechnology company, chairman of the board of Neurocrine Biosciences, Inc., a publicly-held biopharmaceutical company, chairman of the board of Receptos, Inc., a publicly-held biopharmaceutical company, and lead outside director of Cerulean Pharma, a privately-held biotechnology company. In addition, he serves as an advisor to Leerink Partners, a healthcare-focused investment bank. He is the author of numerous scientific papers and patent applications in the fields of organic and bioorganic chemistry, protein and enzyme engineering, and biotechnology. Dr. Rastetter holds an S.B. in Chemistry from the Massachusetts Institute of Technology and received his M.A. and Ph.D. in Chemistry from Harvard University. Our Nominating and Corporate Governance Committee believes that Dr. Rastetter's knowledge and expertise regarding the biotechnology industry and his leadership experience on various biotechnology company boards of directors qualifies him to serve on our Board of Directors.

*Douglas Williams, Ph.D.* has served on our Board of Directors since November 2012. He has served as Executive Vice President of Research and Development at Biogen Idec, a publicly-held biopharmaceutical company, since January 2011. Dr. Williams was the Chief Executive Officer and member of the Board of Directors of ZymoGenetics, Inc., a publicly-held biopharmaceutical company, from January 2009 until November 2010 (acquired by Bristol-Myers Squibb). He also served as President of ZymoGenetics, Inc. from 2007 to 2009 and as Chief Scientific Officer and Executive Vice President from 2004 to 2007. Previously, he was the Chief Scientific Officer and Executive Vice President of Research and Development at Seattle Genetics Inc., a publicly-held biotechnology company, Head of Health and Strategic Development at Genesis Research & Development Corp. Ltd, and Senior Vice President and Washington Site Leader at Amgen Inc., a publicly-held biopharmaceutical company. Dr. Williams also served in a series of scientific and senior leadership positions over a decade at Immunex Corp., a publicly-held biopharmaceutical company (acquired by Amgen, Inc.) including Executive Vice President and Chief Technology Officer, Senior Vice President of Discovery Research and Vice President of Research and Development. Before entering the biotechnology industry, Dr. Williams served on the faculty of the Indiana University School of Medicine

and the Department of Laboratory Medicine

at the Roswell Park Memorial Institute in Buffalo, New York. He holds a Ph.D. in Physiology from the State University of New York at Buffalo, Roswell Park Memorial Institute Division and a B.S. magna cum laude in Biological Sciences from the University of Massachusetts, Lowell. Our Nominating and Corporate Governance Committee believes that Dr. Williams is qualified to serve on our Board of Directors due to his extensive operational and leadership experience in the biotechnology industry.

*Kleanthis G. Xanthopoulos, Ph.D.* has served as our President and Chief Executive Officer and has served on our Board of Directors since our conversion to a corporation in January 2009 and prior to that was a director of Regulus Therapeutics LLC since 2007. From December 2007 to January 2009, Dr. Xanthopoulos served as the President and Chief Executive Officer of Regulus Therapeutics LLC. From March 2007 to December 2007, Dr. Xanthopoulos served as a managing director of Enterprise Partners Venture Capital, a venture capital firm. From 2000 to 2006, Dr. Xanthopoulos served as the President and Chief Executive Officer and, from 2000 to 2011, as a director of Anadys Pharmaceuticals, Inc., a publicly-held biopharmaceutical company that Dr. Xanthopoulos co-founded (acquired by Roche in November 2011). From 1997 to 2000, Dr. Xanthopoulos served as Vice President of Aurora Biosciences Corporation, a publicly-held biotechnology company (acquired by Vertex Pharmaceuticals Incorporated). Dr. Xanthopoulos has served as a member of the board of directors of the Biotechnology Industry Organization, or BIO, since September 2011, Apricus Biosciences, a publicly-held biotechnology company, since December 2011 and its Chairman of the Board since December 2013, Sente, Inc., a privately-held aesthetics company, since August 2007, and Zosano Pharma, Inc., a privately-held specialty pharmaceutical company, since April 2013. Dr. Xanthopoulos holds an M.S. in Microbiology and a Ph.D. in Molecular Biology from the University of Stockholm, Sweden and a B.S. in Biology with Honors from Aristotle University of Thessaloniki, Greece. Our Nominating and Corporate Governance Committee believes that Dr. Xanthopoulos' expertise and extensive experience in biotechnology and service as our President and Chief Executive Officer qualify him to serve on our Board of Directors.

**THE BOARD OF DIRECTORS RECOMMENDS**

**A VOTE IN FAVOR OF EACH NAMED NOMINEE.**

**INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**

**INDEPENDENCE OF THE BOARD OF DIRECTORS**

As required under the NASDAQ Stock Market (NASDAQ) listing standards, a majority of the members of a listed company's Board of Directors must qualify as independent, as affirmatively determined by the Board of Directors. The Board consults with the Company's counsel to ensure that the Board's determinations are consistent with relevant securities and other laws and regulations regarding the definition of independent, including those set forth in pertinent listing standards of NASDAQ, as in effect from time to time.

Consistent with these considerations, after review of all relevant identified transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its independent auditors, the Board has affirmatively determined that the following five directors are independent directors within the meaning of the applicable NASDAQ listing standards: Dr. Baltimore, Dr. Carter, Mr. Foletta, Dr. Papadopoulos and Dr. Rastetter. In making this determination, the Board found that none of these directors or nominees for director had a material or other disqualifying relationship with the Company.

**BOARD LEADERSHIP STRUCTURE**

Our Board of Directors is currently chaired by Stelios Papadopoulos, Ph.D. As a general policy, our Board of Directors believes that separation of the positions of Chairman and Chief Executive Officer reinforces the independence of the Board of Directors from management, creates an environment that encourages objective oversight

of management's performance and enhances the effectiveness of the Board of Directors as a whole. As such, Dr. Xanthopoulos serves as our President and Chief Executive Officer while Dr. Papadopoulos serves as our Chairman of the Board of Directors but is not an officer. We expect and intend the positions of Chairman of the Board of Directors and Chief Executive Officer to continue to be held by separate individuals in the future.

**ROLE OF THE BOARD IN RISK OVERSIGHT**

One of the key functions of our Board of Directors is informed oversight of our risk management process. The Board of Directors does not have a standing risk management committee, but rather administers this oversight function directly through the Board of Directors as a whole, as well as through various standing committees of our Board of Directors that address risks inherent in their respective areas of oversight. In particular, our Board of Directors is responsible for monitoring and assessing strategic risk exposure, and our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The Audit Committee also monitors compliance with legal and regulatory requirements. Our Nominating and Corporate Governance Committee monitors the effectiveness of our corporate governance practices, including whether they are successful in preventing illegal or improper liability-creating conduct. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking.

**MEETINGS OF THE BOARD OF DIRECTORS**

The Board of Directors met four times during the last fiscal year and four times in executive session. All directors who served in 2013 attended at least 75% of the aggregate number of meetings of the Board and of the committees on which they served, held during the portion of the last fiscal year for which they were directors or committee members, respectively.

**INFORMATION REGARDING COMMITTEES OF THE BOARD OF DIRECTORS**

The Board has three committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The following table provides membership and meeting information for fiscal 2013 for each of the Board committees:

Name	Audit	Compensation	Nominating and Corporate Governance
David Baltimore, Ph.D.		X	X*
Bruce L.A. Carter, Ph.D.	X	X*	
Mark Foletta	X*		X
John Maraganore, Ph.D. <sup>(a)</sup>		X	
Lynne Parshall <sup>(b)</sup>	X		
Stelios Papadopoulos, Ph.D.	X		
William H. Rastetter, Ph.D.		X	X
Total meetings in 2013	4	2	0

\* Committee Chairperson

(a) Dr. Maraganore resigned from the Compensation Committee in September 2013.

(b) Ms. Parshall resigned from the Audit Committee in September 2013.

Below is a description of each committee of the Board of Directors. Each of the committees has authority to engage legal counsel or other experts or consultants, as it deems appropriate to carry out its responsibilities. Our Board of Directors has determined that, except as specifically described below, each member of each committee meets the applicable NASDAQ rules and regulations regarding independence and that each member is free of any relationship

that would impair his or her individual exercise of independent judgment with regard to the Company.

**Audit Committee**

The Audit Committee of our Board of Directors was established by our Board of Directors in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act ), to oversee

the Company's corporate accounting and financial reporting processes and audits of its financial statements. For this purpose, our Audit Committee performs several functions. Our Audit Committee evaluates the performance of and assesses the qualifications of the independent auditors; determines and approves the engagement of the independent auditors; determines whether to retain or terminate the existing independent auditors or to appoint and engage new independent auditors; reviews and approves the retention of the independent auditors to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent auditors on the Company's audit engagement team as required by law; review and approves or rejects transactions between the Company and any related persons; confers with management and the independent auditors regarding the effectiveness of internal controls over financial reporting; establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and meets to review the Company's annual audited financial statements and quarterly financial statements with management and the independent auditor, including a review of the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations.

Our Audit Committee is currently composed of three directors: Dr. Carter, Mr. Foletta and Dr. Papadopoulos. Ms. Parshall was also a member of the Audit Committee in 2013 but resigned from the Audit Committee in September 2013 to comply with the independence requirements of the NASDAQ listing standards and Rule 10A-3 of the Exchange Act. Our Audit Committee has adopted a written charter that is available to stockholders on the Company's website at [www.regulusrx.com](http://www.regulusrx.com). Our Board of Directors reviews the NASDAQ listing standards definition of independence for Audit Committee members on an annual basis and has determined that all members of our Audit Committee are independent (as independence is currently defined in Rule 5605(c)(2)(A) of the NASDAQ listing standards). Our Board of Directors has determined that each member of our Audit Committee meets the requirements for independence under the NASDAQ listing standards.

Our Board of Directors has determined that Mr. Foletta qualifies as an audit committee financial expert, as defined in applicable SEC rules. Our Board of Directors has made a qualitative assessment of Mr. Foletta's level of knowledge and experience based on a number of factors, including his formal education, his experience as a chief financial officer for a public company and his service as an Audit Manager with Ernst & Young. In addition to the Audit Committee, Mr. Foletta also serves on the audit committee of AMN Healthcare Services and Ambit Biosciences. Our Board of Directors has determined that this simultaneous service does not impair Mr. Foletta's ability to effectively serve on our Audit Committee.

#### **Report of the Audit Committee of the Board of Directors\***

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2013 with management of the Company. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board (PCAOB). The Audit Committee has also received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent accountants' communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm the accounting firm's independence. Based on the foregoing, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Mark G. Foletta (Chair)

Bruce L.A. Carter, Ph.D.

Stelios Papadopoulos, Ph.D.

\* This material is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any filing of the Company under the Exchange Act or the Securities Act of 1933, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.



## Compensation Committee

The Compensation Committee is composed of three directors: Dr. Baltimore, Dr. Carter and Dr. Rastetter. The Board of Directors reviews the NASDAQ listing standards definition of independence for Compensation Committee members on an annual basis and has determined that all members of the Company's Compensation Committee are independent (as independence is currently defined in Rule 5605(d)(2)(A) of the NASDAQ listing standards).

Dr. Maraganore was also a member of the Compensation Committee in 2013 but resigned from the Compensation Committee in September 2013 to comply with the independence requirements of the NASDAQ listing standards and Rule 10C-1 of the Exchange Act. The Compensation Committee has adopted a written charter that is available to stockholders on the Company's website at [www.regulusrx.com](http://www.regulusrx.com).

The Compensation Committee acts on behalf of the Board to review, adopt and/or recommend for adoption and oversee the Company's compensation strategy, policies, plans and programs, including:

- establishment of corporate and individual performance objectives relevant to the compensation of the Company's executive officers, directors and other senior management and evaluation of performance in light of these stated objectives;

- review and recommendation to the Board for approval of the compensation and other terms of employment or service, including severance and change-in-control arrangements of the Company's Chief Executive Officer and the other executive officers and directors; and

- administration of the Company's equity compensation plans, pension and profit-sharing plans, deferred compensation plans and other similar plan and programs.

### *Compensation Committee Processes and Procedures*

Typically, the Compensation Committee meets at least twice annually and with greater frequency if necessary. The agenda for each meeting is usually developed by the Chair of the Compensation Committee, in consultation with the Chief Executive Officer. The Compensation Committee meets regularly in executive session. However, from time to time, various members of management and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, to provide financial or other background information or advice or to otherwise participate in Compensation Committee meetings. The Chief Executive Officer may not participate in, or be present during, any deliberations or determinations of the Compensation Committee regarding his compensation. The charter of the Compensation Committee grants the Compensation Committee full access to all books, records, facilities and personnel of the Company, as well as authority to obtain, at the expense of the Company, advice and assistance from internal and external legal, accounting or other advisors and consultants and other external resources that the Compensation Committee considers necessary or appropriate in the performance of its duties. In particular, the Compensation Committee has the sole authority to retain compensation consultants to assist in its evaluation of executive and director compensation, including the authority to approve the consultant's reasonable fees and other retention terms.

During the past fiscal year, the Compensation Committee engaged Aon/Radford as a compensation consultant. The Committee engaged Aon/Radford to provide a competitive assessment of the Company's executive compensation program compared to executive compensation paid to executives at selected publicly-traded peer companies. Following a gap analysis of the peer companies, Aon/Radford made certain recommendations to the Compensation Committee to make modest increases in the level of equity grants to the Company's executive team and to increase

annual cash compensation for certain Company executives who were paid below the median compared to the peer companies. The Compensation Committee analyzed whether the work of Aon/Radford as a compensation consultant raised any conflict of interest, taking into consideration the following factors: (i) the provision of other services to the Company by the compensation consultant; (ii) the amount of fees from the Company paid to the compensation consultant as a percentage of the firm's total revenue; (iii) the policies and procedures of the compensation consultant that are designed to prevent conflicts of interest; (iv) any business or personal relationship of the compensation consultant or the individual compensation

advisors employed by this firm with an executive officer of the Company; (v) any business or personal relationship of the individual compensation advisors with any member of the Compensation Committee; and (vi) any stock of the Company owned by the compensation consultant or the individual compensation advisors employed by this firm. The Compensation Committee concluded, based on its analysis of the above factors, that the work of Aon/Radford and the individual compensation advisors employed by this firm as a compensation consultant to the Company has not created any conflict of interest.

Under its charter, the Compensation Committee may form, and delegate authority to, subcommittees as appropriate. In 2012, the Compensation Committee formed a Non-Management Stock Option Committee, currently composed of Dr. Xanthopoulos, to which it delegated authority to grant, without any further action required by the Compensation Committee, stock options to employees who are not officers of the Company. The purpose of this delegation of authority is to enhance the flexibility of option administration within the Company and to facilitate the timely grant of options to non-management employees, particularly new employees, within specified limits approved by the Compensation Committee. In particular, the subcommittee may grant options only within pre-approved guidelines and not to any employee who will have a vice president title or higher. Typically, as part of its oversight function, the Committee will review on a regular basis the list of grants made by the subcommittee. During fiscal year 2013, the subcommittee exercised its authority to grant options to purchase an aggregate of 649,380 shares of the Company's common stock to non-officer employees.

Historically, the Compensation Committee has made most of the significant adjustments to annual compensation, determined bonus and equity awards and established new performance objectives at one or more meetings held during the last quarter of the year. However, the Compensation Committee also considers matters related to individual compensation, such as compensation for new executive hires, as well as high-level strategic issues, such as the efficacy of the Company's compensation strategy, potential modifications to that strategy and new trends, plans or approaches to compensation, at various meetings throughout the year. Generally, the Compensation Committee's process comprises two related elements: the determination of compensation levels and the establishment of performance objectives for the current year. For executives other than the Chief Executive Officer, the Compensation Committee solicits and considers evaluations and recommendations submitted to the Committee by the Chief Executive Officer. In the case of the Chief Executive Officer, the evaluation of his performance is conducted by the Compensation Committee, which determines any adjustments to his compensation as well as awards to be granted. For all executives and directors as part of its deliberations, the Compensation Committee may review and consider, as appropriate, materials such as financial reports and projections, operational data, tax and accounting information, tally sheets that set forth the total compensation that may become payable to executives in various hypothetical scenarios, executive and director stock ownership information, company stock performance data, analyses of historical executive compensation levels and current Company-wide compensation levels and recommendations of the Senior Vice President, Human Capital, including analyses of executive and director compensation paid at other companies identified by the Senior Vice President, Human Capital.

#### *Compensation Committee Interlocks and Insider Participation*

As indicated above, the Compensation Committee currently consists of Dr. Baltimore, Dr. Carter and Dr. Rastetter. Dr. Maraganore resigned from the Compensation Committee in September 2013. No member of the Compensation Committee has ever been an officer or employee of ours. None of our executive officers currently serves, or has served during the last completed fiscal year, on the compensation committee or board of directors of any other entity that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

#### **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee of the Board of Directors is responsible for identifying, reviewing and evaluating candidates to serve as directors of the Company (consistent with criteria approved by the

Board), reviewing and evaluating incumbent directors, recommending to the Board for selection

candidates for election to the Board of Directors, making recommendations to the Board regarding the membership of the committees of the Board, assessing the performance of the Board, and monitoring the Company's adherence to its Code of Business Conduct and Ethics.

The Nominating and Corporate Governance Committee is composed of three directors: Dr. Baltimore, Mr. Foletta and Dr. Rastetter. All members of the Nominating and Corporate Governance Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). Prior to September of 2013, the Nominating and Governance Committee consisted of two members, Dr. Baltimore and Dr. Papadopoulos. The Nominating and Corporate Governance Committee did not meet during 2013, though it did take action once by unanimous written consent. The Nominating and Corporate Governance Committee has adopted a written charter that is available to stockholders on the Company's website and [www.regulusrx.com](http://www.regulusrx.com).

The Nominating and Corporate Governance Committee believes that candidates for director, both individually and collectively, can and do provide the integrity, experience, judgment, commitment (including having sufficient time to devote to the Company and level of participation), skills, diversity and expertise appropriate for the Company. In assessing the directors, both individually and collectively, the Nominating and Corporate Governance Committee may consider the current needs of the Board and the Company to maintain a balance of knowledge, experience and capability in various areas. However, the Nominating and Corporate Governance Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the Board, the operating requirements of the Company and the long-term interests of stockholders. In conducting this assessment, the Nominating and Corporate Governance Committee typically considers diversity, age, skills and such other factors as it deems appropriate given the current needs of the Board and the Company, to maintain a balance of knowledge, experience and capability. In the case of incumbent directors whose terms of office are set to expire, the Nominating and Corporate Governance Committee reviews these directors overall service to the Company during their terms, including the number of meetings attended, level of participation, quality of performance and any other relationships and transactions that might impair the directors' independence. In the case of new director candidates, the Nominating and Corporate Governance Committee also determines whether the nominee is independent for NASDAQ purposes, which determination is based upon applicable NASDAQ listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Nominating and Corporate Governance Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board. The Nominating and Corporate Governance Committee meets to discuss and consider the candidates' qualifications and then selects a nominee for recommendation to the Board by majority vote.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. The Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether or not the candidate was recommended by a stockholder. Stockholders who wish to recommend individuals for consideration by the Nominating and Corporate Governance Committee to become nominees for election to the Board may do so by delivering a written recommendation to the Nominating and Corporate Governance Committee at the following address: 3545 John Hopkins Court, Suite 210, San Diego, CA 92121, Attn: Secretary, no later than the 90<sup>th</sup> day and no earlier than the 120<sup>th</sup> day prior to the one year anniversary of the preceding year's annual meeting. The 2013 annual meeting occurred on June 10, 2013. Submissions must include (1) the name and address of the Company stockholder on whose behalf the submission is made; (2) the number of Company shares that are owned beneficially by such stockholder as of the date of the submission; (3) the full name of the proposed candidate; (4) a description of the proposed candidate's business experience for at least the previous five years; (5) the complete biographical information for the proposed candidate; (6) a description of the proposed candidate's qualifications as a director; and (7) any other information required by the Company Bylaws. The Company may require any proposed nominee to furnish such other

information as it may reasonably

require to determine the eligibility of such proposed nominee to serve as an independent director of the Company or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such proposed nominee.

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

The Company's Board has adopted a formal process by which stockholders may communicate with the Board or any of its directors. Stockholders who wish to communicate with the Board may do so by sending written communications addressed to the Secretary of Regulus Therapeutics Inc. at 3545 John Hopkins Court, Suite 210, San Diego, CA 92121. Each communication must set forth: the name and address of the Company stockholder on whose behalf the communication is sent; and the number of Company shares that are owned beneficially by such stockholder as of the date of the communication. Each communication will be reviewed by the Company's Secretary to determine whether it is appropriate for presentation to the Board or relevant directors. Communications determined by the Company's Secretary to be appropriate for presentation to the Board or any relevant directors are submitted to the Board or relevant directors on a periodic basis.

#### **CODE OF ETHICS**

The Company has adopted the Regulus Therapeutics Code of Business Conduct and Ethics that applies to all officers, directors and employees. The Code of Business Conduct and Ethics is available on the Company's website at [www.regulusrx.com](http://www.regulusrx.com). If the Company makes any substantive amendments to the Code of Business Conduct and Ethics or grants any waiver from a provision of the Code to any executive officer or director, the Company will promptly disclose the nature of the amendment or waiver on its website.

### **PROPOSAL 2**

#### **RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014 and has further directed that management submit the selection of independent registered public accounting firm for ratification by the stockholders at the annual meeting. Ernst & Young has audited the Company's financial statements since its inception in 2007. Representatives of Ernst & Young are expected to be present at the annual meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither the Company's Bylaws nor other governing documents or law require stockholder ratification of the selection of Ernst & Young as the Company's independent registered public accounting firm. However, the Audit Committee is submitting the selection of Ernst & Young to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting will be required to ratify the selection of Ernst & Young. Abstentions will be counted toward the tabulation of votes on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes (if any) are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.





**THE BOARD OF DIRECTORS RECOMMENDS****A VOTE IN FAVOR OF PROPOSAL 2.****PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table represents aggregate fees billed to the Company for the fiscal years ended December 31, 2013 and December 31, 2012, by Ernst & Young LLP, the Company's principal accountant. All fees described below were pre-approved by the Audit Committee.

	<b>Fiscal Year Ended</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in thousands)</b>	
Audit Fees <sup>(1)</sup>	\$ 380	\$ 1,025
Audit-related Fees		
Tax Fees		
All Other Fees		
<b>Total Fees</b>	<b>\$ 380</b>	<b>\$ 1,025</b>

<sup>(1)</sup> Audit fees consist of fees billed for professional services by Ernst & Young for audit and quarterly review of our financial statements and review of our registration statement on Form S-1, and related services that are normally provided in connection with statutory and regulatory filings or engagements.

In connection with the audit of each of the 2013 and 2012 financial statements, the Company entered into an engagement agreement with Ernst & Young which sets forth the terms by which Ernst & Young will perform audit services for the Company.

During the fiscal years ended December 31, 2013 and December 31, 2012, not more than 50% of the total hours expended on the Company's financial audit by Ernst & Young were provided by the persons other than Ernst & Young's full-time permanent employees.

**PRE-APPROVAL POLICIES AND PROCEDURES.**

The Audit Committee must pre-approve the audit and non-audit services rendered by the Company's independent registered public accounting firm.

**EXECUTIVE OFFICERS**

The following table sets forth our current executive officers, their ages, and the positions held by each such person with the Company:

<b>Name</b>	<b>Age</b>	<b>Position Held With the Company</b>
<i>Executive Officers</i>		

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Kleanthis G. Xanthopoulos, Ph.D.	55	Director, President and Chief Executive Officer
Neil W. Gibson, Ph.D.	57	Chief Scientific Officer
David L. Szekeres	40	Chief Business Officer, General Counsel and Corporate Secretary

Dr. Xanthopoulos biographical information is set forth above under Proposal 1.

*Neil W. Gibson, Ph.D.* has served as our Chief Scientific Officer since April 2011. From December 2007 to March 2011, Dr. Gibson served as Chief Scientific Officer of the Oncology Research Unit at Pfizer Inc., a publicly-held pharmaceutical company. From February 2001 to December 2007, Dr. Gibson served in several positions, most recently as Chief Scientific Officer, with OSI Pharmaceuticals, Inc., a publicly-held biotechnology company. From May 1997 to February 2001, Dr. Gibson served as director for cancer research in

the Department of Cancer and Osteoporosis for Bayer AG, a publicly-held pharmaceutical company. Dr. Gibson holds a Ph.D. in Molecular Pharmacology from the University of Aston in Birmingham, England and a B.S. in Pharmacy from the University of Strathclyde in Glasgow, Scotland.

*David L. Szekeres* has served as our Chief Business Officer, General Counsel and Corporate Secretary since February 2014. From 2008 to February 2014, Mr. Szekeres served as the Deputy General Counsel, Chief M&A Counsel and Assistant Secretary at Life Technologies Corporation (acquired by Thermo Fisher Scientific Inc. in February 2014), a publicly-held life sciences company, where he led numerous corporate transactions and was responsible for a myriad of legal functions during a time of significant growth for Life Technologies in the areas of corporate transactions, corporate governance, and SEC reporting and compliance. From 2001 to 2008, Mr. Szekeres held positions of increasing responsibility at a number of law firms, including Latham & Watkins LLP, O Melveny & Myers LLP and Dechert LLP. From 2000 to 2001, Mr. Szekeres was a senior associate in the investment banking group at Robertson Stephens. Mr. Szekeres has served as a member of the board of directors of Annai Systems Inc., a privately-held genomics data company, since January 2014, Anochi BioPharma (formerly Archimedes Therapeutics, Inc.), a privately-held pharmaceutical company, since March 2011 and the San Diego chapter of the Association of Corporate Counsel, an association for in-house counsel, since February 2010. Mr. Szekeres holds a B.A. from the University of California at Irvine and a J.D. from Duke University.

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

The following table sets forth certain information regarding the ownership of the Company's common stock as of February 7, 2014 by: (i) each of our directors; (ii) each of our current executive officers and our Named Executive Officers as defined below under the heading "Executive Compensation"; (iii) each person known by us to beneficially own more than 5% of our common stock and (iv) all of our current executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to the securities. This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the SEC. Except as indicated by footnote, and subject to applicable community property laws, we believe the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. The number of shares of common stock used to calculate the percentage ownership of each listed person includes the shares of common stock underlying options held by such persons that are exercisable as of April 8, 2014, which is 60 days after February 7, 2014.

Percentage of beneficial ownership is based on 43,168,034 shares of common stock outstanding as of February 7, 2014. Unless otherwise indicated, the address for the following stockholders is c/o Regulus Therapeutics Inc., 3545 John Hopkins Court, San Diego, CA 92121.

<b>Beneficial Owner</b>	<b>Beneficial Ownership</b>	
	<b>Number of Shares</b>	<b>Percent of Total</b>
<b>Greater than 5% Stockholders</b>		
Isis Pharmaceuticals, Inc. <sup>(1)</sup>	7,074,500	16.4%
2855 Gazelle Court		
Carlsbad, CA 92010		
AstraZeneca AB	6,250,000	14.5%
SE-431 83 Molndal		
Sweden		
Alnylam Pharmaceuticals, Inc.	6,150,500	14.2%
300 Third Street, 3rd Floor		
Cambridge, MA 02142		
Aventis Holdings, Inc.	5,053,779	11.7%
c/o Sanofi		
54, rue La Boétie		
75414 Paris France		
Glaxo Group Limited <sup>(2)</sup>	3,373,209	7.6%
980 Great West Road		
Brentford, Middlesex TW8 9GS		
United Kingdom		
FMR LLC <sup>(3)</sup>	6,266,598	14.5%
245 Summer Street		
Boston, Massachusetts 02210		
<b>Named Executive Officers and Directors</b>		
David Baltimore, Ph.D. <sup>(4)</sup>	209,372	*
Bruce L.A. Carter, Ph.D. <sup>(5)</sup>	21,249	*
Mark G. Foletta <sup>(6)</sup>	11,666	*
John Maraganore, Ph.D. <sup>(7)</sup>	6,150,500	14.2%
Stelios Papadopoulos, Ph.D. <sup>(8)</sup>	191,561	*
B. Lynne Parshall <sup>(9)</sup>	7,074,500	16.4%
William H. Rastetter, Ph.D. <sup>(10)</sup>	10,000	*
Douglas Williams, Ph.D. <sup>(11)</sup>	14,166	*
Kleanthis G. Xanthopoulos, Ph.D. <sup>(12)</sup>	1,057,798	2.4%
Garry E. Menzel, Ph.D. <sup>(13)</sup>	466,508	1.1%

Neil W. Gibson, Ph.D. <sup>(14)</sup>	201,789	*
David L. Szekeres	0	*
<b>All current executive officers and directors as a group (11 persons)<sup>(15)</sup></b>	14,942,601	33.4%

\* Less than one percent.

- (1) Includes 25,000 shares that Stanley T. Crooke, M.D., Ph.D. has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.
- (2) Includes 1,426,172 shares of our common stock issuable upon the conversion of \$5,704,687.99 of outstanding principal plus accrued interest underlying an amended and restated convertible note at a price of \$4.00 per share, based on interest accrued through April 8, 2014.
- (3) Fidelity Management & Research Company ( Fidelity ), 245 Summer Street, Boston, Massachusetts 02210, a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 4,409,227 shares or 10.554% of our Common Stock as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, and the funds each has sole power to dispose of the 4,409,227 shares owned by the Funds. Fidelity SelectCo, LLC ( SelectCo ), 1225 17th Street, Suite 1100, Denver, Colorado 80202, a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the

Investment Advisers Act of 1940, is the beneficial owner of 1,828,371 shares of our Common Stock as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940 (the "SelectCo Funds"). Edward C. Johnson 3d and FMR LLC, through its control of SelectCo, and the SelectCo Funds each has sole power to dispose of the 1,828,371 owned by the SelectCo Funds. The ownership of one investment company, Fidelity Growth Company Fund, amounted to 3,362,181 shares or 8.048% of the Common Stock outstanding. Fidelity Growth Company Fund has its principal business office at 245 Summer Street, Boston, Massachusetts 02210. Members of the family of Edward C. Johnson 3d, Chairman of FMR LLC, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares.

Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Edward C. Johnson 3d, Chairman of FMR LLC, has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds' Boards of Trustees. Pyramis Global Advisors Trust Company ("PGATC"), 900 Salem Street, Smithfield, Rhode Island, 02917, an indirect wholly-owned subsidiary of FMR LLC and a bank as defined in Section 3(a)(6) of the Exchange Act, is the beneficial owner of 29,000 shares or 0.069% of our Common Stock as a result of its serving as investment manager of institutional accounts owning such shares. Edward C. Johnson 3d and FMR LLC, through its control of Pyramis Global Advisors Trust Company, each has sole dispositive power over 29,000 shares and sole power to vote or to direct the voting of 29,000 shares of Common Stock owned by the institutional accounts managed by PGATC as set forth above.

- (4) Includes 209,372 shares that Dr. Baltimore has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.
- (5) Includes 21,249 shares that Dr. Carter has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.
- (6) Includes 11,666 shares that Mr. Foletta has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.
- (7) Represents 6,150,500 shares held by Alnylam. Dr. Maraganore is an officer and director of Alnylam and therefore may be deemed to have voting or investment power over the shares held by Alnylam. Dr. Maraganore disclaims beneficial ownership over the shares held by Alnylam, except to the extent of his proportionate pecuniary interests therein as a stockholder of Alnylam.
- (8) Includes 191,561 shares that Dr. Papadopoulos has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.
- (9) Represents 7,074,500 shares beneficially owned by Isis Pharmaceuticals, Inc. Ms. Parshall is an officer and director of Isis and therefore may be deemed to have voting or investment power over the shares beneficially owned by Isis. Ms. Parshall disclaims beneficial ownership over the shares beneficially owned by Isis, except to the extent of her proportionate pecuniary interests therein as a stockholder of Isis.
- (10) Includes 10,000 shares that Dr. Rastetter has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.
- (11) Includes 14,166 shares that Dr. Williams has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.
- (12) Includes 80,216 shares held by The Xanthopoulos Family Trust dated September 30, 2011, of which entity Dr. Xanthopoulos is the sole trustee. Also includes 976,395 shares that Dr. Xanthopoulos has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.
- (13) Consists of 466,508 shares held by the Dr. Menzel and Mary E. Henshall Family Trust dated July 29, 2010, of which trust Dr. Menzel is a trustee. Dr. Menzel resigned in June 2013.
- (14) Includes 80,000 shares held by Dr. Gibson and 121,789 shares that Dr. Gibson has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.

(15) Includes the shares described in notes (4) through (12) and note (14).

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2013, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with; except that one report, covering an aggregate of one transaction, was filed late by Dr. Gibson.

### EXECUTIVE COMPENSATION

For the year ended December 31, 2013, our principal executive officer, our one other current executive officer and our one former executive officer (the Named Executive Officers), were:

Kleanthis G. Xanthopoulos, Ph.D., our President and Chief Executive Officer;

Neil W. Gibson, Ph.D., our Chief Scientific Officer; and

Garry E. Menzel, Ph.D., our former Chief Operating Officer and Executive Vice President, Finance.  
Dr. Menzel resigned on June 21, 2013.

#### SUMMARY COMPENSATION TABLE

The following table shows for the fiscal years ended December 31, 2013 and December 31, 2012, compensation awarded to, paid to, or earned by, the Named Executive Officers.

#### SUMMARY COMPENSATION TABLE FOR FISCAL 2013 AND 2012

Name and Principal Position	Year	Salary (\$)	Option Awards \$(1)	Non-Equity Incentive Plan Compensation \$(2)	All Other Compensation \$(3)	Total (\$)
Kleanthis G. Xanthopoulos, Ph.D., President and Chief Executive Officer	2013	600,000	1,676,823	360,000	4,540	2,641,363
	2012	515,500	648,387	348,478	4,368	1,517,003
Neil W. Gibson, Ph.D., Chief Scientific Officer	2013	350,000	762,195	110,250	4,832	1,227,277
	2012	332,153	481,351	107,950	3,986	927,183
Garry E. Menzel, Ph.D., Former Chief Operating Officer and Executive Vice President, Finance(4)	2013	167,708				167,708
	2012	327,659	430,002	140,566	5,488	903,715



- (1) In accordance with SEC rules, this column reflects the aggregate grant date fair value of the option awards granted during 2013 and 2012, as applicable, computed in accordance with Financial Accounting Standard Board ASC Topic 718 for stock-based compensation transactions, or ASC 718. Assumptions used in the calculation of these amounts are included in Note 10 to the Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2013. These amounts do not reflect the actual economic value

that will be realized by the Named Executive Officer upon the vesting of the stock options, the exercise of the stock options, or the sale of the common stock underlying such stock options.

- (2) Amounts shown represent performance bonuses earned for 2013 and 2012, which were each paid in a cash lump sum in the first quarter of 2014 and 2013, respectively.
- (3) Amounts shown represent term life insurance, long-term disability insurance paid by us on behalf of the Named Executive Officers and matching contributions we paid under the terms of our 401(k) plan. All of these benefits are provided to the Named Executive Officers on the same terms as provided to all of our regular full-time employees in the United States. For more information regarding these benefits, see below under Perquisites, Health, Welfare and Retirement Benefits.
- (4) Dr. Menzel resigned on June 21, 2013.

#### *Annual Base Salary*

The compensation of our Named Executive Officers is generally determined and approved by our Compensation Committee, who recommends their decisions to our Board of Directors. Our Board of Directors, without members of management present, ultimately ratifies and approves all compensation decisions. Our Compensation Committee approved the following 2013 base salaries for our Named Executive Officers, which became effective on January 1, 2013.

<b>Name</b>	<b>2013 base salary</b>
Kleanthis G. Xanthopoulos, Ph.D.	\$ 600,000
Neil W. Gibson, Ph.D.	350,000
Garry E. Menzel, Ph.D.	350,000

#### *Annual Performance-Based Bonus Opportunity*

In addition to base salaries, our Named Executive Officers are eligible to receive annual performance-based cash bonuses, which are designed to provide appropriate incentives to our executives to achieve defined annual corporate goals and to reward our executives for individual achievement towards these goals.

The annual performance-based bonus each Named Executive Officer is eligible to receive is based on (1) the individual's target bonus, as a percentage of base salary, (2) a company-based performance factor, or CPF, and (3) an individual performance factor, or IPF. The actual performance-based bonus paid, if any, is calculated by taking into consideration the executive's annual base salary, target bonus percentage, percentage attainment of the CPF and percentage attainment of the IPF. There is no designated proportion of the bonus attributed to the CPF and the IPF and there is no maximum bonus percentage or amount established for the Named Executive Officers and, as a result, the bonus amounts vary from year to year based on corporate and individual performance. At the end of the year, our Compensation Committee approves the extent to which we achieved the CPF. The extent to which each individual executive achieves his or her IPF is determined based on our Chief Executive Officer's and management's review and recommendation to our Compensation Committee, except the Chief Executive Officer's and our executives do not make recommendations with respect to their own achievement, and our Compensation Committee makes the final decisions with respect to each IPF. Additionally, our Compensation Committee has the discretion to determine the weighting of each of the goals that comprise the CPF and IPF. Our Compensation Committee may award a bonus in an amount above or below the amount resulting from the calculation described above, based on other factors that our Compensation Committee determines, in its sole discretion, are material to our corporate performance and provide appropriate incentives to our executives, for example based on events or circumstances that arise after the original CPF and IPF goals are set. Our Compensation Committee did not exercise this discretion in awarding the bonuses in 2013.



Pursuant to their employment agreements or offer letters, each Named Executive Officer is eligible to receive a target bonus represented as a percentage of base salary, or a target bonus percentage, which is subject to modification from time to time. Each Named Executive Officer's target bonus percentage for 2013 is set forth below:

<b>Name</b>	<b>Target bonus (%)</b>
Kleanthis G. Xanthopoulos, Ph.D.	60
Neil W. Gibson, Ph.D.	30 <sup>(1)</sup>
Garry E. Menzel, Ph.D.	30

(1) Commencing in 2014, the target bonus percentage for Dr. Gibson was increased to 35%.

The CPF and IPF goals are determined by our Compensation Committee and communicated to our Named Executive Officers each year, prior to or shortly following the beginning of the year to which they relate. The CPF is composed of several goals that relate to our annual corporate goals and various business accomplishments which vary from time to time depending on our overall strategic objectives, but relate generally to achievement of discovery, clinical, regulatory and manufacturing milestones for clinical development candidates, financial factors such as raising or preserving capital and performance against our operating budget and business development goals related to *microRNA* therapeutics. The IPF is composed of factors that relate to each Named Executive Officer's ability to drive his or her own performance and the performance of his or her direct employee reports towards reaching our corporate goals. The proportional emphasis placed on each goal within the CPF and IPF may vary from time to time depending on our overall strategic objectives and our Compensation Committee's subjective determination of which goals have more impact on our performance.

For 2013, the CPF overall goals were (1) selecting a clinical candidate, (2) positioning the Company to file two regulatory filings to commence clinical trials and (3) completing the year with at least \$105.9 million in cash. The IPF goals varied by individual and included maintaining a leading position in *microRNA* research, accelerating efforts in *microRNA* therapeutic development, supporting our growth with additional capital, licenses and brand recognition, fostering a culture of value and creating and building good processes and policies. Our Chief Executive Officer's IPF goals are tied more closely with our CPF goals, as our Chief Executive Officer has a direct impact on our corporate performance.

During 2013, we achieved our CPF goals in full as we selected our clinical candidate, positioned the Company for the filings of two regulatory filings and concluded the year with at least \$105.9 million in cash. In November 2013, our Compensation Committee approved a CPF achievement of 100% which our Compensation Committee believed was appropriate because we had achieved (or were then on track to achieve with respect to our year-end cash goal) our objectives relating to all of our CPF goals. Based on Dr. Xanthopoulos' review and recommendation with respect to Dr. Gibson, human resources' recommendations with respect to Dr. Xanthopoulos and Dr. Gibson, and our Compensation Committee's deliberations with respect to Dr. Xanthopoulos and Dr. Gibson's individual performance against the IPF, our Compensation Committee and Board of Directors approved performance-based bonus amounts of \$360,000 for Dr. Xanthopoulos, in recognition of his ability to lead and develop the organization towards the goal of nominating our clinical candidate, positioning the Company for two regulatory filings in 2014 and completing the year as budgeted. Our Compensation Committee approved a performance-based bonus for Dr. Gibson in the amount of \$110,250, which reflected his ability to complete preclinical studies that permitted the nomination of a clinical candidate, position the company for two clinical programs, continue the progress made on our preclinical programs, continue efforts to achieve our collaborators' research goals, thereby strengthening these relationships and driving us toward our key strategic goal of achieving proof of concept on RG-101 and nominate additional clinical candidates.

Dr. Menzel did not receive a performance-based bonus for 2013 because he resigned in June 2013.

*Long-Term Incentive Compensation*

Our long-term, equity-based incentive awards are designed to align the interests of our Named Executive Officers and our other employees, non-employee directors and consultants with the interests of our stockholders.

Because vesting is based on continued service, our equity-based incentives also encourage the retention of our Named Executive Officers through the vesting period of the awards.

We use stock options as the primary incentive for long-term compensation to our Named Executive Officers because they are able to profit from stock options only if our stock price increases relative to the stock option's exercise price. We generally provide initial grants in connection with the commencement of employment of our Named Executive Officers and annual retention grants at or shortly following the end of each year.

Prior to 2012, we have granted all stock options pursuant to our 2009 Equity Incentive Plan (the "2009 Plan"), the terms of which are described below under "Equity Compensation Plans and Other Benefit Plans" 2009 Equity Incentive Plan. All options granted under the 2009 Plan were granted at no less than the fair market value of our common stock on the date of grant of each award. Beginning in October 2012, all stock options are granted pursuant to our 2012 Equity Incentive Plan (the "2012 Plan"), the terms of which are described below under "Equity Compensation Plans and Other Benefits Plans" 2012 Equity Incentive Plan. All options granted under the 2012 Plan are granted at the fair market value of our common stock on the date of grant.

All of our stock option grants typically vest over a four-year period and may be granted with an early exercise feature allowing the holder to exercise and receive unvested shares of our stock, so that the employee may exercise and have a greater opportunity for gains on the shares to be taxed at long-term capital gains rates rather than ordinary income rates. Beginning in late 2013, our Compensation Committee decided to grant options that vest based on our achievement of specific company goals, which we believe further aligns our Named Executive Officer's interests with our company goals and the interests of our stockholders. In addition, our Compensation Committee has approved certain grants of options to our Named Executive Officers containing accelerated vesting provisions upon an involuntary termination (both termination without cause and resignation for good reason) as well as upon certain material change in control transactions. Our Compensation Committee believes these accelerated vesting provisions reflect current market practices, based on the collective knowledge and experiences of our Compensation Committee members (and without reference to specific peer group data), and allow us to attract and retain highly qualified executive officers. In addition, we believe these accelerated vesting provisions will allow our Named Executive Officers to focus on closing a transaction that may be in the best interest of our stockholders even though the transaction may otherwise result in a termination of their employment and, absent such accelerated vesting, a forfeiture of their unvested equity awards. Additional information regarding accelerated vesting provisions for our Named Executive Officers is discussed below under "Employment Agreements with Executive Officers."

On December 12, 2013, our Compensation Committee awarded annual retention grants to Dr. Xanthopoulos in the form of an option to purchase 220,000 shares of common stock and to Dr. Gibson in the form of an option to purchase 100,000 shares of common stock each of which has an exercise price of \$6.13 per share. The options vest at the rate of 25% of the total number of shares subject to the option on January 1, 2015 and 1/48<sup>th</sup> of the total number of shares subject to the option on the first of each month thereafter, provided that the option holder continues to provide services to us through such dates.

In addition, our Compensation Committee granted performance-based stock option awards in the amount of 220,000 shares of common stock to Dr. Xanthopoulos and 100,000 shares to Dr. Gibson. The performance-based grants will commence vesting only upon achievement of three specified future corporate goals. The three goals relate to achievement of specified outcomes concerning our current and future clinical development plans and must be achieved by December 31, 2017. A designated portion of the shares subject to each option are attributable to each goal. Determination of achievement of each goal will be determined by our Compensation Committee and upon such determination, 50% of the shares attributable to such goal will vest and the remaining shares attributable to the goal shall vest in equal installments on a monthly basis thereafter such that all shares shall be vested within two years of the achievement of the goal, provided that the option holder continues to provide services to us through such dates.



*Health and Welfare Benefits*

Our Named Executive Officers are eligible to participate in all of our employee benefit plans, including our medical, dental, vision, group life and disability insurance plans, in each case on the same basis as other employees. We provide 401(k) matching contributions as discussed in the section below entitled "Equity Compensation Plans and Other Benefit Plans - 401(k) Plan."

We do not provide prerequisites or personal benefits to our Named Executive Officers. We do, however, pay the premiums for term life insurance and long-term disability for all of our employees, including our Named Executive Officers. None of our Named Executive Officers participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us.

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

The following table shows for the fiscal year ended December 31, 2013, certain information regarding outstanding equity awards at fiscal year end for the Named Executive Officers.

**OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2013**

Name	Grant Date	Option Awards(1)(2)				
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date
Kleanthis G. Xanthopoulos, Ph.D.	02/09/2009 <sup>(3)</sup>	667,783			\$ 0.38	02/09/2019
	01/01/2010 <sup>(4)</sup>	134,635	2,865		\$ 0.38	01/01/2020
	01/03/2011 <sup>(5)</sup>	54,687	20,313		\$ 1.74	01/03/2021
	02/09/2012 <sup>(7)</sup>	59,894	65,106		\$ 2.66	02/09/2022
	12/11/2012 <sup>(8)</sup>		150,000		\$ 4.44	12/11/2022
	12/12/2013 <sup>(9)</sup>		220,000		\$ 6.13	12/12/2023
	12/12/2013 <sup>(10)</sup>			220,000	\$ 6.13	12/12/2023
Neil W. Gibson, Ph.D.	04/18/2011 <sup>(6)</sup>	58,333	129,167		\$ 1.74	04/18/2021
	05/31/2012 <sup>(7)</sup>	17,855	19,420		\$ 2.66	02/09/2022
	12/11/2012 <sup>(8)</sup>		112,500		\$ 4.44	12/11/2022
	12/12/2013 <sup>(9)</sup>		100,000		\$ 6.13	12/12/2023
	12/12/2013 <sup>(10)</sup>			100,000	\$ 6.13	12/12/2023
Garry E. Menzel, Ph.D. <sup>(11)</sup>						



- (1) All of the options granted prior to October 4, 2012 were granted under the 2009 Plan and were granted with a per share exercise price equal to the fair market value of one share of our common stock on the date of grant, as determined in good faith by our board of directors with the assistance of a third-party valuation expert. All of the options granted on or after October 4, 2012 were granted under the 2012 Plan and were granted with a per share exercise price equal to the fair market value of our common stock on the date of grant. The terms of the 2009 Plan and the 2012 Plan are described below under Equity Compensation Plans and Other Benefit Plans.
- (2) The vesting of the options accelerates upon a change in control or upon the termination of employment of the named executive officer by us without cause or by the officer for good reason, as described below under Employment Agreements with Named Executive Officers.

- (3) The options are exercisable in full as of the grant date and vest at the rate of 25% of the total number of shares subject to the option on January 1, 2010 and 1/48<sup>th</sup> of the total number of shares subject to the option on the first of each month thereafter, provided that the option holder continues to provide services to us through such dates.
- (4) The options vest at the rate of 25% of the total number of shares subject to the option on January 1, 2011 and 1/48<sup>th</sup> of the total number of shares subject to the option on the first of each month thereafter, provided that the option holder continues to provide services to us through such dates.
- (5) The options vest at the rate of 25% of the total number of shares subject to the option on January 1, 2012 and 1/48<sup>th</sup> of the total number of shares subject to the option on the first of each month thereafter, provided that the option holder continues to provide services to us through such dates.
- (6) The options vest at the rate of 25% of the total number of shares subject to the option on April 18, 2012 and 1/48<sup>th</sup> of the total number of shares subject to the option on the 18<sup>th</sup> day of each month thereafter, provided that the option holder continues to provide services to us through such dates.
- (7) The options vest at the rate of 25% of the total number of shares subject to the option on January 1, 2013 and 1/48<sup>th</sup> of the total number of shares subject to the option on the first day of each month thereafter, provided that the option holder continues to provide services to us through such dates.
- (8) The options vest at the rate of 25% of the total number of shares subject to the option on January 1, 2014 and 1/48<sup>th</sup> of the total number of shares subject to the option on the first day of each month thereafter, provided that the option holder continues to provide services to us through such dates.
- (9) The options vest at the rate of 25% of the total number of shares subject to the option on January 1, 2015 and 1/48<sup>th</sup> of the total number of shares subject to the option on the first day of each month thereafter, provided that the option holder continues to provide services to us through such dates.
- (10) The option is subject to vesting based on achievement of three designated performance goals relating to achievement of specified outcomes concerning our current and future clinical development plans. Upon achievement of a goal, 50% of the shares attributable to such goal vests and thereafter the remaining shares attributable to the goal vest in equal installments on a monthly basis thereafter such that all such shares are fully vested within two years of the vesting commencement date, provided that the option holder continues to provide services to us through such dates. The terms of the performance-based awards are further described above under Long Term Compensation .
- (11) Dr. Menzel resigned on June 21, 2013. In accordance with the terms of his options, all options that had not vested as of his resignation were automatically cancelled and returned to the 2012 Plan, and all unexercised options that remained outstanding three months following his resignation were forfeited and returned to the 2012 Plan. Dr. Menzel purchased an aggregate of 354,666 shares upon exercise of stock options during 2013. We did not engage in any repricings or other modifications or cancellations to any of our Named Executive Officers outstanding equity awards during 2013.

### **Employment Agreements with Named Executive Officers**

All of our Named Executive Officers have employment agreements with us that provide that their employment is at will and may be terminated at any time by the executive or by us with or without cause and without notice. The employment agreements provide for certain base salary, target bonus and severance payments to our Named Executive Officers as follows:

*Employment agreement with Dr. Xanthopoulos.* In June 2012 we entered into an amended and restated employment agreement with Dr. Xanthopoulos, which replaced and superseded his previous employment agreement from 2008. Pursuant to his amended and restated employment agreement, Dr. Xanthopoulos was paid an initial annual base salary of \$515,500 and was eligible to receive an annual performance bonus based on a target amount of 40% of his annual base salary. Dr. Xanthopoulos' base salary and target bonus percentage are subject to modification from time to time at the discretion of the Board of Directors. For 2013, Dr. Xanthopoulos' annual base salary and target bonus percentage were \$600,000 and 60%, respectively.



If we terminate Dr. Xanthopoulos' employment without cause (other than due to his death or complete disability) or if Dr. Xanthopoulos resigns for good reason at any time other than during the one month prior to a change in control and the 12 months following a change in control, we are obligated to pay Dr. Xanthopoulos, subject to receiving an effective release and waiver of claims from him, (1) a severance payment equal to 18 months of base salary in effect at the time of termination (ignoring any decrease that forms the basis for a resignation for good reason), (2) continued health benefits at our cost for 18 months and (3) vesting acceleration of all outstanding options or other equity incentive awards, as of such termination. Half of the total amount of the severance payment described in (1) above will be paid in a lump sum payment upon termination and half of the total amount of the severance payment will be paid in equal installments over a 12-month period following Dr. Xanthopoulos' termination of employment.

If we terminate Dr. Xanthopoulos' employment without cause (other than due to his death or complete disability) or if Dr. Xanthopoulos resigns for good reason, in each case within one month prior to or within 12 months following a change in control, in lieu of the severance payments described above, we are obligated to pay Dr. Xanthopoulos, subject to receiving an effective release and waiver of claims from him, (1) a lump sum severance payment equal to 24 months of base salary in effect at the time of termination (ignoring any decrease that forms the basis for a resignation for good reason), (2) a lump sum payment equal to two times the target amount of Dr. Xanthopoulos' annual performance bonus payable for the year of termination, (3) continued health benefits at our cost for 18 months and (4) vesting acceleration of all outstanding options or other equity incentive awards, as of such termination.

*Employment agreement with Dr. Gibson.* In June 2012 we entered into an employment agreement with Dr. Gibson, which replaced and superseded his previous offer letter agreement from 2011. Pursuant to his employment agreement, Dr. Gibson is paid an annual base salary of \$350,000 and in 2013 was eligible to receive an annual performance bonus based on a target amount of 30% of his annual base salary. Dr. Gibson's annual base salary and target bonus percentage are subject to modification from time to time at the discretion of the Board of Directors.

If we terminate Dr. Gibson's employment without cause (other than due to his death or complete disability) or if Dr. Gibson resigns for good reason at any time other than during the one month prior to a change in control and the 12 months following a change in control, we are obligated to pay Dr. Gibson, subject to receiving an effective release and waiver of claims from him, (1) a lump sum severance payment equal to 12 months of base salary in effect at the time of termination (ignoring any decrease that forms the basis for a resignation for good reason), (2) continued health benefits at our cost for 12 months and (3) vesting acceleration of all outstanding options or other equity incentive awards, as of such termination.

If we terminate Dr. Gibson's employment without cause (other than due to his death or complete disability) or if Dr. Gibson resigns for good reason, in each case within one month prior to or within 12 months following a change in control, in lieu of the severance payment described above, we are obligated to pay Dr. Gibson, subject to receiving an effective release and waiver of claims from him (1) a lump sum severance payment equal to 12 months of base salary in effect at the time of termination (ignoring any decrease that forms the basis for a resignation for good reason), (2) a lump sum payment equal to the target amount of Dr. Gibson's annual performance bonus payable for the year of termination, (3) continued health benefits at our cost for 12 months and (4) vesting acceleration of all outstanding options or other equity incentive awards, as of such termination.

*Employment agreement with Dr. Menzel.* In June 2012 we entered into an amended and restated employment agreement with Dr. Menzel, which replaced and superseded his previous employment agreement from 2008. Pursuant to his amended and restated employment agreement, Dr. Menzel was paid an initial annual base salary of \$327,659 and was eligible to receive an annual performance bonus based on a target amount of 30% of his annual base salary. For 2013, Dr. Menzel's annual base salary was \$350,000, paid on a prorated basis for the portion of the year he was employed by us. The amended and restated agreement provided for severance benefits similar to those described above for Dr. Gibson, except that the agreement provided that if we terminated Dr. Menzel's employment without cause (other than due to his death or complete disability) or if



Dr. Menzel resigned for good reason, in each case within one month prior to or within 12 months following a change in control, we were obligated to pay Dr. Menzel, subject to receiving an effective release and waiver of claims from him (1) a lump sum severance payment equal to 18 months of base salary in effect at the time of termination (ignoring any decrease that forms the basis for a resignation for good reason), (2) a lump sum payment equal to two times the target amount of Dr. Menzel's annual performance bonus payable for the year of termination, (3) continued health benefits at our cost for 12 months and (4) vesting acceleration of all outstanding options or other equity incentive awards, as of such termination. Dr. Menzel's employment agreement with us terminated on June 21, 2013 when he resigned his employment and Dr. Menzel was not entitled to or paid any severance or other benefits in connection with his resignation.

None of the Named Executive Officers' employment agreements provide for the gross up of any excise taxes imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"). If any of the payments under the employment agreements would constitute a "parachute payment" within the meaning of Section 280G of the Code, subject to the excise tax imposed by Section 4999 of the Code, the employment agreements provide for a best-after tax analysis with respect to such payments, under which the executive will receive whichever of the following two alternative forms of payment would result in the executive's receipt, on an after-tax basis, of the greater amount of the transaction payment notwithstanding that all or some portion of the transaction payment may be subject to the excise tax: (i) payment in full of the entire amount of the transaction payment, or (ii) payment of only a part of the transaction payment so that the executive receives the largest payment possible without the imposition of the excise tax.

For purposes of the employment agreements, "cause" generally means an executive officer's: (i) commission of any felony or crime involving fraud, dishonesty or moral turpitude under the laws of the United States or any state thereof; (ii) attempted commission of, or participation in, a fraud or act of dishonesty against us; (iii) intentional, material violation of any contract or agreement between the executive officer and us or of any statutory duty owed to us; (iv) unauthorized use or disclosure of our confidential information or trade secrets; or (v) gross misconduct.

For purposes of the employment agreements, "good reason" means voluntary resignation of employment with us within 90 days of the occurrence of one or more of the following undertaken by us without such executive officer's consent, after we fail to remedy the condition within a 30-day cure period (i) our material breach of the employment agreement; (ii) a material reduction of the executive's base salary; (ii) a material reduction of the executive's authority, duties or responsibilities; or (iii) a relocation of the facility that is the executive's principal place of business to a location that requires an increase in the executive's one-way driving distance by more than 35 miles.

For purposes of the employment agreements, "change in control" generally means one or more of the following events (i) the acquisition of more than 50% of our combined voting power other than by Alnylam or Isis; (ii) a consummation of a merger, consolidation or similar transaction in which our stockholders cease to own outstanding voting securities representing more than 50% of the voting power of the parent or the surviving entity immediately following the merger; or (iii) a consummated sale, lease, exclusive license or other disposition of all or substantially all of our consolidated assets (other than to an entity of which more than 50% of the voting power is owned immediately following such disposition by our stockholders).

### **Compensation Recovery Policies**

The Board of Directors and the Compensation Committee have not determined whether they would attempt to recover bonuses from our executive officers if the performance objectives that led to the bonus determination were to be restated, or found not to have been met to the extent originally believed by the Board of Directors or the Compensation Committee. However, as a public company subject to the provisions of Section 304 of the Sarbanes-Oxley Act of 2002, if we are required as a result of misconduct to restate our financial results due to our material noncompliance with any financial reporting requirements under the federal securities laws, our Chief

Executive Officer may be legally required to reimburse us for any bonus or other incentive-based or

equity-based compensation they receive. In addition, we will comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and will adopt a compensation recovery policy once final regulations on the subject have been adopted.

## **Equity Compensation Plans and Other Benefits Plans**

### *2009 Equity Incentive Plan.*

Our Board of Directors adopted and our stockholders approved the 2009 Plan in January 2009 for eligible employees, directors and consultants. The terms of the stock option agreements, including vesting requirements, were determined by our Board of Directors, subject to the provisions of the 2009 Plan. Options granted under the 2009 Plan generally vest over four years and are exercisable after they have been granted and up to ten years from the date of grant. The exercise price of the incentive stock options must equal at least 100% of the fair market value of our common stock on the date of grant. Following our initial public offering in October 2012, no additional awards have been or will be granted under the 2009 Plan, and all awards granted under the 2009 Plan that are repurchased, forfeited, expire or are cancelled become available for grant under the 2012 Plan in accordance with its terms. However, all stock options granted under the 2009 Plan prior to the initial public offering continue to be governed by the terms of the 2009 Plan.

### *2012 Equity Incentive Plan.*

The 2012 Plan, which became effective in connection with our initial public offering in October 2012, provides for the grant of incentive stock options, or ISOs, within the meaning of Section 422 of the Code, nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards, and other forms of equity compensation, or collectively, stock awards, all of which may be granted to employees, including officers, and to non-employee directors and consultants. Additionally, the 2012 Plan provides for the grant of performance cash awards. ISOs may be granted only to employees, subject to certain limitations. All other awards may be granted to employees, including officers, and to non-employee directors and consultants.

Our Board of Directors, or a duly authorized committee thereof, has the authority to administer the 2012 Plan. Our Board of Directors has delegated its authority to administer the 2012 Plan to our Compensation Committee under the terms of our Compensation Committee's charter. Our Board of Directors may also delegate certain authority to one or more of our officers. Our Board of Directors or its authorized committee is referred to herein as the plan administrator.

Initially, the aggregate number of shares of our common stock that may be issued pursuant to stock awards under the 2012 Plan was the sum of (i) 1,500,000 shares, plus (ii) the 731,781 shares reserved for issuance under our 2009 Plan at the time our 2012 Plan became effective, plus (iii) any shares subject to stock options or other stock awards granted under our 2009 Plan that would have otherwise returned to our 2009 Plan (such as upon the expiration or termination of a stock award prior to vesting). Additionally, the number of shares of our common stock reserved for issuance under our 2012 Plan automatically increases on January 1 of each calendar year, beginning on January 1, 2013 and continuing through and including January 1, 2022, by 4% of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our Board of Directors. The maximum number of shares that may be issued upon the exercise of ISOs under our 2012 Plan is 3,000,000 shares. The exercise price for an incentive stock option or a non-qualified stock option cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted typically vest over a four-year period and the term can be up to ten years. As of December 31, 2013, there were 710,534 shares available for future grants under the 2012 Plan. On January 1, 2014, pursuant to the terms of the 2012 Plan, the number of shares available for issuance under the 2012 Plan automatically increased by 1,671,493 shares.

Stock options are generally granted with an exercise price equal to the fair market value of our common stock on the date of grant, vest at the rate specified by the plan administrator and may have a term up to a maximum of 10 years.



Unless the terms of an optionee's stock option agreement provides otherwise, if an

optionee's service relationship with us, or any of our affiliates, ceases for any reason other than disability, death or cause, the optionee may generally exercise any vested options for a period of three months following the cessation of service. The option term may be extended in the event that exercise of the option following such a termination of service is prohibited by applicable securities laws or our insider trading policy. If an optionee's service relationship with us, or any of our affiliates, ceases due to disability or death, or an optionee dies within a certain period following cessation of service, the optionee or a beneficiary may generally exercise any vested options for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, options generally terminate immediately upon the termination of the individual for cause. In no event may an option be exercised beyond the expiration of its term.

Unless the plan administrator provides otherwise, options generally are not transferable except by will, the laws of descent and distribution, or pursuant to a domestic relations order. An optionee may designate a beneficiary, however, who may exercise the option following the optionee's death.

*Corporate transactions.* In the event of certain specified significant corporate transactions, the plan administrator has the discretion to take any of the following actions with respect to stock awards:

arrange for the assumption, continuation or substitution of a stock award by a surviving or acquiring entity or parent company;

arrange for the assignment of any reacquisition or repurchase rights held by us to the surviving or acquiring entity or parent company;

accelerate the vesting of the stock award and provide for its termination prior to the effective time of the corporate transaction;

arrange for the lapse of any reacquisition or repurchase right held by us;

cancel or arrange for the cancellation of the stock award in exchange for such cash consideration, if any, as our Board of Directors may deem appropriate; or

make a payment equal to the excess of (a) the value of the property the participant would have received upon exercise of the stock award over (b) the exercise price otherwise payable in connection with the stock award.

Under the 2012 Plan, a corporate transaction is generally the consummation of (i) a sale or other disposition of all or substantially all of our consolidated assets, (ii) a sale or other disposition of at least 50% of our outstanding securities, (iii) a merger, consolidation or similar transaction following which we are not the surviving corporation, or (iv) a merger, consolidation or similar transaction following which we are the surviving corporation but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction.

*Change in control.* The plan administrator may provide, in an individual award agreement or in any other written agreement between a participant and us, that the stock award will be subject to additional acceleration of vesting and exercisability in the event of a change in control. For example, a stock award may provide for accelerated vesting

upon the participant's termination without cause or resignation for good reason in connection with a change in control. In the absence of such a provision, no such acceleration of the stock award will occur. Under the 2012 Plan, a change in control is generally (i) the acquisition by a person or entity of more than 50% of our combined voting power other than by merger, consolidation or similar transaction; (ii) a consummated merger, consolidation or similar transaction immediately after which our stockholders cease to own more than 50% of the combined voting power of the surviving entity; or (iii) a consummated sale, lease or exclusive license or other disposition of all or substantially of our consolidated assets.

*2012 Employee Stock Purchase Plan.*

Additional long-term equity incentives are provided through the 2012 Employee Stock Purchase Plan (the "ESPP"), which became effective in connection with our initial public offering in October 2012. The ESPP is

intended to qualify as an employee stock purchase plan within the meaning of section 423 of the Code. Our Board of Directors has delegated its authority to administer the ESPP to our Compensation Committee. Under the ESPP, all of our regular employees (including our Named Executive Officers) may participate and may contribute, normally through payroll deductions, up to 15% of their earnings for the purchase of our common stock. The ESPP is implemented through a series of offerings of purchase rights to eligible employees. Under the ESPP, we may specify offerings with a duration of not more than six months, and may specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which our common stock will be purchased for employees participating in the offering. Unless otherwise determined by our Compensation Committee, shares are purchased for accounts of employees participating in the ESPP at a price per share equal to the lower of (a) 85% of the fair market value of our common stock on the first date of an offering or (b) 85% of the fair market value of our common stock on the date of purchase. As of December 31, 2013, there were 460,283 shares available for future issuance under the ESPP. On January 1, 2014, pursuant to the terms of the ESPP, the number of shares available for issuance under the ESPP automatically increased by 417,873 shares.

#### *401(k) Plan*

All of our full-time employees in the United States, including our Named Executive Officers, are eligible to participate in our 401(k) plan, which is a retirement savings defined contribution plan established in accordance with Section 401(a) of the Code. Pursuant to our 401(k) plan, employees may elect to defer their eligible compensation into the plan on a pre-tax basis, up to the statutorily prescribed annual limit of \$17,500 in 2013 (additional salary deferrals not to exceed \$5,500 are available to those employees 50 years of age or older) and to have the amount of this reduction contributed to our 401(k) plan. We provide a \$0.25 match for every dollar our employees elect to defer up to 6% of their eligible compensation. In general, eligible compensation for purposes of the 401(k) plan includes an employee's wages, salaries, fees for professional services and other amounts received for personal services actually rendered in the course of employment with us to the extent the amounts are includible in gross income, and subject to certain adjustments and exclusions required under the Code. The 401(k) plan currently does not offer the ability to invest in our securities.

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

Each of our Named Executive Officers are eligible to receive severance and change in control benefits under the terms of their employment agreements described above under **Employment Agreements with Named Executive Officers**. Additionally, stock options granted to our Named Executive Officers are subject to the change in control provisions set forth in the 2009 Plan and the 2012 Plan, as applicable and as further described above under **Equity Compensation Plans and Other Benefit Plans**.

**Equity Compensation Plan Information**

The following table provides information as of December 31, 2013, with respect to shares of our common stock that may be issued under our existing equity compensation plans:

<b>Plan Category</b>	<b>(a)</b> <b>Number of securities to be issued upon exercise of outstanding options, warrant, and rights</b>	<b>(b)</b> <b>Weighted-average exercise price of outstanding options, warrant, and rights</b>	<b>(c)</b> <b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>	
			<b>Number of securities to be issued upon exercise of outstanding options, warrant, and rights</b>	<b>Weighted-average exercise price of outstanding options, warrant, and rights</b>
Equity compensation plans approved by stockholders:				
2009 Equity Incentive Plan	2,486,469 <sup>(1)</sup>	\$ 1.11		
2012 Equity Incentive Plan	3,111,737 <sup>(1)</sup>	\$ 5.74	710,534	
2012 Employee Stock Purchase Plan			460,283	
Equity compensation plans not approved by stockholders:				
None				

(1) All shares issuable upon exercise of options.

**DIRECTOR COMPENSATION**

The following table shows for the fiscal year ended December 31, 2013 certain information with respect to the compensation of all non-employee directors of the Company:

**DIRECTOR COMPENSATION FOR FISCAL 2013**

<b>Name</b>	<b>Fees Earned or Paid in</b>	<b>Option Awards</b>	<b>All Other Compensation (\$)<sup>(2)</sup></b>	<b>Total (\$)</b>

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	Cash	(\$) <sup>(1)</sup>		
	(\$)			
David Baltimore, Ph.D.	37,224	99,478 <sup>(2)</sup>	28,422 <sup>(8)</sup>	162,400
Bruce L.A. Carter, Ph.D.	43,372	99,478 <sup>(3)</sup>		141,478
Mark Foletta	36,071	205,527 <sup>(4)</sup>		239,545
John Maraganore, Ph.D.				
Stelios Papadopoulos, Ph.D.	49,458	99,478 <sup>(5)</sup>		148,936
B. Lynne Parshall				
William H. Rastetter, Ph.D.	27,234	236,952 <sup>(6)</sup>		262,827
Douglas Williams, Ph.D.	32,000	99,478 <sup>(7)</sup>		131,478

- (1) Amounts listed represent the aggregate grant date fair value amount computed as of the grant date of each option awarded during 2013 in accordance with ASC 718. Assumptions used in the calculation of these amounts are included in Note 10 to the Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2013. As required by SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Our directors will only realize

- compensation to the extent the trading price of our common stock is greater than the exercise price of such stock options. As required by SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Our directors will only realize compensation to the extent the trading price of our common stock is greater than the exercise price of such stock options.
- (2) Represents the annual option grant to purchase 17,500 shares of our common stock granted to Dr. Baltimore on June 10, 2013 under our director compensation policy. As of December 31, 2013, an aggregate of 225,000 shares were outstanding under all options to purchase our common stock held by Dr. Baltimore.
  - (3) Represents the annual option grant to purchase 17,500 shares of our common stock granted to Dr. Carter on June 10, 2013 under our director compensation policy. As of December 31, 2013, an aggregate of 62,000 shares were outstanding under all options to purchase our common stock held by Dr. Carter.
  - (4) Represents options to purchase an aggregate of 47,500 shares of our common stock granted to Mr. Foletta under our director compensation policy, consisting of his initial option grant to purchase 30,000 shares granted to Mr. Foletta on January 30, 2013 and his annual option grant to purchase 17,500 shares of our common stock granted to Mr. Foletta on June 10, 2013. As of December 31, 2013, an aggregate of 47,500 shares were outstanding under all options to purchase our common stock held by Mr. Foletta.
  - (5) Represents the annual option grant to purchase 17,500 shares of our common stock granted to Dr. Papadopoulos on June 10, 2013 under our director compensation policy. As of December 31, 2013, an aggregate of 220,000 shares were outstanding under all options to purchase our common stock held by Dr. Papadopoulos.
  - (6) Represents options to purchase an aggregate of 47,500 shares of our common stock granted to Dr. Rastetter under our director compensation policy, consisting of his initial option grant to purchase 30,000 granted to Dr. Rastetter on April 1, 2013 and his annual option grant to purchase 17,500 shares of our common stock granted to Dr. Rastetter on June 10, 2013. As of December 31, 2013, an aggregate of 47,500 shares were outstanding under all options to purchase our common stock held by Dr. Rastetter.
  - (7) Represents the annual option grant to purchase 17,500 shares of our common stock granted to Dr. Williams under our director compensation policy on June 10, 2013. As of December 31, 2013, an aggregate of 47,500 shares were outstanding under all options to purchase our common stock held by Dr. Williams.
  - (8) Represents the aggregate grant date fair value amount under ASC 718 of an option to purchase 5,000 shares of our common stock granted to Dr. Baltimore on June 10, 2013 for service as a member of our scientific advisory board. The shares subject to this award vest at the rate of 25% of the original number of shares on the first anniversary of the June 10, 2013 vesting commencement date and 1/48th of the original number of shares on each monthly anniversary thereafter, provided that Dr. Baltimore continues to provide services to us through such dates.

Directors who are also employees do not receive cash or equity compensation for service on our Board of Directors in addition to the compensation payable for their service as our employees. In addition, our non-employee directors who are affiliated with our founding stockholders, Alnylam and Isis, do not receive cash or equity compensation for service on our Board of Directors.

We have a non-employee director compensation policy, or our director compensation policy, that became effective following our initial public offering. Under our director compensation policy, our Compensation Committee determines individual non-employee members of our Board of Directors who will be eligible to receive compensation and who we refer to as our Eligible Directors. For 2013, our Compensation Committee determined that our Eligible Directors would be non-employee members of our Board of Directors who were not beneficial owners of five percent or more of our stock. Accordingly, during 2013, the Eligible Directors that received cash and/or equity compensation under the director compensation policy in 2013 were Dr. Baltimore, Dr. Carter, Mr. Foletta, Dr. Papadopoulos, Dr. Rastetter and Dr. Williams.

Pursuant to our director compensation policy, we provide cash compensation in the form of an annual retainer of \$32,000 to each of our Eligible Directors. We also pay an additional annual retainer of \$10,000 to the Chairman of our Audit Committee, \$5,000 to other independent Eligible Directors who serve on our Audit Committee, \$10,000 to the chair of our Compensation Committee, \$5,000 to other independent Eligible Directors





who serve on our Compensation Committee, \$7,500 to the chair of our Nominating and Corporate Governance Committee and \$2,500 to other independent Eligible Directors who serve on our Nominating and Corporate Governance Committee. We have reimbursed and will continue to reimburse our non-employee directors for travel, lodging and other reasonable expenses incurred in attending meetings of our Board of Directors and committees of our Board of Directors.

In December of 2013, our Compensation Committee recommended, and our Board of Directors approved, an increase in some components of the annual compensation paid to Eligible Directors commencing in 2014. Under the revised policy, we will provide cash compensation in the form of an annual retainer of \$32,000 to each of our Eligible Directors and \$60,000 to our Chairman of the Board. The additional annual retainer to the Chairman of the Audit Committee was also increased to \$20,000. All other compensation remain unchanged as set forth above.

Each Eligible Director who is first elected to our Board of Directors is granted an option to purchase 30,000 shares of the Company's common stock on the date of his or her initial election to our Board of Directors. In addition, on the date of each annual meeting of the Company's stockholders, each Eligible Director is eligible to receive an option to purchase 17,500 shares of common stock. Such initial and annual options will have an exercise price per share equal to the fair market value of the common stock on the date of grant.

Each initial option and annual option granted to such Eligible Directors described above will vest and become exercisable with respect to one-third of the shares subject to the option on the one year anniversary of the date of grant and the balance of the shares will vest and become exercisable in a series of 24 equal monthly installments thereafter, such that the option is fully vested on the third anniversary of the date of grant, subject to the Eligible Director continuing to provide services to us through such dates. The term of each option granted to an Eligible Director is 10 years. The options are granted under our 2012 Plan, the terms of which are described in more detail above under Equity Compensation Plans and Other Benefit Plans 2012 Equity Incentive Plan.

#### **TRANSACTIONS WITH RELATED PERSONS**

We describe below transactions and series of similar transactions, since January 1, 2013, with respect to which we were a party, will be a party, or otherwise benefited, in which:

the amounts involved exceeded or will exceed \$120,000; and

a director, executive officer, holder of more than 5% of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

We also describe below certain other transactions with our directors, executive officers and stockholders. We believe that the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.

#### **Alliance and Collaboration Agreements**

##### *Biogen Idec*

In August 2012, we entered into a collaboration and license agreement with Biogen Idec, of which company Doug Williams, Ph.D., is the Executive Vice President of Research and Development. Dr. Williams was appointed to our Board of Directors in November 2012. Pursuant to the terms of the collaboration and license agreement, we received

an upfront payment of \$750,000 and a subsequent research milestone payment of \$250,000 from Biogen Idec, and are eligible to receive additional research milestone payments of up to an aggregate of approximately \$1.1 million. In June 2013, we and Biogen Idec amended the collaboration agreement to update the research plan and criteria. Dr. Williams has an indirect interest in these transactions as a result of his stock ownership in Biogen Idec. Dr. Williams' beneficial stock ownership in Biogen Idec is disclosed from time to time in Biogen Idec's public filings with the SEC.

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*Sanofi*

In February 2014, we amended and restated our 2012 amended and restated license and collaboration agreement with Sanofi, a greater than 5% stockholder of the Company, extending our strategic alliance with Sanofi. Sanofi concurrently made a \$10.0 million investment in our common stock at a purchase price of \$7.67 per share, representing the average of the daily volume weighted average price per share of our common stock during the 30 trading days ending on the date immediately preceding the date of the investment. Under the terms of the restated agreement, we have agreed to collaborate with Sanofi to develop and commercialize licensed compounds targeting four *microRNA* alliance targets initially focused in the field of fibrosis and have granted Sanofi an exclusive license to develop and commercialize products under the alliance. Under the terms of our extended alliance, Sanofi has opt-in rights to our miR-21 preclinical fibrosis program targeting miR-21 for the treatment of Alport Syndrome, our preclinical program targeting miR-21 for oncology indications, and our preclinical programs targeting miR-221/222 for oncology indications, each of which is to be led by us. If Sanofi chooses to exercise its option on any of these programs, Sanofi will reimburse us for a significant portion of our preclinical and clinical development costs and will also pay us an option exercise fee for any such program, provided that \$1.25 million of the \$2.5 million upfront option fee paid to us by Sanofi in connection with the June 2013 option agreement will be creditable against such option exercise fee. In addition, we are eligible to receive clinical and regulatory milestone payments under these programs and potentially commercial milestone payments. We also continue to be eligible to receive royalties on *microRNA* therapeutic products commercialized by Sanofi or will have the right to co-promote these products.

*Isis Pharmaceuticals, Inc. and Alnylam Pharmaceuticals, Inc.*

In October 2011, we amended our amended our amended and restated license and collaboration agreement with Alnylam and Isis which are each greater than 5% stockholders of the Company. In addition, B. Lynne Parshall, one of our directors, is an executive officer of Isis and John M. Maraganore, Ph.D., one of our directors, is a director and an executive officer of Alnylam. Under the agreement, we acquired an exclusive, royalty-bearing, worldwide license, with rights to sublicense, to patent rights owned or licensed by Alnylam and Isis to develop, manufacture and commercialize products covered by the licensed patent rights for use in *microRNA* compounds which are *microRNA* antagonists and *microRNA* therapeutics containing these compounds. In addition, we have certain rights to miR-mimics. Under the agreement, we granted to both Alnylam and Isis a license to practice our intellectual property developed by us to the extent that it is useful specifically to Alnylam's RNAi programs or Isis's single-stranded oligonucleotide programs, but not including *microRNA* compounds or therapeutics that are the subject of our exclusive licenses from Alnylam and Isis. If an election is made by either Alnylam or Isis (but not both) to opt-in, such party will pay us a one-time fixed payment, the amount of which will depend on whether the first or the second opt-in option was exercised, with a higher amount due if the first opt-in option was exercised. Clinical and regulatory milestones are also payable to us in the event the opt-in election is exercised. Such milestones total \$64.0 million in the aggregate if the election is made during the first opt-in period or \$15.7 million in the aggregate if the election is made at the second opt-in period. Tiered royalties are payable to us as a percentage of net sales on all products commercialized by the opt-in party. These royalties range from the low to middle single digits depending upon the volume of sales. The opt-in party is also entitled to sublicense the development program to a third party. In such a case, we are also entitled to receive a percentage of the sublicense income received by the opt-in party. The percentage payable depends upon the point at which the opt-in party sublicenses the program and ranges from the low end of the 10 to 20% range to the high end of the 40 to 50% range. The opt-in party is only required to pay the higher of the clinical and regulatory milestones or the sublicense income received in any calendar quarter. The opt-in party is also responsible for all third party payments due under other agreements as a result of the development. In the event both Alnylam and Isis elect to opt-in during either opt-in period, the parties have agreed to work together to amend the development plan to continue development of the project, including funding of such project and assignment of roles and responsibilities. In the event we or one of our strategic alliance partners continues with the development of a program, each of Alnylam and Isis are entitled to royalties as a percentage of net sales. For products that we independently commercialize, these royalties will be in the low single digits. For products commercialized by a

third-party collaborator, the royalties will be either the same percentage of net sales as

described above or, if the sublicense does not provide a specified level of royalties to us or upon our election, a percentage of the sublicense income received by us from the strategic alliance partner and a modified royalty. The modified royalty would be based upon the lower of the single digit percentage discussed above or one third of the royalty received by us after payments made by us to third parties for development, manufacture and commercialization activities under other agreements. In addition, if we sublicense rights to a collaborator, we will be required to pay to each of Alnylam and Isis a percentage of our sublicense income in the mid-single digits. We are also responsible for payments due to third parties under other agreements as a result of our development activities, including payments owed by Alnylam and/or Isis under their agreements. Under the October 2011 amendment, Alnylam and Isis granted us the right to research *microRNA* mimics under the licensed intellectual property of Alnylam and Isis. In the event we develop a miR-mimic, we must first obtain approval from Alnylam and/or Isis, as applicable, and such approval is subject to the consent of applicable third parties, if any. No additional consideration will be owed by us to Alnylam or Isis for granting approval. We have the right to sublicense our research rights. We granted to both Alnylam and Isis a fully paid up, worldwide and exclusive license to any intellectual property developed by us and useful to their research programs and which are not *microRNA* antagonists or approved miR-mimics. In August 2013, we entered into a further amendment to the agreement. Under the terms of the August 2013 amendment, the parties agreed to our use of certain Alnylam-controlled intellectual property concerning the use and manufacture of GalNAc conjugates ( GalNAc Process Technology ) on a non-exclusive basis. We will generally not be permitted to sublicense or otherwise transfer the GalNAc Process Technology and other Alnylam licensed intellectual property rights relating to GalNAc conjugate technology without the prior written consent of Alnylam, subject to certain limited exceptions for sublicenses to third party collaboration partners. There were no financial terms related to the amendment.

In December of 2012, we agreed to purchase from Alnylam certain GalNAc materials for use in our research and development programs. During 2013, we purchased a total of \$501,000 in such materials.

Dr. Maraganore and Ms. Parshall each have an indirect interest in these transactions as a result of their respective stock ownership in Alnylam and Isis. Dr. Maraganore's and Ms. Parshall's beneficial stock ownership in Alnylam and Isis, respectively, are disclosed from time to time in Alnylam's and Isis's respective public filings with the SEC.

#### *AstraZeneca*

In August 2012, we entered into a collaboration and license agreement with AstraZeneca AB, or AstraZeneca, which became a greater than 5% stockholder of our Company following the agreement date. Under the terms of the agreement, we agreed to collaborate with AstraZeneca to identify, research and develop licensed compounds targeting three *microRNA* alliance targets in the fields of cardiovascular diseases, metabolic diseases and oncology and granted to AstraZeneca an exclusive, worldwide license to thereafter develop, manufacture and commercialize lead compounds designated by AstraZeneca in the course of the collaboration activities against the *microRNA* alliance targets for all human therapeutic uses. We are responsible for discovery, optimization and development of anti-miR product candidates in each program until the acceptance of an IND or the end of the research term, which extends until the fourth anniversary of the date of the agreement, and may be extended upon mutual written agreement. Following the earlier to occur of the acceptance of an IND in a major market or the end of the research term, AstraZeneca will assume all costs, responsibilities and obligations for further development, manufacture and commercialization of alliance product candidates. We received an upfront payment of \$3.0 million and are also entitled to receive preclinical, clinical and commercialization milestone payments of up to \$509.0 million in the aggregate for all alliance product candidates. In addition, we are entitled to receive royalties based on a percentage of net sales which will range from the mid-single digits to the low end of the 10 to 20% range, depending upon the product and the volume of sales, which royalties may be reduced in certain limited circumstances.



## Indemnification Agreements

We have entered into separate indemnification agreements with our directors and executive officers, in addition to the indemnification provided for in our bylaws. These agreements, among other things, require us to indemnify our directors and executive officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or executive officer in any action or proceeding arising out of his or her services as one of our directors or executive officers or any other company or enterprise to which the person provides services at our request. We believe that these indemnification agreements, together with the provisions in our bylaws, are necessary to attract and retain qualified persons as directors and officers.

## HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for Notices of Internet Availability of Proxy Materials or other annual meeting materials with respect to two or more stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials or other annual meeting materials to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are Regulus Therapeutics Inc. stockholders will be householding the Company's proxy materials. A single Notice will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Notice or set of annual meeting materials, please notify your broker or Regulus Therapeutics Inc. Direct your written request to Regulus Therapeutics Inc., Attn: Director of Investor Relations, 3545 John Hopkins Court, Suite 210, San Diego, CA 92121. Stockholders who currently receive multiple Notices at their addresses and would like to request householding of their communications should contact their brokers.

## OTHER MATTERS

The Board of Directors knows of no other matters that will be presented for consideration at the annual meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

David L. Szekeres  
Secretary

April 11, 2014

**A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 2013 is available without charge upon written request to: Corporate Secretary, Regulus Therapeutics Inc., 3545 John Hopkins Court, Suite 210, San Diego, CA 92121.**





**REGULUS THERAPEUTICS INC.**

**3545 JOHN HOPKINS CT., SUITE 210**

**SAN DIEGO, CA 92121**

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge,

51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS  
FOLLOWS:           M70605-P51265           KEEP THIS PORTION FOR YOUR RECORDS

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

DETACH AND RETURN THIS  
PORTION ONLY

**REGULUS THERAPEUTICS INC.**

**The Board of Directors recommends you vote FOR all nominees for director listed below:**

<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>	To withhold authority to vote for any individual nominee(s), mark <b>For All Except</b> and write the number(s) of the nominee(s) on the line below.
..	..	..	

1. Election of Directors

**Nominees:**

- |                                 |                                   |
|---------------------------------|-----------------------------------|
| 01) David Baltimore, Ph.D.      | 05) B. Lynne Parshall, Esq.       |
| 02) Bruce Carter, Ph.D.         | 06) William Rastetter, Ph.D.      |
| 03) Mark Foletta                | 07) Douglas Williams, Ph.D.       |
| 04) Stelios Papadopoulos, Ph.D. | 08) Kleanthis Xanthopoulos, Ph.D. |

**The Board of Directors recommends you vote FOR the following proposal:**

**For Against Abstain**  
.. ..

2. Ratification of the selection of Ernst & Young LLP as the independent registered public accounting firm of the company for the year ending December 31, 2014.

**NOTE:** Such other business as may properly come before the meeting or any adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners)

Date

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Proxy Statement, 2013 Annual Report to Stockholders and Form 10-K are available at [www.proxyvote.com](http://www.proxyvote.com).

M70606-P51265

**REGULUS THERAPEUTICS INC.**

**Annual Meeting of Stockholders**

**May 22, 2014 9:00 AM PDT**

**This proxy is solicited by the Board of Directors**

The undersigned hereby appoint(s) Kleanthis G. Xanthopoulos, Ph.D. and David Szekeres and each of them, with power to act without the other and with power of substitution, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote, as provided on the other side, all the shares of Regulus Therapeutics Inc. Common Stock which the undersigned is entitled to vote and, in their discretion, to vote upon such other business as may properly come before the Annual Meeting of Stockholders of Regulus Therapeutics Inc. to be held May 22, 2014 at the Company's offices located at 3545 John Hopkins Ct., Suite 210, San Diego, CA 92121, with all powers which the undersigned would possess if present at the Meeting.

**This proxy, when properly executed, will be voted in the manner directed herein. If no direction is made but the card is signed, this proxy card will be voted FOR the election of all nominees under Proposal 1, FOR Proposal 2, and in the discretion of the proxies with respect to such other business as may properly come before the meeting.**

**Continued and to be signed on reverse side**