

Altus Pharmaceuticals Inc.  
Form DEF 14A  
June 13, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

**(Rule 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

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

**Altus Pharmaceuticals Inc.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
  
- 2) Aggregate number of securities to which transaction applies:
  
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
- 4) Proposed maximum aggregate value of transaction:
  
- 5) Total fee paid:

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

- 1) Amount previously paid:

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- 2) Form, Schedule or Registration Statement No:
  - 3) Filing party:
  - 4) Date Filed:
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June 13, 2006

Dear Stockholder,

We cordially invite you to attend our 2006 annual meeting of stockholders to be held at 10:00 A.M., local time, on Thursday, July 27, 2006, at the Hotel @ MIT, 20 Sidney Street, Cambridge, MA 02139. The attached notice of annual meeting and proxy statement describe the business we will conduct at the meeting and provide information about Altus Pharmaceuticals Inc. that you should consider when you vote your shares.

When you have finished reading the proxy statement, please promptly vote your shares by marking, signing, dating and returning the proxy card in the enclosed envelope. We encourage you to vote by proxy so that your shares will be represented and voted at the meeting, whether or not you can attend in person.

Sincerely,

John P. Richard  
Chairman of the Board

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June 13, 2006

**NOTICE OF 2006 ANNUAL MEETING OF STOCKHOLDERS**

TIME: 10:00 A.M., local time

DATE: July 27, 2006

PLACE: The Hotel @ MIT, 20 Sidney Street, Cambridge, MA 02139

**PURPOSES:**

1. To elect three Class I directors to serve three-year terms expiring in 2009.
2. To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006.
3. To consider any other business that is properly presented at the meeting.

**WHO MAY VOTE:**

You may vote if you were the record owner of Altus Pharmaceuticals Inc. stock at the close of business on May 30, 2006. A list of stockholders of record will be available at the meeting and, during the 10 days prior to the meeting, at the office of the Secretary at Altus Pharmaceuticals Inc., 125 Sidney Street, Cambridge, MA 02139.

BY ORDER OF THE BOARD OF DIRECTORS

Jonathan I. Lieber  
Treasurer

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**ALTUS PHARMACEUTICALS INC.  
125 Sidney Street, Cambridge, Massachusetts 02139  
(617) 299-2900**

**PROXY STATEMENT FOR THE ALTUS PHARMACEUTICALS INC.  
2006 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON  
JULY 27, 2006**

**GENERAL INFORMATION ABOUT THE ANNUAL MEETING**

**Why Did You Send Me this Proxy Statement?**

We sent you this proxy statement and the enclosed proxy card because Altus Pharmaceuticals Inc.'s Board of Directors is soliciting your proxy to vote at the 2006 annual meeting of stockholders and any adjournments of the meeting to be held at 10:00 A.M., local time, on Thursday, July 27, 2006, at the Hotel @ MIT, 20 Sidney Street, Cambridge, MA 02139. This proxy statement along with the accompanying Notice of Annual Meeting of Stockholders summarizes the purposes of the meeting and the information you need to know to vote at the annual meeting.

On June 16, 2006 we began sending this proxy statement, the attached notice of annual meeting and the enclosed proxy card to all stockholders entitled to vote at the meeting. Although not part of this proxy statement, we are also sending our 2005 annual report along with this proxy statement, which includes our financial statements for the fiscal year ended December 31, 2005. You can also find a copy of our 2005 Annual Report on Form 10-K on the Internet through the Securities and Exchange Commission's electronic data system called EDGAR at [www.sec.gov](http://www.sec.gov) or through the Investor Relations section of our website at [www.altus.com](http://www.altus.com).

**Who Can Vote?**

Only stockholders who owned Altus Pharmaceuticals Inc. common stock at the close of business on May 30, 2006 are entitled to vote at the annual meeting. As of May 31, 2006 there were 22,223,310 shares of Altus Pharmaceuticals Inc. common stock outstanding and entitled to vote. The common stock is our only outstanding class of voting stock.

You do not need to attend the annual meeting to vote your shares. Shares represented by valid proxies, received in time for the meeting and not revoked prior to the meeting, will be voted at the meeting. A stockholder may revoke a proxy before the proxy is voted by delivering to our Secretary a signed statement of revocation or a duly executed proxy bearing a later date. Any stockholder who has executed a proxy card but attends the meeting in person may revoke the proxy and vote at the meeting.

**How Many Votes Do I Have?**

Each share of Altus Pharmaceuticals Inc. common stock that you own entitles you to one vote.

**How Do I Vote?**

Whether you plan to attend the annual meeting or not, we urge you to vote by proxy. Voting by proxy will not affect your right to attend the annual meeting. If your shares are registered directly in your name, you may vote:

*By mail.* Complete and mail the enclosed proxy card in the enclosed postage prepaid envelope. Your proxy will be voted in accordance with your instructions. If you sign the proxy card but do not specify how you want your shares voted, they will be voted as recommended by our Board of Directors.



*In person at the meeting.* If you attend the meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

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If your shares are held in street name (held in the name of a bank, broker or other nominee), you must provide the bank, broker or other nominee with instructions on how to vote your shares and can do so as follows:

*By mail.* You will receive instructions from your broker or other nominee explaining how to vote your shares.

*In person at the meeting.* Contact the broker or other nominee who holds your shares to obtain a broker's proxy card and bring it with you to the meeting. You will not be able to vote at the meeting unless you have a proxy card from your broker.

## **How Does the Board of Directors Recommend That I Vote on the Proposals?**

The board of directors recommends that you vote as follows:

**FOR** the election of the nominees for director; and

**FOR** ratification of the selection of independent registered public accounting firm for our fiscal year ending December 31, 2006.

If any other matter is presented, the proxy card provides that your shares will be voted by the proxy holder listed on the proxy card in accordance with his or her best judgment. At the time this proxy statement was printed, we knew of no matters that needed to be acted on at the annual meeting, other than those discussed in this proxy statement.

## **May I Revoke My Proxy?**

If you give us your proxy, you may revoke it at any time before the meeting. You may revoke your proxy in any one of the following ways:

signing a new proxy card and submitting it as instructed above;

notifying Altus Pharmaceuticals Inc.'s Secretary in writing before the annual meeting that you have revoked your proxy; or

attending the meeting in person and voting in person. Attending the meeting in person will not in and of itself revoke a previously submitted proxy unless you specifically request it.

## **What if I Receive More Than One Proxy Card?**

You may receive more than one proxy card or voting instruction form if you hold shares of our common stock in more than one account, which may be in registered form or held in street name. Please vote in the manner described under How Do I Vote? for each account to ensure that all of your shares are voted.

## **Will My Shares be Voted if I Do Not Return My Proxy Card?**

If your shares are registered in your name, they will not be voted if you do not return your proxy card by mail or vote at the meeting as described above under How Do I Vote? If your shares are held in street name and you do not provide voting instructions to the bank, broker or other nominee that holds your shares as described above under How Do I Vote?, the bank, broker or other nominee has the authority to vote your unvoted shares on both Proposals 1 and 2 even if it does not receive instructions from you. We encourage you to provide voting instructions. This ensures your shares

will be voted at the meeting in the manner you desire. If your broker cannot vote your shares on a particular matter because it has not received instructions from you and does not have discretionary voting authority on that matter or because your broker chooses not to vote on a matter for which it does have discretionary voting authority, this is referred to as a broker non-vote .

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**What Vote is Required to Approve Each Proposal and How are Votes Counted?**

**Proposal 1: Elect Directors**

The nominees for director who receive the most votes (also known as a plurality of the votes) will be elected. Abstentions are not counted as voting on the matter for purposes of electing directors. You may vote FOR all of the nominees, WITHHOLD your vote from all of the nominees or WITHHOLD your vote from any one or more of the nominees. Votes that are withheld will not be included in the vote tally for the election of directors. Brokerage firms have authority to vote customers' unvoted shares held by the firms in street name for the election of directors. If a broker does not exercise this authority, such broker non-votes will have no effect on the results of this vote.

**Proposal 2: Ratify Selection of Auditors**

The affirmative vote of a majority of the votes cast at the annual meeting is required to ratify the selection of independent auditors. Abstentions will have no effect on the voting on this proposal. Brokerage firms have authority to vote customers' unvoted shares held by the firms in street name on this proposal. If a broker does not exercise this authority, such broker non-votes will have no effect on the results of this vote. We are not required to obtain the approval of our stockholders to select our independent accountants. However, our Board of Directors believes it is advisable to give stockholders the opportunity to ratify this selection. If our stockholders do not ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006, the Audit Committee of our Board of Directors will reconsider its selection.

**Is Voting Confidential?**

We will keep all the proxies, ballots and voting tabulations private. We only let our Inspectors of Election, Computershare Investor Services, examine these documents. We will not disclose your vote to management unless it is necessary to meet legal requirements. We will, however, forward to management any written comments you make, on the proxy card or elsewhere.

**What Are the Costs of Soliciting these Proxies?**

We will pay all of the costs of soliciting these proxies. Our directors and employees may solicit proxies in person or by telephone, fax or email. We will pay these employees and directors no additional compensation for these services. We will ask banks, brokers and other institutions, nominees and fiduciaries to forward these proxy materials to their principals and to obtain authority to execute proxies. We will then reimburse them for their expenses.

**What Constitutes a Quorum for the Meeting?**

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock is necessary to constitute a quorum at the meeting. Votes of stockholders of record who are present at the meeting in person or by proxy, abstentions and broker non-votes are counted for purposes of determining whether a quorum exists.

**Attending the Annual Meeting**

The annual meeting will be held at 10:00 A.M. local time on Thursday, July 27, 2006 at the Hotel @ MIT, 20 Sidney Street, Cambridge, MA 02139. When you arrive at the Hotel @ MIT, signs will direct you to the appropriate meeting rooms. You need not attend the annual meeting in order to vote.

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**Householding of Annual Disclosure Documents**

In December 2000, the Securities and Exchange Commission adopted a rule concerning the delivery of annual disclosure documents. The rule allows us or your broker to send a single set of our annual report and proxy statement to any household at which two or more of our shareholders reside, if we or your broker believe that the shareholders are members of the same family. This practice, referred to as householding, benefits both you and us. It reduces the volume of duplicate information received at your household and helps to reduce our expenses. The rule applies to our annual reports, proxy statements and information statements. Once you receive notice from your broker or from us that communications to your address will be householded, the practice will continue until you are otherwise notified or until you revoke your consent to the practice. Each shareholder will continue to receive a separate proxy card or voting instruction card.

If your household received a single set of disclosure documents this year, but you would prefer to receive your own copy, please contact our transfer agent, Computershare Investor Services, by calling their toll free number, 1-877-282-1168.

If you do not wish to participate in householding and would like to receive your own set of Altus Pharmaceuticals Inc.'s annual disclosure documents in future years, follow the instructions described below. Conversely, if you share an address with another Altus Pharmaceuticals Inc. shareholder and together both of you would like to receive only a single set of our annual disclosure documents, follow these instructions:

If your Altus Pharmaceuticals Inc. shares are registered in your own name, please contact our transfer agent, Computershare Investor Services, and inform them of your request by calling them at 1-877-282-1168, via the internet at [www.computershare.com](http://www.computershare.com) or writing them at Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078.

If a broker or other nominee holds your Altus Pharmaceuticals Inc. shares, please contact the broker or other nominee directly and inform them of your request. Be sure to include your name, the name of your brokerage firm and your account number.

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The following table sets forth certain information with respect to the beneficial ownership of our common stock as of May 31, 2006 for (a) the executive officers named in the Summary Compensation Table on page 16 of this proxy statement, (b) each of our directors and director nominees, (c) all of our current directors and executive officers as a group and (d) each stockholder known by us to own beneficially more than 5% of our common stock. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the "SEC") and includes voting or investment power with respect to the securities. We deem shares of common stock that may be acquired by an individual or group within 60 days of May 31, 2006 pursuant to the exercise of options or warrants to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table. Except as indicated in footnotes to this table, we believe that the stockholders named in this table have sole voting and investment power with respect to all shares of common stock shown to be beneficially owned by them based on information provided to us by these stockholders. Percentage of ownership is based on 22,223,310 shares of common stock outstanding on May 31, 2006.

Name and Address**	Shares Beneficially Owned	
	Number	Percent
<b>Named Executive Officers</b>		
Sheldon Berkle(1)	542,102	2.4%
Don G. Burstyn(2)	174,443	*
Robert Gallotto(3)	169,625	*
Jonathan I. Lieber(4)	211,834	*
Alexey L. Margolin, Ph.D.(5)	432,316	1.9%
<b>Directors</b>		
John P. Richard(6)	111,429	*
Richard H. Aldrich(7)	85,041	*
Stewart Hen(8)	4,307,163	18.8%
Peter L. Lanciano(9)	699,394	3.1%
Jonathan S. Leff(10)	4,307,163	18.8%
Manuel A. Navia, Ph.D.(11)	119,930	*
Harry H. Penner, Jr.(12)	1,226	*
Jonathan D. Root, M.D.(13)	3,380,143	15.0%
Michael S. Wyzga(14)	54,514	*
All current directors and executive officers as a group (18 persons)(15)	10,600,552	41.7%
<b>5% or More Stockholders</b>		
Warburg Pincus Private Equity VIII, L.P.(16) 466 Lexington Avenue, New York, NY 10017	4,307,163	18.8%
Entities affiliated with U.S. Venture Partners(17) 2735 Sand Hill Road, Menlo Park, CA 94025	3,371,421	14.9%
Vertex Pharmaceuticals Incorporated(18) 130 Waverly Street, Cambridge, Massachusetts 02139	2,780,243	11.5%
Entities affiliated with Nomura International plc(19) Nomura House, 1 St. Martin's-le-Grand London EC1A 4NP, United Kingdom	1,956,962	8.7%

\* Represents beneficial ownership of less than 1% of the outstanding shares of our common stock.

\*\* Unless otherwise indicated, the address of each beneficial owner listed is c/o Altus Pharmaceuticals Inc., 125 Sidney Street, Cambridge, Massachusetts 02139.



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- (1) Consists of options to purchase 542,102 shares of common stock. One quarter of the options vested on May 9, 2006, and thereafter an additional 1/48th of the total underlying option grant will vest on a monthly basis, such that all options will be vested after four years. In addition, all of these options are immediately exercisable for shares of restricted stock, which are subject to a repurchase right by us that lapses based on the vesting schedule set forth in the previous sentence.
- (2) Consists of options to purchase 174,443 shares of common stock. 163,540 of such options have a term of ten years vesting over four years, with 1/16th of the options vesting every three months. 10,903 of these options have a term of ten years, vesting over two years, with 1/8th of the options vesting every three months. In addition, all of these options are immediately exercisable for shares of restricted stock, which are subject to a repurchase right by us that lapses based on the vesting schedule set forth in the previous sentences.
- (3) Consists of options to purchase 169,625 shares of common stock. 158,422 of such options have a term of ten years vesting over four years, with 1/16th of the options vesting every three months. 11,203 of these options have a term of ten years, vesting over two years, with 1/8th of the options vesting every three months. In addition, all of these options are immediately exercisable for shares of restricted stock, which are subject to a repurchase right by us that lapses based on the vesting schedule set forth in the previous sentences.
- (4) Consists of options to purchase 211,834 shares of common stock. 200,931 of such options have a term of ten years vesting over four years, with 1/16th of the options vesting every three months. 10,903 of such options have a term of ten years, vesting over two years, with 1/8th of the options vesting every three months. In addition, all of these options are immediately exercisable for shares of restricted stock, which are subject to a repurchase right by us that lapses based on the vesting schedule set forth in the previous sentences.
- (5) Consists of 210,204 shares of common stock and options to purchase 222,112 shares of common stock. 211,209 of such options have a term of ten years vesting over four years, with 1/16th of the options vesting every three months. 10,903 of such options have a term of ten years, vesting over two years, with 1/8th of the options vesting every three months. In addition, all of these options are immediately exercisable for shares of restricted stock, which are subject to a repurchase right by us that lapses based on the vesting schedule set forth in the previous sentence.
- (6) Consists of options to purchase 111,429 shares of common stock. 68,687 of such options have a term of ten years vesting over four years, with 1/16th of the options vesting every three months. 42,742 of such options have a term of ten years and vested immediately upon grant. In addition, all of the options are immediately exercisable for shares of restricted stock, which are subject to a repurchase right by us that lapses based on the vesting schedule set forth above.
- (7) Consists of 30,527 shares of common stock and options to purchase 54,514 shares of common stock. All options have a term of ten years vesting over four years, with 1/16th of the options vesting every three months. In addition, all of these options are immediately exercisable for shares of restricted stock, which are subject to a repurchase right by us that lapses based on the vesting schedule set forth above.
- (8) Consists of the shares owned by Warburg Pincus Private Equity VIII, L.P., and two affiliated partnerships, or collectively, WP VIII, as described in footnote 16 below. Mr. Hen is a partner of Warburg Pincus & Co., or WP, and a managing director and member of Warburg Pincus LLC, or WP LLC. Mr. Hen disclaims beneficial ownership of the shares owned by WP VIII except to the extent of his pecuniary interest therein.
- (9) Consists of 224,398 shares of common stock and options to purchase 222,074 shares of common stock held by Mr. Lanciano and 252,922 shares held in various trusts for the benefit of Mr. Lanciano's minor children. Does not

include 198,000 shares of common stock gifted by Mr. Lanciano to other members of his family. All of the options have a term of ten years and are exercisable until the earlier of three months after Mr. Lanciano ceases to be a member of our board of directors or December 31, 2006. The options were vested as of October 31, 2005.

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- (10) Consists of the shares owned by WP VIII as described in footnote 16 below. Mr. Leff is a partner of WP and a managing director and member of WP LLC. Mr. Leff disclaims beneficial ownership of the shares owned by WP VIII except to the extent of his pecuniary interest therein.
- (11) Consists of 71,958 shares of common stock and options to purchase 47,972 shares of common stock. All options have a term of ten years vesting over four years, with 1/16th of the options vesting every three months. In addition, all of these options are immediately exercisable for shares of restricted stock, which are subject to a repurchase right by us that lapses based on the vesting schedule set forth above.
- (12) Consists of options to purchase 1,226 shares of common stock. All options have a term of ten years vesting over four years, with 1/16th of the options vesting every three months. All options become exercisable as they vest.
- (13) Consists of the shares owned by U.S. Venture Partners and affiliated entities as described in footnote 17 below, in addition to options to purchase 8,722 shares of common stock. All options have a term of ten years vesting over four years, with 1/16th of the options vesting every three months. In addition, all of these options are immediately exercisable for shares of restricted stock, which are subject to a repurchase right by us that lapses based on the vesting schedule set forth above. Dr. Root disclaims beneficial ownership of the shares owned by the funds described in footnote 17 except to the extent of his pecuniary interest therein.
- (14) Consists of options to purchase 54,514 shares of common stock. All options have a term of ten years vesting over four years, with 1/16th of the options vesting every three months. In addition, all of these options are immediately exercisable for shares of restricted stock, which are subject to a repurchase right by us that lapses based on the vesting schedule set forth above.
- (15) Includes options to purchase 2,131,959 shares held by our directors and executive officers.
- (16) Consists of 3,589,246 shares of common stock owned of record by and warrants to purchase 717,917 shares of common stock held by Warburg Pincus Private Equity VIII, L.P. and two affiliated partnerships, or collectively, WP VIII. Warburg Pincus Partners LLC, or WP Partners LLC, a subsidiary of Warburg Pincus & Co., or WP, is the sole general partner of WP VIII. WP VIII is managed by Warburg Pincus LLC, or WP LLC. Charles R. Kaye and Joseph P. Landy are each Managing General Partners of WP and Co-Presidents and Managing Members of WP LLC. Messrs. Hen and Leff are general partners of WP and Managing Directors and Members of WP LLC. Each of these individuals disclaims beneficial ownership of the shares held by WP VIII except to the extent of any pecuniary interest therein.
- (17) Consists of 2,947,459 shares of common stock owned of record by and warrants to purchase 359,823 shares of common stock held by U.S. Venture Partners VIII, L.P.; 21,696 shares of common stock owned of record by and warrants to purchase 2,592 shares of common stock held by USVP VIII Affiliates Fund, L.P.; 27,665 shares of common stock owned of record by and warrants to purchase 3,303 shares of common stock held by USVP Entrepreneur Partners VIII-A, L.P.; and 14,778 shares of common stock owned of record by and warrants to purchase 1,765 shares of common stock held by USVP Entrepreneur Partners VIII-B, L.P. Voting and/or dispositive decisions with respect to the shares held by U.S. Venture Partners VIII, L.P., USVP VIII Affiliates Fund, L.P., USVP Entrepreneur Partners VIII-A, L.P. and USVP Entrepreneur Partners VIII-B, L.P. are made by their managing members: Dr. Root, Timothy Connors, Irwin Federman, Winston Fu, Steven Krausz, David Liddle, Christopher Rust, and Philip Young. Each disclaims beneficial ownership of the shares held by the entities except to the extent of any pecuniary interest therein.
- (18) Consists of 817,749 shares of common stock and warrants to purchase 1,962,494 shares of common stock held by Vertex. Vertex also holds 450,000 shares of redeemable preferred stock, which are not convertible into

common stock and which are redeemable at the option of Vertex on or after December 31, 2010, or by us at any time.

- (19) Consists of 1,194,236 shares of common stock owned of record by and warrants to purchase 100,044 shares of common stock held by Nomura International plc; and 552,227 shares of common stock owned of record by and warrants to purchase 110,455 shares of common stock held by Nomura Phase4 Ventures L.P. Nomura Phase4 Ventures Limited, as appointee of Nomura International plc and as manager of Nomura Phase4 Ventures L.P. has voting and investment power over the shares held by Nomura International plc

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and Nomura Phase4 Ventures L.P. Nomura Phase4 Ventures Limited is a subsidiary of Nomura International plc which is a subsidiary of Nomura Holdings Inc., a publicly traded company. Mr. Yoshiki Hashimoto, the Head of Merchant Banking, Nomura International plc, and Dr. Denise Pollard-Knight, the Head of Nomura Phase4 Ventures, are the only two members of the board of directors of Nomura Phase4 Ventures Limited and both of them, acting together, exercise the voting and investment power of Nomura Phase4 Ventures Limited. Mr. Hashimoto and Dr. Pollard-Knight disclaim beneficial ownership over any of the above shares.

**MANAGEMENT****The Board of Directors**

Our Restated Certificate of Incorporation and Restated Bylaws provide that our business is to be managed by or under the direction of our Board of Directors. Our Board of Directors is divided into three classes for purposes of election. One class is elected at each annual meeting of stockholders to serve for a three-year term. Our Board of Directors currently consists of 10 members, divided into three classes as follows: (1) Peter L. Lanciano, John P. Richard, Richard H. Aldrich, and Harry H. Penner, Jr. constitute Class I, (2) Jonathan S. Leff and Jonathan D. Root constitute Class II, and (3) Manuel A. Navia, Sheldon Berkle, Stewart Hen, and Michael S. Wyzga constitute Class III. The terms of each of Mr. Lanciano and Mr. Aldrich will expire at the 2006 annual meeting, and the Board thanks them for their service to the Company.

On June 6, 2006, our Board of Directors voted to nominate Harry H. Penner, Jr., Stewart Hen, and John P. Richard for re-election as Class I directors at the annual meeting for a term of three years to serve until the 2009 annual meeting of stockholders, and until their respective successors have been elected and qualified. The Board has elected to nominate Mr. Hen for election at the 2006 annual meeting into Class I instead of Class III, in order to have classes as equal in number as possible following the expiration at the 2006 annual meeting of the terms of Messrs. Lanciano and Aldrich.

Our restated certificate of incorporation and restated bylaws provide that the authorized number of directors may be changed only by resolution of the board of directors. As of the start of the annual meeting, eight directors will be authorized.

Set forth below are the names of the persons nominated as directors and directors whose terms do not expire this year, their ages, their offices in the Company, if any, their principal occupations or employment for the past five years, the length of their tenure as directors and the names of other public companies in which such persons hold directorships.

<b>Name</b>	<b>Age</b>	<b>Position with the Company</b>
Sheldon Berkle	60	President and Chief Executive Officer, Director
John P. Richard(1)	48	Chairman of the Board
Stewart Hen (2)(3)	39	Director
Jonathan S. Leff	37	Director
Manuel A. Navia, Ph.D. (2)(3)	59	Director
Harry H. Penner, Jr.(1)	60	Director
Jonathan D. Root(2)	45	Director
Michael S. Wyzga(1)	51	Director

(1) Member of the Audit Committee.

- (2) Member of the Compensation Committee.
- (3) Member of the Nominating and Governance Committee.

The following is a brief summary of the background of each of our directors.

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*Sheldon Berkle* joined Altus as our President and Chief Executive Officer in May 2005 and was elected as a member of our board of directors. Prior to joining us, Mr. Berkle served as Executive Vice President of Boehringer Ingelheim Pharmaceuticals Inc. from November 1994 to December 2003. In this position, Mr. Berkle was responsible for United States pharmaceutical operations, including portfolio management, new product launches, commercialization, marketing, sales, business development, mergers and acquisitions, strategic planning and alliance management. Mr. Berkle was also a co-founder of Boehringer Ingelheim Canada, a pharmaceutical company, and served as its Chief Executive Officer from 1989 to 1994. From January 2004 to April 2005, Mr. Berkle was not actively employed. Mr. Berkle holds a B.Sc. in pharmacy from the University of Manitoba and an M.B.A. from the University of Toronto.

*John P. Richard* has served as chairman of our board of directors since October 2004. Mr. Richard has served as an independent strategic and commercial development advisor in the biotechnology industry since April 1999. He currently serves as Senior Business Advisor to GPC Biotech AG, a biotechnology company, as a partner of Georgia Venture Partners, a biotechnology investing firm, and as a consultant to Nomura Phase4 Ventures. He also serves as a director of Targacept, Inc., Zygogen, LLC, and Metastatix, Inc. Mr. Richard was previously Executive Vice President, Business Development at SEQUUS Pharmaceuticals, Inc., where he was responsible for negotiating the acquisition of SEQUUS by ALZA Corporation. Prior to joining SEQUUS, Mr. Richard held the positions of Vice President, Corporate Development for VIVUS, Inc. and Senior Vice President, Business Development of Genome Therapeutics Corporation, where he was responsible for establishing numerous pharmaceutical alliances. He was also co-founder and original Chief Executive Officer of IMPATH Laboratories, Inc., a leading cancer pathology reference laboratory in the United States. Mr. Richard received his M.B.A. from Harvard Business School and his B.S. from Stanford University.

*Stewart Hen* has served as a member of our board of directors since May 2004. Mr. Hen has been with Warburg Pincus LLC, a venture capital and private equity firm, since May 2000 and is currently a managing director, where he focuses on investments in the life sciences sector, including biotechnology, pharmaceuticals, specialty pharmaceuticals, drug delivery and diagnostics. Prior to joining Warburg Pincus, he was a management consultant at McKinsey & Company, where he advised pharmaceutical and biotechnology companies on a range of strategic management issues. Prior to joining McKinsey, he worked at Merck in research and development and manufacturing. Mr. Hen is also a director of Allos Therapeutics, Inc. and Neurogen Corporation. Mr. Hen holds an M.B.A. from The Wharton School at the University of Pennsylvania, an M.S. in chemical engineering from the Massachusetts Institute of Technology and a B.S. in chemical engineering from the University of Delaware.

*Jonathan S. Leff* has served as a member of our board of directors since May 2004. Mr. Leff has been a managing director at Warburg Pincus LLC since January 2000. Mr. Leff is responsible for Warburg Pincus North American investment activities in biotechnology, pharmaceuticals and related industries. Prior to joining Warburg Pincus, Mr. Leff was a consultant at Oliver, Wyman & Co. Mr. Leff is a director of Allos Therapeutics, Inc., Neurogen Corporation, InterMune, Inc., Sunesis Pharmaceuticals, Inc. and ZymoGenetics, Inc. Mr. Leff received an A.B. in government from Harvard College and an M.B.A. from Stanford University.

*Manuel A. Navia, Ph.D.* is one of our founders and has served as a member of our board of directors since 1992. Dr. Navia is a drug discovery and development advisor in the Boston area. Since March 2004, Dr. Navia has been an Executive-in-Residence at Oxford Bioscience Partners, a venture capital firm. In addition, since March 2003, Dr. Navia has served as an advisor and consultant to various companies in the biotechnology industry. Prior to that time, from January 2001 to March 2003, Dr. Navia was Executive Vice President for Research at Essential Therapeutics, Inc., a biotechnology company. He was a founder of The Althexis Company, Inc. in 1997, and served as its President and Chief Executive Officer until January 2001, when it merged with Microcide Pharmaceuticals Inc. to form Essential Therapeutics. From 1989 to 1997, Dr. Navia served as Vice President and Senior Scientist at Vertex. Dr. Navia holds a Ph.D. and an M.S. in biophysics from the University of Chicago and a B.A. in physics from New

York University.

*Harry H. Penner, Jr.* has served as a member of our board of directors since April 2006. Mr. Penner has 28 years of increasing management responsibilities in the pharmaceutical and biotechnology sectors. He is currently the Chairman and CEO and co-founder of Marinus Pharmaceuticals. Prior to co-founding Marinus



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Pharmaceuticals, Mr. Penner served as Chairman and Chief Executive Officer of Nascent BioScience, LLC, a firm engaged in the creation and development of new biotechnology companies. From 1993 to 2001, he was President, Chief Executive Officer and Vice Chairman of Neurogen Corporation. Previously, he served as Executive Vice President of Novo Nordisk A/S and President of Novo Nordisk of North America, Inc. from 1988 to 1993. From 1985 to 1988 he was Executive Vice President and General Counsel of Novo Nordisk A/S. He has served more recently as BioScience Advisor to the Governor and the State of Connecticut, as Chairman of the Board of Directors for the Connecticut Technology Council, as Co-Chairman of Connecticut United for Research Excellence, and as Director of the Connecticut Business and Industry Associates. He currently serves on the Boards of Avant Immunotherapeutics, Inc. and Ikonisys, Inc. and chairs the Board of Rib-X Pharmaceuticals, Inc. Mr. Penner holds academic degrees from the University of Virginia (BA), Fordham University (JD), and New York University (LLM, International Law) and has completed senior management programs at Stanford.

*Jonathan D. Root, M.D.* has served as a member of our board of directors since September 2001. Having joined U.S. Venture Partners, a venture capital firm, in July 1995, Dr. Root is presently a general partner and focuses on investments in therapeutic medical devices, diagnostics, drug discovery tools and services, and biopharmaceutical development. Prior to joining U.S. Venture Partners, Dr. Root spent nine years in clinical practice, most recently on the faculty and clinical staff at The New York Hospital-Cornell Medical Center in New York City, where he was an Assistant Professor of Neurology and Director of the Neurology-Neurosurgery Special Care Unit. Dr. Root holds an A.B. in economics/government from Dartmouth College, an M.D. from the University of Florida College of Medicine, and an M.B.A. from Columbia University.

*Michael S. Wyzga* has served as a member of our board of directors since May 2004. Mr. Wyzga is Executive Vice President and Chief Financial Officer of Genzyme Corporation, a biotechnology company. Mr. Wyzga joined Genzyme as Vice President and Corporate Controller in March 1998, was promoted to Senior Vice President and Corporate Controller in December 1998, and to Chief Financial Officer in June 1999. Mr. Wyzga became an Executive Vice President of Genzyme in June 2003 and is responsible for its global financial reporting. Prior to joining Genzyme, Mr. Wyzga was Chief Financial Officer for Sovereign Hill Software, Inc. Prior to his role at Sovereign Hill Software, Mr. Wyzga was the Chief Financial Officer for CacheLink Corporation, and prior to that, Mr. Wyzga held various management positions at Lotus Development Corporation, including Vice President of Finance and Director of Plans and Controls. Prior to joining Lotus, Mr. Wyzga held management positions at Digital Equipment Corporation. Mr. Wyzga received an M.B.A. in business administration from Providence College and a B.S. in business administration from Suffolk University.

Our Board has determined that the following continuing members of the Board qualify as independent under the definition promulgated by the Nasdaq Stock Market: Messrs. Hen, Leff, Penner, and Wyzga, and Drs. Root and Navia.

## **Committees of the Board of Directors and Meetings**

*Meeting Attendance.* During the fiscal year ended December 31, 2005 there were six meetings of our Board of Directors, and the various committees of the Board met a total of 18 times. No director attended fewer than 75% of the total number of meetings of the Board and of committees of the Board on which he or she served during fiscal 2005. The Board has adopted a policy under which each member of the Board is strongly encouraged to attend each annual meeting of our stockholders. We completed our initial public offering in January 2006. As a result, the 2006 annual meeting of stockholders will be the first meeting of stockholders that we hold as a public company.

*Audit Committee.* Our Audit Committee met four times during fiscal 2005. This committee currently has three members, Messrs. Richard, Penner and Wyzga. Our Audit Committee has the authority to retain and terminate the services of our independent auditors. In addition, our Audit Committee pre-approves the engagement of our

independent auditors, reviews annual financial statements, considers matters relating to accounting policy and internal controls and reviews the scope of annual audits. A copy of the charter of the Audit Committee is attached as Appendix A to this proxy statement. Nasdaq rules require that all members of

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the audit committee be independent directors, as defined by the rules of the Nasdaq and the SEC, as such standards apply specifically to members of audit committees. The Nasdaq rules also permit a company, such as us, listing on the Nasdaq National Market in connection with its initial public offering to have only one member of the audit committee comply with the independence requirements on the date of listing, provided that a majority of the members satisfy the requirements within 90 days after listing and all of the members satisfy the requirements within one year after listing. Our Board of Directors has determined that Messrs. Penner and Wyzga satisfy the independence requirements for service on the audit committee, and we are seeking one additional independent director to join the audit committee prior to the end of the phase-in period referenced above. The Board has determined that Mr. Wyzga is an audit committee financial expert, as the Securities and Exchange Commission has defined that term in Item 401 of Regulation S-K. Please also see the report of the Audit Committee set forth elsewhere in this proxy statement.

*Compensation Committee.* Our Compensation Committee met 14 times during fiscal 2005. This committee currently has four members, Messrs. Aldrich and Hen, and Drs. Navia and Root. As noted above, Mr. Aldrich's term as a director will expire at the 2006 Annual Meeting. In addition, Mr. Hen intends to resign from the Compensation Committee effective upon the 2006 Annual Meeting. Our Compensation Committee reviews, approves and makes recommendations regarding our compensation policies, practices and procedures to ensure that legal and fiduciary responsibilities of the Board of Directors are carried out and that such policies, practices and procedures contribute to our success. The Compensation Committee is responsible for the determination of the compensation of our Chief Executive Officer, and shall conduct its decision making process with respect to that issue without the chief executive officer present. Our board of directors has determined that all of the members of this committee satisfy the Nasdaq independence requirements for service on the Compensation Committee. Please also see the report of the Compensation Committee set forth elsewhere in this proxy statement.

*Nominating and Governance Committee.* Our Nominating and Governance Committee did not meet during fiscal 2005. The committee currently has two members, Mr. Hen and Dr. Navia. This committee's role is to make recommendations to the full Board as to the size and composition of the Board and its committees, and to evaluate and make recommendations as to potential candidates. Our board of directors has determined that Mr. Hen and Dr. Navia satisfy the Nasdaq independence requirements for service on the Nominating and Governance Committee. The Nominating and Governance Committee may consider candidates recommended by stockholders as well as from other sources such as other directors or officers, third party search firms or other appropriate sources. For all potential candidates, the Nominating and Governance Committee may consider all factors it deems relevant, such as a candidate's personal integrity and sound judgment, business and professional skills and experience, independence, knowledge of the industry in which we operate, possible conflicts of interest, diversity, the extent to which the candidate would fill a present need on the Board, and concern for the long-term interests of the stockholders. In general, persons recommended by stockholders will be considered on the same basis as candidates from other sources. If a stockholder wishes to nominate a candidate to be considered for election as a director at the 2007 Annual Meeting of Stockholders using the procedures set forth in our Restated Bylaws, it must follow the procedures described in Notice of Stockholder Business and Nominations. If a stockholder, who meets the minimum percentage ownership requirements that the Board may establish from time to time, wishes simply to propose a candidate for consideration as a nominee by the Nominating and Governance Committee, the stockholder should submit the recommendation to the Nominating and Governance Committee in writing, by mail, courier or personal delivery. A nominating recommendation must be accompanied by:

the name, address, including telephone number of the recommending shareholder;

the number of our shares owned by the recommending shareholder and the time period for which such shares have been held;

if the recommending shareholder is not a shareholder of record, a statement from the record holder of the shares (usually a broker or bank) verifying the holdings of the shareholder and a statement from the recommending shareholder of the length of time that the shares have been held. Alternatively, the shareholder may furnish a current Schedule 13D, Schedule 13G, Form 3, Form 4 or Form 5 filed with

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the Securities and Exchange Commission reflecting the holdings of the shareholder, together with a statement of the length of time th