

CURIS INC
Form DEF 14A
April 13, 2006

SCHEDULE 14A

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:

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| <input type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Soliciting Material Under Rule 14a-12 |
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CURIS, INC.

(Name of Registrant as Specified in Its Charter)

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

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

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(3) Filing Party:

(4) Date Filed:

CURIS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 1, 2006

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of Curis, Inc. will be held on June 1, 2006 at 10:00 a.m. at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109 for the purpose of considering and voting upon the following matters:

1. To elect two Class I directors for the ensuing three years; and

2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent public accountants for the current fiscal year. The stockholders will also act on any other business that may properly come before the meeting or any adjournment thereof.

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

The board of directors has fixed the close of business on April 3, 2006 as the record date for the determination of stockholders entitled to notice of and to vote at the meeting and at any adjournments thereof.

A copy of our 2005 annual report to stockholders, which contains consolidated financial statements and other information of interest to stockholders, accompanies this notice and the enclosed proxy statement.

By Order of the Board of Directors,

/s/ Mary Elizabeth Potthoff

Mary Elizabeth Potthoff, *Secretary*

April 25, 2006

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE PROMPTLY COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT BY MAIL IN THE ACCOMPANYING ENVELOPE. NO POSTAGE NEED BE AFFIXED IF THE PROXY CARD IS MAILED IN THE UNITED STATES.

CURIS, INC.

61 Moulton Street

Cambridge, Massachusetts 02138

PROXY STATEMENT

For the Annual Meeting of Stockholders

To Be Held on June 1, 2006

This proxy statement is furnished in connection with the solicitation by the board of directors of Curis, Inc. of proxies for use at the annual meeting of stockholders to be held on June 1, 2006 at 10:00 a.m., Boston time, at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109 and at any adjournments thereof. Except where the context otherwise requires, references to Curis, we, us, our, and similar terms refer to Curis, Inc. and any of its subsidiaries.

Proxies will be voted in accordance with the instructions of the stockholders. If a proxy is returned signed with no choices specified, it will be voted in favor of the matters set forth in the accompanying notice of meeting. A proxy may be revoked by a stockholder at any time before its exercise by delivery of a written revocation to our secretary. Attendance at the meeting will not itself be deemed to revoke a proxy unless the stockholder gives affirmative notice at the meeting that the stockholder intends to revoke the proxy and vote in person.

On April 3, 2006, the record date for determination of stockholders entitled to vote at the meeting, an aggregate of 48,998,165 shares of our common stock were outstanding and entitled to vote. As a stockholder, you are entitled to one vote at the meeting for each share of common stock registered in your name at the close of business on the record date. The proxy card states the number of shares you are entitled to vote at the meeting.

The notice of meeting, this proxy statement, the enclosed proxy card and our annual report to stockholders for the year ended December 31, 2005 are first being mailed or provided to stockholders on or about April 25, 2006. We will, upon written request of any stockholder, furnish copies of the exhibits to our 2005 annual report to stockholders. Please address all such requests to us at 61 Moulton Street, Cambridge, Massachusetts 02138, Attention: Secretary.

Votes Required

The holders of a majority of the shares of common stock issued and outstanding and entitled to vote at the meeting will constitute a quorum for the transaction of business at the meeting. Shares of common stock present in person or represented by proxy, including shares which abstain or do not vote with respect to one or more of the matters presented for stockholder approval, will be counted for the purpose of determining whether a quorum exists at the meeting.

The affirmative vote of the holders of a plurality of the votes cast by the stockholders entitled to vote at the meeting is required for the election of directors. The affirmative vote of the holders of a majority of the shares of common stock present or represented by proxy and voting on the matter is required to ratify the appointment of PricewaterhouseCoopers LLP as our independent public accountants for the current fiscal year.

Shares which abstain from voting as to a particular matter, and shares held in street name by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter, will not be counted as votes in favor of such matter, and will also not be counted as votes cast or shares voting on such matter. Accordingly, abstentions and broker non-votes will have no effect on the voting on the matters to be voted on at the meeting, each of which requires the affirmative vote of either a plurality of the votes cast, with respect to the election of directors, or a majority of the shares present in person or represented by proxy and voting on the matter, with respect to any matter other than the election of directors.

Householding of Annual Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of this proxy statement or our 2005 annual report to stockholders may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document if you write or call us at the following address or telephone number: 61 Moulton Street, Cambridge, Massachusetts 02138, Attention: Secretary, (617) 503-6500. If you want separate copies of the proxy statement and 2005 annual report to stockholders in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or other nominee record holder, or you may contact us at the above address or telephone number.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information, as of December 31, 2005, with respect to the beneficial ownership of shares of our common stock by:

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

each of our directors and nominees for director,

each of the chief executive officer and the four other most highly compensated executive officers who were serving as executive officers on December 31, 2005, whom are referred to herein as our named executive officers, and

all current directors and executive officers as a group.

The number of shares of common stock beneficially owned by each person is determined under rules promulgated by the United States Securities and Exchange Commission, or SEC. Under these rules, a person is deemed to have beneficial ownership of any shares over which that person has voting or investment power, or shares such power, plus any shares that the person may acquire within 60 days thereof, including through the exercise of stock options. For each person named in the table, the number in the Shares Acquirable Within 60 Days column consists of shares underlying stock options that may be exercised within 60 days after December 31, 2005. Unless otherwise indicated, each person in the table has sole voting and investment power over the shares listed. The inclusion in the table of any shares does not constitute an admission of beneficial ownership of those shares by the named stockholder. For each person, the Number of Shares Beneficially Owned column may include shares of common stock attributable to the person due to that person's voting or investment power or other relationship.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	+	Shares Acquirable Within 60 days	=	Total Beneficial Ownership	Percent of Common Stock Beneficially Owned (1)
5% Stockholder:						
Alliance Capital, 1345 Avenue of the Americas, 40 th Floor, New York, NY 10105	3,430,968		48,100		3,479,068	7.19%
Directors and Nominees:						
James R. McNab, Jr.(2)	1,040,010		252,385		1,292,395	2.66%
Susan B. Bayh	1,000		164,513		165,513	*
Joseph M. Davie			101,250		101,250	*
Martyn D. Greenacre	15,138		300,263		315,401	*
Kenneth I. Kaitin			34,062		34,062	*
Douglas A. Melton	163,499		510,398		673,897	1.38%
Daniel R. Passeri	18,900		1,236,440		1,255,340	2.53%
James R. Tobin	72,477		392,914		465,391	*
Other Named Executive Officers:						
Michael P. Gray			250,525		250,525	*
Lee L. Rubin	9,814		943,838		953,652	1.94%
Mark W. Noel	12,804		220,850		233,654	*
Mary Elizabeth Potthoff			82,812		82,812	*
All current directors and executive officers as a group (12 persons)	1,333,642		4,490,250		5,823,892	11.03%

* Less than 1% of the outstanding common stock.

- (1) The percent of ownership for each stockholder on December 31, 2005 is calculated by dividing (1) the total number of shares beneficially owned by the stockholder by (2) the sum of 48,326,638 shares of our common stock that were outstanding on December 31, 2005, plus any shares acquirable, including stock options to purchase our common stock that are exercisable, by that stockholder within 60 days after December 31, 2005.
- (2) The number of shares owned by Mr. McNab consists of 804,035 shares of common stock held directly by Mr. McNab, 130,975 shares held by the McNab Family LLC, 100,000 shares held by the JR & MW McNab Operating LP, and 5,000 shares held by a dependent child of Mr. McNab. Mr. McNab disclaims beneficial ownership of the 5,000 shares held by his dependent child, and this report should not be deemed an admission that Mr. McNab is the beneficial owner of his dependent child's shares for Section 16 or any other purpose.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and holders of more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Based solely on our review of copies of reports filed by the reporting persons furnished to us, we believe that during the fiscal year ended December 31, 2005, the reporting persons complied with all Section 16(a) filing requirements except that Mr. Passeri filed a Statement of Changes in Beneficial Ownership of Securities on Form 4 on July 15, 2005 to report an exercise of an option to purchase 22,500 shares of our common stock on July 12, 2005, as well as a sale of such shares on the same date.

PROPOSAL 1 ELECTION OF DIRECTORS

Directors and Nominees for Director

We have a classified board of directors currently consisting of two Class I directors, James R. McNab, Jr. and James R. Tobin, three Class II directors, Joseph M. Davie, Douglas A. Melton and Daniel R. Passeri, and three Class III directors, Susan B. Bayh, Martyn D. Greenacre and Kenneth I. Kaitin. The Class I, Class II and Class III directors will serve until the annual meetings of stockholders to be held in 2006, 2007 and 2008, respectively, and until their respective successors are elected and qualified. At each annual meeting of stockholders, directors are elected for full three-year terms to succeed those directors whose terms are expiring.

Unless the proxy is marked otherwise, the persons named in the enclosed proxy will vote to elect as Class I directors James R. McNab, Jr. and James R. Tobin. Each Class I director will be elected to hold office until the 2009 annual meeting of stockholders and until his successor is elected and qualified. Each nominee has indicated his willingness to serve, if elected. If any nominee should be unable to serve, the person acting under the proxy may vote the proxy for a substitute nominee. The board has no reason to believe that any nominee will be unable to serve if elected.

For each member of the board whose term of office as a director continues after the meeting, including those who are nominees for election as Class I directors, there follows information given by each concerning his or her principal occupation and business experience for at least the past five years, the names of other publicly-held companies for which he or she serves as a director, and his or her age and length of service as our director. There are no familial relationships among any of our directors, nominees for director and executive officers.

Nominees for Terms Expiring in 2009 (Class I Directors)

James R. McNab, Jr., age 62, has served on our board since February 2000 and has served as Chairman of the Board since May 2002. Mr. McNab is a co-founder and served as the chairman of the board of directors of Reprogenesis, a predecessor life science company, from July 1996 to July 2000. In addition, Mr. McNab is a co-founder of several other companies, including Sontra Medical Corporation, a drug delivery company, eNOS Pharmaceuticals, Inc., a drug discovery company working in the field of lipid control therapy, and Parker Medical Associates, a manufacturer and worldwide supplier of orthopedic and sports-related products, which was sold in 1995 to Smith and Nephew, Inc., a supplier of orthopedics, endoscopy and advanced wound management products. Since 1998, Mr. McNab has served as Chief Executive Officer and Chairman of eNOS. Mr. McNab received an M.B.A. from the University of North Carolina and a B.A. from Davidson College.

James R. Tobin, age 61, has served on our board since February 2000. From 1995 to July 2000, Mr. Tobin was a member of the board of directors of Creative BioMolecules, Inc., a predecessor life science company. Since 1999, Mr. Tobin has served as Chief Executive Officer and President of Boston Scientific Corporation, a medical device company. Mr. Tobin was employed by Biogen, Inc. as President and Chief Executive Officer from February 1997 to December 1998 and President and Chief Operating Officer from February 1994 to February 1997. Prior to joining Biogen, Mr. Tobin was employed by Baxter International Inc., a health care products company, where he served as President and Chief Operating Officer from 1992 to 1994, as Executive Vice President from 1988 to 1992 and in various management positions prior to 1988. He has served as a director of Boston Scientific Corporation, since March 1999, and Applera Corporation, a research tools supplier to the biotechnology industry, since August 1999. Mr. Tobin received an M.B.A. from Harvard Business School and a B.A. from Harvard College.

THE BOARD OF DIRECTORS BELIEVES THAT APPROVAL OF THE ELECTION OF THE NOMINEES FOR CLASS I DIRECTORS IS IN THE BEST INTERESTS OF CURIS AND ITS STOCKHOLDERS AND THEREFORE IT RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL.

Directors Whose Terms Expire in 2008 (Class III Directors)

Susan B. Bayh, age 46, has served on our board since October 2000. From 1994 to January 2001, Ms. Bayh served as the Commissioner of the International Commission between the United States and Canada, overseeing compliance with environmental and water level treaties for the United States-Canadian border. Since 1994, Ms. Bayh also served as Distinguished Visiting Professor at the College of Business Administration at Butler University. From 1989 to 1994, Ms. Bayh served as an attorney in the Pharmaceutical Division of Eli Lilly and Company, a pharmaceutical company. Ms. Bayh has served as a director of Dyax Corporation, a biopharmaceutical company, and Dendreon Corporation, a biotechnology company, since 2003. She has also served as a director of Natestch Pharmaceutical Company Inc., a biotechnology company, since 2005, Wellpoint, Inc., a healthcare service provider, since 2001, and Emmis Communications, Inc., a telecommunications company, since June 1994. Ms. Bayh received a J.D. from the University of Southern California Law Center and a B.A. from the University of California at Berkeley.

Martyn D. Greenacre, age 64, has served on our board since February 2000 and was a member of the board of directors of Creative BioMolecules, Inc., a predecessor life science company, from June 1993 to July 2000. Mr. Greenacre has served as Director of Beijing Med-Pharm Corporation, a pharmaceutical marketing company, since February 2004 and as Chairman since July 2004. Mr. Greenacre has served as Chairman of the Board of Directors of Life Mist L.L.C., a private company in the field of fire suppression, since September 2001. From June 1997 to June 2001, Mr. Greenacre was Chief Executive Officer of Delsys Pharmaceutical Corporation, a drug formulation company. From 1993 to 1997, Mr. Greenacre was President and Chief Executive Officer of Zynaxis, Inc., a biopharmaceutical company. He has served as a director of Cephalon, a biotechnology company, since 1992, Acusphere, Inc., a specialty pharmaceutical company, since June 2001, and The Immune Response Corporation, a biotechnology company, since July 2003. Mr. Greenacre received an M.B.A. from Harvard Business School and a B.A. from Harvard College.

Kenneth I. Kaitin, age 53, has served on our board since November 2003. Since 1998, Dr. Kaitin has been the Director of the Tufts Center for the Study of Drug Development, an academic drug policy research group providing strategic information to help drug developers, regulators, and policy makers improve the quality and

efficiency of the drug development process. He is also Associate Professor of Medicine at the Tufts University School of Medicine, and since 1999, he has served on the faculty of the European Center for Pharmaceutical Medicine at the University of Basel. Dr. Kaitin has written extensively on a broad range of drug development issues and has provided public testimony before the U.S. Congress in hearings on pharmaceutical innovation and FDA reform. He is a former Editor-in-Chief of the Drug Information Journal and from 1997 to 1998 he was President of the Drug Information Association. Dr. Kaitin received an M.S. and Ph.D. in pharmacology from the University of Rochester and a B.S. from Cornell University.

Directors Whose Terms Expire in 2007 (Class II Directors)

Joseph M. Davie, age 66, has served on our board since July 2003. From 1993 to 2000, Dr. Davie was the Senior Vice President of Research at Biogen, Inc., a biotechnology company. From 1987 to 1993, Dr. Davie held several senior positions at G.D. Searle and Co., a pharmaceutical company, including Senior Vice President of Science and Technology and President of Research and Development. Since 1972, Dr. Davie has also held numerous academic positions at the Washington University School of Medicine in St. Louis, Missouri, including Professor and Head of the Department of Microbiology and Immunology. Dr. Davie has served as a director of CV Therapeutics, Inc. a biopharmaceutical company, since 2005, and as a director of Keel Pharmaceuticals, Inc., a private biopharmaceutical company, and GENTIAE Clinical Research, Inc., a clinical research organization, since 2004. He has also served as a director of Inflazyme Pharmaceuticals, Inc., a biotechnology company, since 2003, Metaphor Pharmaceuticals, a biotechnology company, since 2002, Stratatech Corporation, a tissue engineering company, since 2001, and as a director of BG Medicine, a biotechnology company, and Targeted Genetics, Inc., a biotechnology company, since 2000. Dr. Davie received his M.D. from the Washington University School of Medicine and his Ph.D. from Indiana University. He has served on a variety of advisory panels and councils and was elected to the Institute of Medicine in 1987.

Douglas A. Melton, age 52, has served on our board and as the Chairman of our Scientific Advisory Board since February 2000. From 1994 to 2000, Dr. Melton was the scientific founder and a director of Ontogeny, Inc. Dr. Melton is the Thomas Dudley Cabot Professor of Natural Sciences at Harvard University and an Investigator at the Howard Hughes Medical Institute. Dr. Melton's work has focused on vertebrate embryogenesis and the molecular biology of embryonic induction. Dr. Melton's doctoral work was carried out at Trinity College at Cambridge University and the Medical Research Council Laboratory of Molecular Biology in Cambridge, England. Dr. Melton received his Ph.D. from Cambridge University and a B.S. from the University of Illinois.

Daniel R. Passeri, age 45, has served as our President and Chief Executive Officer and as a director since September 2001. From November 2000 to September 2001, Mr. Passeri served as our Senior Vice President, Corporate Development and Strategic Planning. From March 1997 to November 2000, Mr. Passeri was employed by GeneLogic Inc., a biotechnology company, most recently as Senior Vice President, Corporate Development and Strategic Planning. From February 1995 to March 1997, Mr. Passeri was employed by Boehringer Mannheim, a pharmaceutical, biotechnology and diagnostic company, as Director of Technology Management. Mr. Passeri received a J.D. from the National Law Center at George Washington University, a M.Sc. in biotechnology from the Imperial College of Science, Technology and Medicine at the University of London and a B.S. in Biology from Northeastern University.

See Security Ownership of Certain Beneficial Owners and Management above for a summary of the shares of common stock owned by each of the directors and director nominees.

Board Determination of Independence

Under the NASDAQ Marketplace Rules, a director will only qualify as an independent director if, in the opinion of our board of directors, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our board of directors has determined that none of Ms. Bayh, Dr. Davie, Mr. Greenacre, Dr. Kaitin, Mr. McNab or Mr. Tobin has a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is an independent director as defined under Rule 4200(a)(15) of the NASDAQ Marketplace Rules.

Board Meetings and Attendance

Directors are expected to attend the annual meeting of stockholders. All directors attended the 2005 annual meeting of stockholders. The board met five times during the fiscal year ended December 31, 2005, either in person or by teleconference. During the fiscal year ended December 31, 2005, all of our directors attended at least 75% of our board meetings and meetings of the committees on which he or she then served.

Board Committees

The board of directors has established three standing committees – the audit, compensation, and nominating and corporate governance committees. The audit, compensation, and nominating and corporate governance committees each operate under a charter that has been approved by the board of directors. Copies of these committee charters are posted on our website at www.curis.com.

The board of directors has determined that all of the current members of each of the board's three standing committees are independent as defined under the NASDAQ Marketplace Rules including, in the case of all members of the audit committee, the independence requirements contemplated by Rule 10A-3 under the Securities Exchange Act of 1934.

Audit Committee

The audit committee's responsibilities include:

appointing, approving the compensation of, and assessing the independence of our independent auditors;

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

overseeing the work of our independent auditors, including through the receipt and consideration of certain reports from independent auditors, and making recommendations to our board of directors as to whether or not our audited financial statements should be included in our Annual Report on Form 10-K;

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

reviewing and discussing with our independent auditors both the quality and the acceptability of our accounting determinations, particularly with respect to judgmental areas;

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

discussing our risk management policies;

establishing policies regarding hiring employees from the independent auditor and procedures for the receipt and retention of accounting related complaints and concerns;

meeting independently with our independent auditors and management on a quarterly basis;

reviewing and approving all related party transactions on an ongoing basis;

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

preparing the report of the audit committee required by SEC rules, which is included on page 18 of this proxy statement.

The members of the audit committee are Ms. Bayh, Mr. Greenacre and Mr. McNab. The audit committee met twelve times during the fiscal year ended December 31, 2005. The board of directors has determined that Mr. Greenacre is an audit committee financial expert as defined in Item 401(h) of Regulation S-K of the Securities Exchange Act of 1934.

Compensation Committee

The compensation committee's responsibilities include:

determining the chief executive officer's compensation;

reviewing and approving, or making recommendations to the board with respect to, the compensation of our other executive officers;

overseeing an evaluation of our senior executives;

overseeing and administering our cash and equity incentive plans;

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

preparing the report of the compensation committee on executive compensation required by SEC rules, which is included on page 16 of this proxy statement; and

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

The members of the compensation committee are Ms. Bayh, Dr. Kaitin and Mr. Tobin. The compensation committee met twice during the fiscal year ended December 31, 2005.

Nominating and Corporate Governance Committee

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The nominating and corporate governance committee's responsibilities include:

identifying individuals qualified to become board members;

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

overseeing an annual evaluation of the board.

The members of the nominating and corporate governance committee are Ms. Bayh, Dr. Kaitin and Mr. Greenacre. The nominating and corporate governance committee met once during the fiscal year ended December 31, 2005.

Director Candidates

The process followed by the nominating and corporate governance committee to identify and evaluate director candidates includes requests to board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates, and interviews of selected candidates by members of the nominating and corporate governance committee and the board.

In considering whether to recommend any particular candidate for inclusion in the board's slate of recommended director nominees, the nominating and corporate governance committee will apply the criteria set forth in its charter. These criteria include the candidate's integrity, business acumen, knowledge of our business and industry, experience, diligence, freedom from conflicts of interest and the ability to act in the interests of all stockholders. The committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the board to fulfill its responsibilities.

Stockholders may recommend individuals to the nominating and corporate governance committee for consideration as potential director candidates by submitting candidate names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of our common stock for at least a year as of the date such recommendation is made, to the Nominating and Corporate Governance Committee, c/o Secretary, Curis, Inc., 61 Moulton Street, Cambridge, Massachusetts 02138. Assuming that appropriate biographical and background material has been provided on a timely basis, the committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others. If the board determines to nominate a stockholder-recommended candidate and recommends his or her election, then his or her name will be included in our proxy card for the next annual meeting.

Stockholders also have the right to nominate director candidates themselves, without any prior review or recommendation by the committee or the board of directors, by following the procedures set forth under *Stockholder Proposals for 2007 Annual Meeting*.

Communicating with the Independent Directors

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

Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the chairman of the board considers to be important for the directors to know. In

general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we tend to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the board should address such communications to the Chairman of the Board of Directors, c/o Secretary, Curis, Inc., at 61 Moulton Street, Cambridge, Massachusetts 02138.

Director Compensation

During 2005, cash compensation for our non-employee directors was set at the following amounts:

\$15,000 as an annual retainer;

\$1,500 for each board meeting attended in person;

\$750 for each telephonic board meeting;

\$1,500 for each committee meeting attended in person on a day other than a day on which a board meeting is held and \$750 for each telephonic committee meeting; and

\$5,000 annually for service as chairperson of any committee.

On June 1, 2005, we entered into an agreement for service as chairman of the board of directors with Mr. McNab. As chairman of the board of directors, Mr. McNab receives, as compensation for his service as a director, \$10,000 per month plus a payment for his annual health insurance expense, which equaled \$18,566 for the fiscal year ended December 31, 2005.

In addition to cash compensation, our non-employee directors are reimbursed for reasonable out-of-pocket expenses incurred in attending any board or committee meetings. Directors who are our employees are not compensated for their attendance at board or committee meetings. Directors are also eligible to receive stock awards pursuant to our 2000 stock incentive plan and 2000 director stock option plan, as further described below.

2000 Stock Incentive Plan

In March 2000, the board adopted and, in June 2000, the stockholders approved, the 2000 stock incentive plan, which permits the grant of incentive and non-qualified stock options as well as the issuance of restricted shares. As of December 31, 2005, 15,000,000 shares of common stock were reserved for issuance under the 2000 stock incentive plan, 5,859,627 shares of common stock were issuable upon exercise of outstanding options granted under the 2000 stock incentive plan, and 3,230,079 shares were available for future issuance under the 2000 stock incentive plan.

Our directors are eligible for non-statutory stock options or stock awards under our 2000 stock incentive plan. The board determines the conditions and limitations applicable to the exercise of each option, including the period of time options may be exercised following termination from the board. The exercise price for non-statutory stock options is as determined by the board. Stock options are not granted for terms in excess of 10 years. Non-statutory stock options are transferable from a director to his or her spouse, lineal ancestor or descendant, brother or sister and to any trust for the benefit of such persons or to any charitable trust. In the event of an acquisition event, as defined in the 2000 stock incentive plan, the board shall provide that all outstanding options shall be assumed, or equivalent options shall be substituted, by the acquiring or succeeding company. In the event an acquisition event also constitutes a change of control event, as defined in the 2000 stock incentive plan, 50% of any unvested non-statutory stock options will become exercisable immediately prior to the

acquisition event, and the remaining 50% of the unvested non-statutory stock options will continue to vest according to the original vesting schedule.

During the fiscal year ended December 31, 2005, we made the following stock awards, which were fully vested on the date of grant, to our non-employee directors pursuant to the 2000 stock incentive plan in partial compensation for their services as directors:

Name	Grant Date	Options	
		Underlying Shares	Exercise Price
Ms. Bayh	6/1/05	5,000	\$ 3.98
Dr. Davie	6/1/05	5,000	\$ 3.98
Mr. Greenacre	6/1/05	5,000	\$ 3.98
Dr. Kaitin	6/1/05	5,000	\$ 3.98
Mr. McNab	6/1/05	15,000	\$ 3.98
Dr. Melton	6/1/05	5,000	\$ 3.98
Mr. Tobin	6/1/05	5,000	\$ 3.98

2000 Director Stock Option Plan

The 2000 director stock option plan was adopted by the board in March 2000 and approved by our stockholders in June 2000. A maximum of 500,000 shares are reserved for issuance under the 2000 director stock option plan. Under the 2000 director stock option plan, our directors who are not our employees are eligible to receive non-statutory options to purchase shares of common stock. As of December 31, 2005, a total of 211,562 shares of common stock were issuable upon exercise of outstanding options granted under the plan and 140,000 shares were available for future issuance.

Pursuant to the 2000 director stock option plan, each non-employee director receives options to purchase 25,000 shares of common stock on the date of his or her initial election. These option grants vest ratably over four years on (a) the first anniversary of the date of grant and (b) the day before the annual meeting of stockholders each year thereafter. No further vesting shall occur with respect to an option granted after the optionee ceases to be a non-employee director. In addition, each non-employee director, other than a director who was initially elected to the board at any such annual meeting or, if previously, at any time after the prior year's annual meeting, receives options to purchase 5,000 shares of common stock on the date of each annual meeting of stockholders, provided that such director continues to serve as a director immediately after such annual meeting. The options granted annually are fully vested and exercisable upon the date of grant. The exercise price of options granted under the plan equals the closing price of the common stock on the date of grant as reported on NASDAQ, or such other nationally recognized exchange or trading system if the common stock is no longer traded on NASDAQ. Immediately prior to the occurrence of an acquisition event, as defined in the 2000 director stock option plan, each outstanding option granted under the plan shall immediately become vested and exercisable in full. Options granted under the plan shall terminate, and may no longer be exercised, on the earlier of (i) the date ten years after the grant date of such option or (ii) the first anniversary of the date on which the optionee ceases to serve as a director; provided, however, that in the event that a non-employee director has served as a director for at least five years, each option held by such director shall terminate, and may no longer be exercised, on the date ten years after the grant date of the applicable option.

During the fiscal year ended December 31, 2005, the following fully vested grants were made to our current non-employee directors pursuant to the 2000 director stock option plan:

Name	Grant Date	Options	
		Underlying Shares	Exercise Price
Ms. Bayh	6/1/05	5,000	\$ 3.98
Dr. Davie	6/1/05	5,000	\$ 3.98
Mr. Greenacre	6/1/05	5,000	\$ 3.98
Dr. Kaitin	6/1/05	5,000	\$ 3.98
Mr. McNab	6/1/05	5,000	\$ 3.98
Dr. Melton	6/1/05	5,000	\$ 3.98
Mr. Tobin	6/1/05	5,000	\$ 3.98

Compensation of Executive Officers

Summary Compensation

The following table sets forth certain information with respect to the annual and long-term compensation of each of the named executive officers for the last three fiscal years.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long Term Compensation Awards		
		Salary (\$)	Bonus (\$)	Other (\$)	Restricted Securities		All Other Compensation (\$)
					Stock	Underlying	
Daniel R. Passeri	2005	\$ 368,538	\$ 100,000	\$	\$	175,000	\$ 6,300(1)
	2004	360,000				175,000	6,150(1)
President and Chief Executive Officer	2003	317,500				450,000	12,000(1)
Michael P. Gray(2)	2005	230,692	75,000			75,000	6,300(1)
	2004	208,216				75,000	6,150(1)
Vice President of Finance and Chief Financial Officer	2003	144,577	10,000			235,000	9,275(1)
Lee L. Rubin	2005	318,538	100,000			100,000	6,300(1)
	2004	310,000				100,000	6,150(1)
Senior Vice President of Research and Chief Scientific Officer	2003	305,000				250,000	12,000(1)
Mark W. Noel	2005	192,846	33,500			50,000	
	2004	190,000				50,000	
Vice President, Technology Management and Business Development	2003	182,500				95,000	
Mary Elizabeth Potthoff	2005	187,846	33,500				
	2004	185,000					
Vice President, General Counsel	2003	167,500					