

ALNYLAM PHARMACEUTICALS, INC.

Form DEF 14A

April 28, 2005

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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

ALNYLAM 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:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**ALNYLAM PHARMACEUTICALS, INC.
300 THIRD STREET
CAMBRIDGE, MASSACHUSETTS 02142**

**NOTICE OF 2005 ANNUAL MEETING OF STOCKHOLDERS
To Be Held On June 8, 2005**

To our Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Alnylam Pharmaceuticals, Inc. will be held on Wednesday, June 8, 2005 at 10:00 a.m., local time, at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109. At the meeting, stockholders will consider and vote on the following matters:

1. The election of three (3) members to our board of directors to serve as Class I directors, each for a term of three years.
2. The approval of the compensation to be paid to members of our board of directors.
3. The ratification of the appointment by our board of directors of PricewaterhouseCoopers LLP, an independent registered public accounting firm, as our independent auditors for the fiscal year ending December 31, 2005.

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

Stockholders of record at the close of business on April 11, 2005 are entitled to notice of, and to vote at, the annual meeting or any adjournment thereof. Your vote is important regardless of the number of shares you own.

We hope that all stockholders will be able to attend the annual meeting in person.

Whether or not you plan to attend the annual meeting in person, please complete, date, sign and promptly return the enclosed proxy card in the enclosed envelope or submit a proxy by telephone or through the Internet as described in the enclosed proxy card. If you attend the meeting, your proxy will, upon your written request, be returned to you and you may vote your shares in person.

By Order of the Board of Directors,

John M. Maraganore, Ph.D.
President and Chief Executive Officer

Cambridge, Massachusetts
April 28, 2005

YOU CAN VOTE IN ONE OF FOUR WAYS:

- (1) Use the toll-free telephone number on your proxy card to submit a proxy by telephone;**
 - (2) Visit the web site noted on your proxy card to submit a proxy through the Internet;**
 - (3) Complete, sign, date and return your proxy card in the enclosed envelope to submit a proxy by mail; or**
 - (4) Vote in person at the Annual Meeting of Stockholders.**
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**ALNYLAM PHARMACEUTICALS, INC.
300 THIRD STREET
CAMBRIDGE, MASSACHUSETTS 02142**

PROXY STATEMENT

**for the 2005 Annual Meeting of Stockholders
to be held on June 8, 2005**

This proxy statement and the enclosed proxy card are being furnished in connection with the solicitation of proxies by the board of directors of Alnylam Pharmaceuticals, Inc. for use at the Annual Meeting of Stockholders to be held on Wednesday, June 8, 2005 at 10:00 a.m., local time, at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109, and at any adjournment thereof.

All proxies will be voted in accordance with the instructions contained in those proxies. If no choice is specified, the proxies will be voted in favor of the matters set forth in the accompanying Notice of Meeting.

Our Annual Report to Stockholders for the fiscal year ended December 31, 2004 is being mailed to stockholders with the mailing of these proxy materials on or about April 28, 2005.

A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2004 as filed with the Securities and Exchange Commission, except for exhibits, will be furnished without charge to any stockholder upon written request to Alnylam Pharmaceuticals, Inc., 300 Third Street, Cambridge, Massachusetts 02142, Attention: Jennifer Curley, Investor Relations, telephone: (617) 551-8200.

Voting Securities and Votes Required

Stockholders of record at the close of business on April 11, 2005 will be entitled to notice of and to vote at the annual meeting. On that date, 20,917,881 shares of our common stock were issued and outstanding. Each share of common stock entitles the holder to one vote with respect to all matters submitted to stockholders at the meeting. We have no other securities entitled to vote at the meeting.

The presence in person or representation by proxy of the holders of a majority of the shares of common stock issued and outstanding and entitled to vote at the annual meeting is necessary to establish a quorum for the transaction of business. If a quorum is not present, the meeting will be adjourned until a quorum is obtained.

Directors are elected by a plurality of the votes cast by the stockholders entitled to vote on the election. To be approved, any other matter submitted to our stockholders, including the approval of the compensation to be paid to our board of directors and the ratification of the appointment of PricewaterhouseCoopers LLP, an independent registered public accounting firm, as our independent auditors, requires the affirmative vote of the holders of a majority of the outstanding shares present in person or represented by proxy at the annual meeting and voting on such matter. The votes will be counted, tabulated and certified by a representative of EquiServe Trust Company, N.A., who will serve as the inspector of elections at the annual meeting.

Shares which abstain from voting as to a particular matter, and shares held in street name by banks or brokerage firms who indicate on their proxy cards that they do not have discretionary authority to vote such shares as to a particular matter, which we refer to as broker non-votes, will not be considered as voting on such matter. Accordingly, neither abstentions nor broker non-votes will have any effect upon the

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outcome of voting with respect to any matters voted on at the annual meeting, but will be counted for the purpose of determining whether a quorum exists.

Stockholders may vote in person or by proxy. Execution of a proxy or submission of a proxy by telephone or through the Internet will not in any way affect a stockholder's right to attend the meeting and vote in person. A proxy may be revoked before it is used to cast a vote. To revoke a proxy, a stockholder must:

file with the corporate secretary of the company, at or before the taking of the vote, a written notice of revocation bearing a later date than the proxy;

duly execute a later dated proxy relating to the same shares and deliver it to the corporate secretary of the company before the taking of the vote; or

if you submitted a proxy through the Internet or by telephone, submit a proxy again through the Internet or by telephone prior to the close of the Internet voting facility or the telephone voting facility; or

attend the annual meeting and vote in person. Attendance at the annual meeting, if a stockholder does not vote, will not be sufficient to revoke a proxy.

Any written notice of revocation or subsequent proxy should be sent to us at the following address: Alnylam Pharmaceuticals, Inc., 300 Third Street, Cambridge, MA 02142, Attention: Steven D. Singer, Esq., Corporate Secretary. The shares represented by all properly executed proxies received in time for the meeting will be voted as specified in those proxies. If the shares you own are held in your name and you do not specify in the proxy card how your shares are to be voted, they will be voted in favor of the election as directors of those persons named in this proxy statement, in favor of the compensation to be paid to our board of directors described in this proxy statement, in favor of the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors and in the discretion of the persons appointed as proxies on any other items that may properly come before the meeting. If the shares you own are held in street name, the bank or brokerage firm, as the record holder of your shares, is required to vote your shares in accordance with your instructions. In order to vote your shares held in street name, you will need to follow the directions your bank or brokerage firm provides you.

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 our proxy statement and annual report to stockholders may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document to you upon written or oral request to Alnylam Pharmaceuticals, Inc., 300 Third Street, Cambridge, Massachusetts 02142, Attention: Steven D. Singer, Esq., Corporate Secretary, telephone: (617) 551-8200. If you want to receive separate copies of the proxy statement or annual report to stockholders in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker or other nominee record holder, or you may contact us at the above address and phone number.

STOCK OWNERSHIP INFORMATION

The following table sets forth information regarding beneficial ownership of our common stock as of December 31, 2004 by:

each person, or group of affiliated persons, known to us to be the beneficial owner of more than 5% of the outstanding shares of our common stock,

each of our directors,

our chief executive officer and each of our two most highly compensated other executive officers who were serving as executive officers on December 31, 2004 and whose total annual compensation

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exceeded \$100,000 for the year ended December 31, 2004, our former senior vice president, research and development, and our former chief financial officer and vice president, finance and strategy, who we refer to collectively as our named executive officers, and

all of our directors and executive officers as a group.

The number of shares of common stock beneficially owned by each person or entity is determined in accordance with the applicable rules of the Securities and Exchange Commission and includes voting or investment power with respect to shares of our common stock. The information is not necessarily indicative of beneficial ownership for any other purpose. Unless otherwise indicated, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under community property laws. The inclusion of any shares deemed beneficially owned in this table does not constitute an admission of beneficial ownership of those shares.

Security Ownership of Certain Beneficial Owners and Management

Name and Address of Beneficial Owner(1)	Number of Shares Owned	Common Stock Underlying Options Acquirable Within 60 Days(2)	Total Beneficial Ownership	Percentage of Common Stock Beneficially Owned(3)
	+		=	
Holders of more than 5% of our common stock				
Polaris Venture Partners(4)	2,410,530		2,410,530	11.6%
Abingworth BioVentures(5)	2,343,163		2,343,163	11.2%
Cardinal Partners(6)	2,091,870		2,091,870	10.0%
Atlas Venture(7)	2,006,195		2,006,195	9.6%
ARCH Venture Fund(8)	1,956,527		1,956,527	9.4%
Merck & Co., Inc.(9)	1,236,588		1,236,588	5.9%
FMR Corp.(10)	1,130,510		1,130,510	5.4%
Directors and Named Executive Officers				
Peter Barrett, Ph.D.(7)	2,006,195		2,006,195	9.6%
John E. Berriman				
John K. Clarke(6)	2,091,870		2,091,870	10.0%
John M. Maraganore, Ph.D.	9,270	370,492(11)	379,762	1.8%
Paul R. Schimmel, Ph.D.	237,893		237,893	1.1%
Phillip A. Sharp, Ph.D.	252,630		252,630	1.2%
Kevin P. Starr		18,639	18,639	*
Barry E. Greene	54,551	43,092	97,643	*
Vincent J. Miles		31,250	31,250	*
Thomas R. Ulich, M.D.				
John G. Conley				
All directors and executive officers as a group (9 persons)	4,652,409	463,473	5,115,882	24.5%

- * Less than 1% of our outstanding common stock.
- (1) Unless otherwise indicated, the address of each stockholder is Alnylam Pharmaceuticals, Inc., 300 Third Street, Cambridge, MA 02142.
 - (2) All stock options granted by us prior to the completion of our initial public offering were subject to a right of early exercise, pursuant to which an optionee could exercise unvested stock options for

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shares of restricted stock. However, for purposes of this table, options that will not vest within 60 days after December 31, 2004 have not been deemed exercisable or outstanding.

- (3) Percentage of beneficial ownership is based on 20,848,848 shares of our common stock outstanding as of December 31, 2004. Shares of common stock subject to options currently exercisable, or exercisable within 60 days of December 31, 2004, are deemed outstanding for computing the percentage of the person holding such options but are not deemed outstanding for computing the percentage for any other person.
- (4) Consists of 2,313,914 shares held by Polaris Venture Partners III, L.P., 60,124 shares held by Polaris Venture Partners Entrepreneurs Fund III, L.P. and 36,492 shares held by Polaris Venture Partners Founders Fund III, L.P. Polaris Venture Management Co. III, L.L.C., the general partner of each of these funds, may be deemed to have sole power to vote and dispose of these shares, and Jonathan A. Flint, Terrance G. McGuire, Stephen D. Arnold and Alan G. Spoon, the managing members of Polaris Venture Management Co. III, L.L.C., may be deemed to have shared power to vote and dispose of these shares.

The address of Polaris Venture Partners is 1000 Winter Street, Suite 3350, Waltham, MA 02451.

- (5) Consists of 1,176,269 shares held by Abingworth Bioventures III A L.P., 718,037 shares held by Abingworth Bioventures III B L.P., 430,112 shares held by Abingworth Bioventures III C L.P. and 18,745 shares held by Abingworth Bioventures III Executives L.P. Abingworth Management Limited, the manager of each of these funds, may be deemed to have sole power to vote and sole power to dispose of the shares directly owned by these funds.

The address of Abingworth BioVentures is 38 Jermyn Street, London, England SW1Y 6DN.

- (6) Consists of 2,091,870 shares held by CHP II, L.P. John K. Clarke, the Chairman of our board of directors, is the Managing General Partner of CHP II Management, LLC, the General Partner of CHP II, L.P. Mr. Clarke, together with Brandon H. Hull, John J. Park and Lisa M. Skeete Tatum, the other general partners of CHP II Management LLC, share voting power and investment control with respect to the shares held by CHP II, L.P. Mr. Clarke may be deemed to beneficially own the shares held by CHP II, L.P. although Mr. Clarke disclaims beneficial ownership except to the extent of his pecuniary interest therein.

The address of Cardinal Partners is 221 Nassau Street, Princeton, NJ 08542.

- (7) Consists of 634,331 shares held by Atlas Venture Fund V, L.P., 78,794 shares held by Atlas Venture Fund V-A, C.V., 78,794 shares held by Atlas Venture Fund V-B, C.V., 10,557 shares held by Atlas Venture Entrepreneurs Fund V, L.P., 1,151,536 shares held by Atlas Venture Fund VI, L.P., 31,098 shares held by Atlas Venture Entrepreneurs Fund VI, L.P. and 21,085 shares held by Atlas Venture Fund VI GmbH & Co. KG. By virtue of their relationship as affiliated limited partnerships, each of these funds may be deemed to share the power to direct the disposition of and vote these shares. As general partner or managing limited partner, as the case may be, of certain of these funds, and by virtue of the relationship of these funds as affiliated limited partnerships, each of Atlas Venture Associates V, L.P. and Atlas Venture Associates VI, L.P. may also be deemed to beneficially own these shares. As the general partner of Atlas Venture Associates V, L.P. and Atlas Venture Associates VI, L.P., respectively, Atlas Venture Associates V, Inc. and Atlas Venture Associates VI, Inc. may also be deemed to beneficially own these shares. In their capacities as directors of Atlas Venture Associates V, Inc. and Atlas Venture Associates VI, Inc., each of Axel Bichara, Jean-Francois Formela and Christopher Spray may be deemed to beneficially own these shares.

Each person or entity listed above disclaims beneficial ownership of these shares except for such shares, if any, such person or entity holds of record.

Peter Barrett, Ph.D., a member of our board of directors, is a Senior Partner of Atlas Venture. Mr. Barrett disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.

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The address of Atlas Venture is 890 Winter Street, Suite 320, Waltham, MA 02451.

- (8) Consists of 1,944,755 shares held by ARCH Venture Fund V, L.P. and 11,772 shares held by ARCH V Entrepreneurs Fund, L.P.

The General Partner of ARCH Venture Fund V, L.P. and ARCH V Entrepreneurs Fund, L.P. is ARCH Venture Partners V, L.P. The General Partner of ARCH Venture Partners V, L.P. is ARCH Venture Partners V, LLC. By virtue of their relationship as affiliated entities who have overlapping general partners and managing directors, each of these funds and entities may be deemed to share the power to direct the disposition of and vote these shares. As individual general partners or managing directors of ARCH Venture Partners V, LLC and ARCH Venture Partners V, L.P., each of Keith Crandell, Robert Nelson, Steven Lazarus and Clinton Bybee may also be deemed to share investment and voting power with respect to the shares held by these funds.

The address of ARCH Venture Fund is 8725 W. Higgins Road, Suite 290, Chicago, IL 60631.

- (9) The address of Merck & Co., Inc. is One Merck Drive, Whitehouse Station, NJ 08889.

- (10) Fidelity Management & Research Company is the beneficial owner of 1,129,400 shares as a result of acting as an investment advisor to various investment companies registered under Section 8 of the Investment Company Act of 1940. Edward C. Johnson 3d, Chairman of FMR Corp., FMR Corp. and certain funds each has sole power to dispose of the 1,129,400 shares owned by such funds. Neither FMR Corp. nor Edward C. Johnson 3d has the sole power to vote or direct the voting of the shares owned directly by such funds, which power resides with the funds Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the funds Boards of Trustees.

Fidelity Management Trust Company is the beneficial owner of 1,110 shares. Edward C. Johnson 3d and FMR Corp. each have sole dispositive power over these 1,110 shares and sole power to vote or to direct the voting of these 1,110 shares.

Various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the 1,130,510 shares of our common stock held by these funds. The interest of one person, Fidelity Mid Cap Stock Fund, an investment company registered under the Investment Company Act of 1940, amounted to 1,051,500 shares.

The address of FMR Corp. is 82 Devonshire Street, Boston, MA 02109.

- (11) Includes an aggregate of 4,515 shares subject to options held by trusts established by Dr. Maraganore for the benefit of his children and of which he is the trustee and over which he has sole investment and voting power.

Does not include an option to purchase up to 250,000 shares, which vests upon attainment of a corporate goal, as recommended by the compensation committee and approved by the board of directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and the holders of more than 10% of our common stock to file with the Securities and Exchange Commission initial reports of ownership of our common stock and other equity securities on a Form 3 and reports of changes in such ownership on a Form 4 or Form 5. Officers, directors and 10% stockholders are required by Securities and Exchange Commission regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of our records and written representations by the persons required to file these reports, we believe that, except as set forth below, all filing requirements of Section 16(a) were satisfied with respect to our most recent fiscal year. In 2004, a Form 4 reporting a sale of common stock by each of Polaris Venture Partners Entrepreneurs Fund III, L.P., Polaris Venture Partners III, L.P. and Polaris Venture Partners Founders Fund II, L.P. was not timely filed by Polaris Venture Management Co. III, LLC.

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We have three classes of directors, currently consisting of three Class I directors, two Class II directors and two Class III directors. At each annual meeting, directors are elected for a full term of three years to succeed those whose terms are expiring. The terms of the three classes are staggered in a manner so that only one class is elected by stockholders annually. John M. Maraganore, Ph.D., Paul R. Schimmel, Ph.D. and Phillip A. Sharp, Ph.D. are currently serving as Class I directors. The Class I directors elected this year will serve as members of our board of directors until the 2008 annual meeting of stockholders, or until their respective successors are elected and qualified.

The persons named in the enclosed proxy will vote to re-elect Drs. Maraganore, Schimmel and Sharp as Class I directors unless the proxy is marked otherwise. Drs. Maraganore, Schimmel and Sharp have indicated their willingness to serve on our board of directors, if elected; however, if any nominee should be unable to serve, the person acting under the proxy may vote the proxy for a substitute nominee designated by our board of directors. Our board of directors has no reason to believe that Dr. Maraganore, Dr. Schimmel or Dr. Sharp would be unable to serve if elected.

Board Recommendation

The board of directors recommends a vote FOR the election of each of the Class I director nominees.

Set forth below for each director, including the Class I director nominees, is information as of March 1, 2005 with respect to his or her (a) name and age, (b) positions and offices at Alnylam, (c) principal occupation and business experience during at least the past five years, (d) directorships, if any, of other publicly held companies and (e) the year such person became a member of our board of directors. The duration of an individual's service on our board of directors described below includes service on the board of directors of our predecessor company, which was also known as Alnylam Pharmaceuticals, Inc. The duration of Dr. Maraganore's service as our President and Chief Executive Officer includes service as the President and Chief Executive Officer of our predecessor company.

Name	Age	Director Since	Principal Occupation, Other Business Experience During the Past Five Years and Other Directorships
Class I directors, nominees to be elected at the annual meeting (terms expiring in 2008)			
John M. Maraganore, Ph.D.	42	2002	Dr. Maraganore has served as our President and Chief Executive Officer and as a member of our board of directors since December 2002. From April 2000 to December 2002, Dr. Maraganore served as Senior Vice President, Strategic Product Development for Millennium Pharmaceuticals, Inc., a biopharmaceutical company.
Paul R. Schimmel, Ph.D.(1)	64	2002	Dr. Schimmel is a founder of Alnylam and has served as a member of our board of directors since June 2002. Dr. Schimmel has been the Ernest and Jean Hahn Professor of Molecular Biology and Chemistry and a member of the Skaggs Institute for Chemical Biology at the Scripps Research Institute since 1997. Dr. Schimmel is a member of the National Academy of Sciences and the American Academy of Arts and Sciences. Dr. Schimmel also serves as a director of Alkermes, Inc. and is Co-Chairman of the Board of Directors of Repligen, Inc., which are biotechnology companies.

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Name	Age	Director Since	Principal Occupation, Other Business Experience During the Past Five Years and Other Directorships
Phillip A. Sharp, Ph.D.(2)(3)	60	2002	Dr. Sharp is a founder of Alnylam and has served as a member of our board of directors since June 2002. Dr. Sharp is currently an Institute Professor at the Massachusetts Institute of Technology and was the Founding Director of the McGovern Institute for Brain Research at the Massachusetts Institute of Technology. Dr. Sharp has been a professor at the Massachusetts Institute of Technology since 1974. He is a member of the National Academy of Sciences, the American Academy of Arts and Sciences, and the Institute of Medicine. Dr. Sharp received the Nobel Prize for Physiology or Medicine in 1993. He also serves as a director of Biogen Idec, Inc., a biotechnology company he co-founded in 1978.

**Class II directors
(terms expiring in 2006)**

John E. Berriman(2)	56	2003	Mr. Berriman has served as a member of our board of directors since July 2003. Since May 2004, Mr. Berriman has been a consultant. From August 2001 until May 2004, Mr. Berriman served as a Director of Abingworth Management, a venture capital firm specializing in life science biomedical companies. Mr. Berriman was a consultant to Abingworth Management from March 1997 to August 2001.
John K. Clarke(1)(3)	51	2002	Mr. Clarke has served as the chairman of our board of directors since June 2002. Since founding Cardinal Partners, a venture capital firm focused on healthcare, in 1997, Mr. Clarke has served as its Managing General Partner. Mr. Clarke also serves as a director of Cubist Pharmaceuticals, Inc. and Momenta Pharmaceuticals, Inc., which are biotechnology companies.

**Class III directors
(terms expiring in 2007)**

Peter Barrett, Ph.D.(2)(3)	52	2002	Dr. Barrett has served as a member of our board of directors since July 2002. Dr. Barrett has served as a Senior Partner of Atlas Venture, a venture capital firm, since January 2004. From January 2002 to January 2004, he served as a Senior Principal of Atlas Venture. From August 1998 to December 2001, he served as Executive
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Vice President and Chief Business Officer of Celera Genomics, a biopharmaceutical company, which he co-founded. Mr. Barrett also serves as a director of Momenta Pharmaceuticals, Inc., a biotechnology company.

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Name	Age	Director Since	Principal Occupation, Other Business Experience During the Past Five Years and Other Directorships
Kevin P. Starr(1)	42	2003	Mr. Starr has served as a member of our board of directors since September 2003. Since December 2002, after retiring from Millennium Pharmaceuticals, Inc., Mr. Starr has been an entrepreneur. From December 2001 to December 2002, Mr. Starr served as Chief Operating Officer of Millennium Pharmaceuticals, Inc., a biopharmaceutical company. Mr. Starr also served as Millennium's Chief Financial Officer from December 1998 to December 2002. From June 2000 to December 2001, Mr. Starr served in various vice president positions at Millennium, including Executive Vice President, Business Operations, and Senior Vice President.

(1) Member of Audit Committee

(2) Member of Compensation Committee

(3) Member of Nominating and Corporate Governance Committee

For information relating to shares of our common stock owned by each of our directors, see the disclosure set forth under the heading "Stock Ownership Information."

CORPORATE GOVERNANCE

General

We believe that good corporate governance is important to ensure that Alnylam is managed for the long-term benefit of our stockholders. During the past year, we continued to review our corporate governance policies and practices in light of the Sarbanes-Oxley Act of 2002, Securities and Exchange Commission rules and the listing standards of the Nasdaq National Stock Market. This section describes key corporate governance practices that we have adopted.

In 2004, we adopted a Code of Business Conduct and Ethics which applies to all of our officers, directors and employees, as well as charters for our audit committee, our compensation committee and our nominating and corporate governance committee. We have posted copies of the Code of Business Conduct and Ethics and each committee's charter on the Corporate Governance section of our website, www.alnylam.com. We intend to disclose any amendments to, or waivers from, our Code of Conduct and Ethics on our website.

Board Determination of Independence

Under Nasdaq National Stock Market 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 that 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 Peter Barrett, Ph.D., John E. Berriman, John K. Clarke, Paul R. Schimmel, Ph.D., Phillip A. Sharp, Ph.D. and Kevin P. Starr 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 National Stock Market, Inc. Marketplace Rules.

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Board of Directors Meetings and Attendance

The board of directors has responsibility for establishing broad corporate policies and reviewing our overall performance rather than day-to-day operations. The primary responsibility of our board of directors is to oversee the management of our company and, in doing so, serve the best interests of the company and our stockholders. The board of directors selects, evaluates and provides for the succession of executive officers and, subject to stockholder election, directors. It reviews and approves corporate objectives and strategies, and evaluates significant policies and proposed major commitments of corporate resources. Our board of directors also participates in decisions that have a potential major economic impact on our company. Management keeps the directors informed of company activity through regular communication, including written reports and presentations at board of directors and committee meetings.

Our board of directors met ten times during 2004, either in person or by teleconference. During 2004, each of our directors, other than Paul R. Schimmel, Ph.D., attended at least 75% of the aggregate of the total number of board meetings and the total number of meetings held by all committees on which he then served.

Directors are responsible for attending the annual meeting of stockholders. We completed our initial public offering in June 2004, and thus, the 2005 annual meeting of stockholders will be the first held by us as a public company. No members of our board of directors attended the 2004 annual meeting of stockholders.

Board Committees

The board of directors has established three standing committees – audit, compensation and nominating and corporate governance – each of which operates under a charter that has been approved by the board. A copy of the audit committee charter, as in effect on the date of this proxy statement, is attached as *Appendix A*. We have posted copies of each committee’s charter on the Corporate Governance section of our website, www.alnylam.com.

The board of directors has determined that all of the members of each of the board’s three standing committees are independent as defined under the rules of the Nasdaq National Stock Market, including, in the case of all members of the audit committee, the additional independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934.

Audit Committee

We have an audit committee consisting of Kevin P. Starr, Chairman, John K. Clarke and Paul R. Schimmel, Ph.D. The audit committee is responsible for:

appointing, evaluating, retaining and, when necessary, terminating the engagement of our independent auditors;

taking appropriate action, or recommending that our board of directors take appropriate action, to oversee the independence of our independent auditors; and

reviewing and discussing with our management and independent auditors our audited financial statements.

In addition, the audit committee must approve any related party transaction entered into by us. We believe that each member of the audit committee satisfies the requirements for membership established by the Nasdaq National Market and the SEC.

The board of directors has determined that Mr. Starr is an audit committee financial expert as defined in Item 401(h) of Regulation S-K.

No member of the audit committee is the beneficial owner of more than 10% of our common stock.

The audit committee met three times during 2004.

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Compensation Committee

We have a compensation committee consisting of Peter Barrett, Ph.D., Chairman, John E. Berriman and Phillip A. Sharp, Ph.D. The compensation committee reviews, and makes recommendations to the board of directors regarding, the compensation and benefits of our executive officers. The compensation committee also administers the issuance of stock options and other awards under our stock plans and establishes and reviews policies relating to the compensation and benefits of our employees and consultants. We believe that each member of the compensation committee satisfies the requirements for membership established by the Nasdaq National Market.

The compensation committee met seven times during 2004.

Nominating and Corporate Governance Committee

We have a nominating and corporate governance committee consisting of John K. Clarke, Chairman, Peter Barrett, Ph.D. and Phillip A. Sharp, Ph.D. The purpose of the nominating and corporate governance committee is to: recommend to the board of directors the persons to be nominated for election as directors at any meeting of stockholders;

develop and recommend to the board of directors a set of corporate governance principles; and

oversee the evaluation of the board of directors.

Procedures for the consideration of director nominees recommended by stockholders are set forth in our bylaws. We believe that each member of the compensation committee satisfies the requirements for membership established by the Nasdaq National Market.

The nominating and corporate governance committee met twice during 2004.

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 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 certain criteria, including the candidate's integrity, business acumen, knowledge of our business and industry, experience, diligence, 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 their 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 Corporate Secretary, Alnylam Pharmaceuticals, Inc., 300 Third Street, Cambridge, Massachusetts 02142. 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. Stockholders also have the right under our bylaws to directly nominate

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director candidates, without any action or recommendation on the part of the committee or the board, by following the procedures set forth below under the heading **Stockholder Proposals**.

At the annual meeting, stockholders will be asked to consider the election of Drs. Maraganore, Schimmel and Sharp, each of whom currently serves on our board. Each of Drs. Maraganore, Schimmel and Sharp were proposed to the board by the nominating and corporate governance committee and the board determined to include them among its nominees.

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 (if an independent director), or the lead director (if one is appointed), or otherwise the chairman of the nominating and corporate governance committee, 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 (if an independent director), or the lead director (if one is appointed), or otherwise the chairman of the nominating and corporate governance committee, 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 Board of Directors, c/o Corporate Secretary, Alnylam Pharmaceuticals, Inc., 300 Third Street, Cambridge, Massachusetts 02142.

Report of the Audit Committee

The audit committee reports to and acts on behalf of the board of directors by providing oversight of the financial management, independent auditors and financial reporting controls and accounting policies and procedures of Alnylam. Our management is responsible for the preparation, presentation and integrity of our financial statements and the independent auditors are responsible for conducting an independent audit of our annual financial statements. The audit committee is responsible for independently overseeing the conduct of these activities by our management and the independent auditors. The audit committee has reviewed our audited financial statements for the fiscal year ended December 31, 2004 and has discussed these financial statements with our management and our independent auditors.

In this context, the audit committee members meet regularly with our independent auditors and management (including private sessions with the independent auditors and members of management) to discuss to any matters that the audit committee or these individuals believe should be discussed privately. The audit committee conducts a meeting each quarter to review the financial statements prior to the public release of earnings.

The audit committee and the board of directors have determined that the audit committee chairman, Kevin P. Starr, qualifies as an audit committee financial expert as defined in Item 401(h) of Regulation S-K and that he is independent as defined under Rule 10A-3 of the Securities Exchange Act of 1934 and the rules of the Nasdaq National Stock Market.

The audit committee operates under a written charter adopted by the audit committee that reflects standards contained in the rules of the Nasdaq National Stock Market. The audit committee reviews this charter annually. A complete copy of the current charter is attached to this proxy statement as Appendix A.

Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended, issued by the Auditing Standards Boards of the American Institute of Certified Public Accountants,

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requires the independent public accounting firm to provide the audit committee with additional information regarding the scope and results of the audit, including the independent public accounting firm's responsibilities under generally accepted auditing standards, significant issues or disagreements concerning our accounting practices or financial statements, significant accounting policies, significant accounting adjustments, alternative accounting treatments, accounting for significant unusual transactions, and estimates, judgments and uncertainties.

The audit committee has discussed with the independent auditors matters required to be discussed by the applicable Auditing Standards as periodically amended. In addition, our independent auditors also provided the audit committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the committee and the independent auditors have discussed the auditors' independence from the Company and its management, including the matters in those written disclosures.

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