INSMED Inc
Form DEF 14A
April 05, 2018

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

SCHEDULE 14A

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

(Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

INSMED INCORPORATED

(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):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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

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

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NOTICE

and

PROXY STATEMENT

for

ANNUAL MEETING OF SHAREHOLDERS

MAY 15, 2018

10 Finderne Avenue, Building 10
Bridgewater, New Jersey 08807

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Insmed Incorporated
10 Finderne Avenue, Building 10
Bridgewater, New Jersey 08807
(908) 977-9900

April 5, 2018

To Our Shareholders:

We cordially invite you to attend the 2018 Annual Meeting of Shareholders of Insmed Incorporated (Insmed) to be held at the Bridgewater Marriott, 700 Commons Way, Bridgewater, New Jersey 08807, on May 15, 2018, at 9:00 a.m. local time (the Annual Meeting). A formal notice of the Annual Meeting accompanies this letter. At the Annual Meeting, the following items will be submitted to a shareholder vote:

1. election of two Class III directors, David R. Brennan and Melvin Sharoky, M.D., to serve until the 2021 Annual Meeting of Shareholders;

2. an advisory vote on the 2017 compensation of our named executive officers;

3. ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2018;

4. approval of the Insmed Incorporated 2018 Employee Stock Purchase Plan; and

5. transaction of such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Your vote is important, and the company encourages you to vote. Please read the notice and proxy materials carefully, and vote promptly by telephone, electronically through the Internet, or by returning a completed proxy card by mail. You may also vote in person at the Annual Meeting. Whether or not you plan to attend the Annual Meeting in person and regardless of the number of shares of Insmed common stock you own, please vote by proxy prior to the Annual Meeting.

You may inspect a list of shareholders of record as of the record date at Insmed's headquarters during regular business hours starting on April 7, 2018 through the date of the Annual Meeting, and the list of shareholders will be available at the Annual Meeting for inspection.

Sincerely yours,

/s/ DONALD HAYDEN, JR.

DONALD HAYDEN, JR.
Chairman of the Board

This Proxy Statement is first being mailed to shareholders on or about April 5, 2018.

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INSMED INCORPORATED
10 Finderne Avenue, Building 10
Bridgewater, New Jersey 08807
(908) 977-9900

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 15, 2018

NOTICE IS HEREBY GIVEN that the 2018 Annual Meeting of Shareholders of Insmed Incorporated (Insmed) will be held at the Bridgewater Marriott, 700 Commons Way, Bridgewater, New Jersey 08807, on May 15, 2018, at 9:00 a.m. local time (the Annual Meeting), and at any adjournment or postponement thereof, for the following purposes:

1. To elect two Class III directors, David R. Brennan and Melvin Sharoky, M.D., to serve until the 2021 Annual Meeting of Shareholders;

2. To conduct an advisory vote on the 2017 compensation of our named executive officers;

3. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2018;

4. To approve the Insmed Incorporated 2018 Employee Stock Purchase Plan; and

5. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Holders of record of shares of Insmed common stock at the close of business on March 23, 2018 will be entitled to vote at the Annual Meeting.

You are requested to vote promptly by telephone, electronically through the Internet, or by returning a completed proxy card by mail regardless of whether you expect to attend the Annual Meeting. If you are present at the Annual Meeting, you may vote in person even if you already have sent in your proxy. If you are a beneficial owner, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy from your broker or other agent.

By Order of the Board

/s/ CHRISTINE PELLIZZARI

Christine Pellizzari
Corporate Secretary

April 5, 2018

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE INSMED INCORPORATED ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 15, 2018: The Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2017 are available at www.proxyvote.com.

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PROXY STATEMENT
for
ANNUAL MEETING OF SHAREHOLDERS
of
INSMED INCORPORATED
To be held May 15, 2018

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In this Proxy Statement, we use the words "Insmed Incorporated" to refer to Insmed Incorporated, a Virginia corporation, and we use the words "Company," "Insmed," "we," "us" and "our" to refer to Insmed Incorporated and its consolidated subsidiaries. Insmed and CONVERT are trademarks of Insmed Incorporated. This Proxy Statement also contains trademarks of third parties. Each trademark of another company appearing in this Proxy Statement is the property of its owner.

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PROXY STATEMENT
for
ANNUAL MEETING OF SHAREHOLDERS
of
INSMED INCORPORATED
To be held May 15, 2018

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Distribution of Proxy Solicitation and Other Required Annual Meeting Materials

The Board of Directors (the Board) of Insmed Incorporated is soliciting your proxy for the Annual Meeting of Shareholders to be held at the Bridgewater Marriott, 700 Commons Way, Bridgewater, New Jersey 08807, on May 15, 2018, at 9:00 a.m. local time (the Annual Meeting), and any adjournment or postponement thereof. We intend to make the Proxy Statement and related proxy materials available to our shareholders on or about April 5, 2018.

Information about the Annual Meeting and Voting at or Prior to the Annual Meeting

Why Did I Receive a One-page Notice in the Mail Regarding the Internet Availability of Proxy Materials this Year Instead of a Full Set of Proxy Materials?

Pursuant to rules adopted by the Securities and Exchange Commission (SEC), we have elected to mail to many of our shareholders a Notice of Internet Availability of the Proxy Materials (the Notice) instead of a paper copy of the proxy materials. All shareholders receiving the Notice will have the ability to access the proxy materials over the Internet and receive a paper copy of the proxy materials by mail on request. Instructions on how to access the proxy materials over the Internet or to request a paper copy may be found in the Notice. In addition, the Notice contains instructions on how you may request proxy materials in printed form by mail or electronically on an ongoing basis. This process has allowed us to expedite our shareholders' receipt of proxy materials, lower the costs of distribution and reduce the environmental impact of our Annual Meeting.

Who May Vote Shares in Connection with the Annual Meeting?

Shareholders of record at the close of business on March 23, 2018 (the Record Date), will be entitled to notice of and to vote at the Annual Meeting. As of the Record Date, we had 76,623,136 outstanding shares of our common stock, $0.01 par value per share (the Common Stock). Each share of our Common Stock entitles the holder to one vote with respect to all matters submitted to shareholders at the Annual Meeting. Beneficial owners of shares of our Common Stock may direct the record holder of the shares on how to vote the shares held on their behalf.

What is a Shareholder of Record and How Can I Vote if I am a Shareholder of Record?

If, on the Record Date, shares of our Common Stock were registered directly in your name with our transfer agent, then you are a shareholder of record. As a shareholder of record, you may vote by proxy or in person at the Annual Meeting.

If you are a shareholder of record, you may vote or submit a proxy as follows:

1. *By Internet* You may authorize the voting of your shares by following the "Vote by Internet" instructions set forth on the proxy card through 11:59 p.m. Eastern Time on

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Monday, May 14, 2018. You must specify how you want your shares voted or your vote will not be completed and you will receive an error message.

2. *By Telephone* Dial 1-800-690-6903 using any touch-tone phone to transmit your voting instructions through 11:59 p.m. Eastern Time on Monday, May 14, 2018. Have your proxy card in hand when you call and follow the voting instructions given to you over the phone.

3. B*y Mail* Complete and sign the proxy card and mail it in accordance with the instructions on the proxy card. Completed proxy cards must be received by 9:00 a.m. Eastern Time on Tuesday, May 15, 2018.

4. *In Person at the Meeting* If you attend the Annual Meeting, you may deliver a completed and signed proxy card in person or you may vote by completing a ballot, which we will provide to you at the Annual Meeting.

In all cases, your shares will be voted according to your instructions.

What is a Beneficial Owner of Shares and How Can I Vote if I am a Beneficial Owner?

If, on the Record Date, your shares of our Common Stock were not held in your name, but rather were held in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in "street name," and these proxy materials have been forwarded to you by that organization. The organization holding your account is considered to be the shareholder of record for purposes of voting at the Annual Meeting and is required to vote those shares in accordance with your instructions. If you do not give instructions to the organization holding your account, then the organization will have discretion to vote the shares with respect to "routine" matters but will not be permitted to vote the shares with respect to "non-routine" matters. See "What Matters at the Annual Meeting are 'Routine' and 'Non-Routine'?" below. As a beneficial owner, you are invited to attend the Annual Meeting. If you are a beneficial owner and not the shareholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy from your broker or other agent.

What is the Quorum Requirement?

A quorum of shareholders is necessary to hold the Annual Meeting. Shares of our Common Stock representing a majority of the votes entitled to be cast on a matter at the Annual Meeting (or 38,311,569 shares as of the Record Date) will constitute a quorum for the transaction of business with respect to such matter, unless otherwise provided by law or in our Articles of Incorporation, as amended (Articles of Incorporation). Votes withheld, abstentions and broker non-votes count as present for establishing a quorum.

What Matters at the Annual Meeting are "Routine" and "Non-Routine"?

Proposal 1, the election of Class III directors, Proposal 2, the advisory vote on the compensation of our named executive officers, and Proposal 4, the approval of the Insmed Incorporated 2018 Employee Stock Purchase Plan (the 2018 Employee Stock Purchase Plan), are non-routine matters. Proposal 3, the ratification of the appointment of an independent registered public accounting firm, is a routine matter. If you are a beneficial owner of shares and do not instruct your broker or other agent how to vote your shares with respect to the "non-routine" matters, your shares will be "broker non-votes" with respect to that proposal, which means your shares will not be voted.

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What are the Voting Requirements to Approve Each Proposal to be Submitted to Shareholders?

The vote required to elect directors and approve each of the matters scheduled for a vote at the Annual Meeting is set forth below:

Proposal	Vote Required	Board Recommendation
1. Election of two Class III directors	Plurality of votes cast	**FOR**
2. Advisory vote to approve the compensation of our named executive officers as disclosed in this Proxy Statement	Majority of votes cast	**FOR**
3. Ratification of appointment of Ernst & Young LLP (Ernst & Young) for the year ending December 31, 2018	Majority of votes cast	**FOR**
4. Approval of the 2018 Employee Stock Purchase Plan	Majority of votes cast	**FOR**

Proposal 1, the election of Class III directors, requires the affirmative vote of the holders of a plurality of the votes cast. This means that the nominees who receive the highest number of affirmative votes cast will be elected irrespective of how small the number of affirmative votes is in comparison to the total number of shares voted. Our Board, however, has adopted a director resignation policy, under which a director nominee in an uncontested election must submit his or her resignation for consideration by our Nominations and Governance Committee and our Board if the number of votes withheld with respect to such director's election exceeds the number of votes "for" such director's election. See "Corporate Governance Corporate Governance Matters Director Resignation Policy" for additional information.

Proposal 2, the advisory vote on the 2017 compensation of our named executive officers, is not binding on, nor does it overrule, any decisions of the Company, the Board or the Compensation Committee. We value the input of our shareholders, and in the event that Proposal 2 is not approved, the Board and the Compensation Committee will consider our shareholders' concerns and evaluate what actions, if any, may be appropriate to address those concerns.

Proposal 3, the ratification of the appointment of Ernst & Young as our independent registered public accounting firm for the year ending December 31, 2018, does not require shareholder ratification under Virginia law, our Articles of Incorporation, or our Amended and Restated Bylaws (Bylaws). However, the Board is submitting the appointment of Ernst & Young to the shareholders for ratification as a matter of good corporate governance. In the event that Proposal 3 is not approved, the Audit Committee will consider the vote in future independent auditor selection decisions.

Proposal 4, the approval of the 2018 Employee Stock Purchase Plan, requires the affirmative vote of a majority of the votes cast, in person or by proxy, at the Annual Meeting.

What Is the Effect of Votes Withheld, Abstentions and Broker Non-Votes On Each of the Proposals?

Votes that are withheld or any abstentions from voting will not be counted in determining the number of votes cast with respect to any of the proposals. As explained above, because Proposals 1, 2 and 4 are considered "non-routine," if a beneficial owner does not instruct the broker or other agent how to vote the shares, broker non-votes will result. Broker non-votes will not be counted in determining the number of votes cast with respect to these proposals. Because Proposal 3 is considered "routine," the broker or other agent will have discretion to vote any shares with respect to which a

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beneficial owner does not provide instructions, and no broker non-votes will occur with respect to this proposal.

What if I Submit a Proxy But Do Not Specify How I Would Like to Vote?

If we receive a signed and dated proxy card or receive your instructions by Internet or by telephone and your instructions do not specify how your shares are to be voted, your shares will be voted as follows:

FOR the election of each of the two Class III nominees for director,

FOR the approval of the 2017 compensation of our named executive officers,

FOR the ratification of the appointment of Ernst & Young as our independent registered public accounting firm for the year ending December 31, 2018, and

FOR the approval of the 2018 Employee Stock Purchase Plan.

Unsigned proxy cards will not be voted.

What If Other Matters Not on the Proxy Card Are Brought Before the Annual Meeting for Action by the Shareholders?

As of the date of this Proxy Statement, the Board does not intend to present any matters other than those described herein at the Annual Meeting and is not aware of any matters to be presented by other parties. If other matters are properly brought before the Annual Meeting, or any adjournment or postponement thereof, for action by the shareholders, proxies will be voted in accordance with the recommendation of the Board or, in the absence of such a recommendation, in accordance with the judgment of the proxy holders.

How Can I Revoke a Proxy Once I Have Voted?

Anyone giving a proxy may revoke it at any time before it is voted by voting in person at the Annual Meeting or by delivering, including by phone or Internet, a later dated proxy or written notice of revocation to our Corporate Secretary. Attendance at the Annual Meeting will not itself revoke a proxy. A proxy, if executed and not revoked, will be voted at the Annual Meeting.

What is the Expected Cost of Soliciting Proxies and Who Will Pay for this Cost?

We will pay the cost of soliciting proxies. In addition to the use of mail and email, proxies may be solicited in person or by telephone by our employees, with no additional remuneration. We have engaged The Proxy Advisory Group, LLC to assist in the solicitation of proxies and provide related advice and informational support, for a service fee, plus customary disbursements, which are not expected to exceed $15,000 in total.

Principal Executive Offices of Insmed

The address of our principal executive offices is 10 Finderne Avenue, Building 10, Bridgewater, New Jersey, 08807.

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PROPOSAL NO. 1

ELECTION OF CLASS III DIRECTORS

Our organizational documents currently provide that our Board will consist of not less than six or more than ten directors. Our Board has adopted resolutions providing for up to nine directors. The directors are divided into three classes Class I, Class II, and Class III. Each class of directors serves for three years on a staggered term basis and the term of our Class III directors will expire at the Annual Meeting. Accordingly, the Board has nominated David R. Brennan and Melvin Sharoky, M.D. for election as Class III directors. Each of the nominees was recommended for election by the Nominations and Governance Committee, and such recommendation was approved by the Board. If re-elected, the term of office for these nominees will expire at our 2021 Annual Meeting of Shareholders. The information below describes the primary experience, qualifications and skills of Mr. Brennan and Dr. Sharoky.

David R. Brennan, age 64

Director since May 2014

Member of the Compensation Committee

Career Highlights:

Alexion Pharmaceuticals (Nasdaq: ALXN) (2016 - 2017)

○ Interim CEO

AstraZeneca PLC (NYSE: AZN) (1999 - 2012)

○ CEO

○ Executive Vice President of North America

○ Senior Vice President of Commercialization and Portfolio Management

○ Director

Current Public Board Service:

Chairman, Alexion Pharmaceuticals

Education:

Gettysburg College - B.A., business administration

Astra Merck, Inc. (1995 - 1999)

Merck & Co., Inc. (1975 - 1994)

Qualifications: Mr. Brennan has nearly 40 years of experience in the pharmaceutical industry. The Board believes that Mr. Brennan's public company and public company board experience at pharmaceutical companies, including roles in executive management, commercialization and product management, makes him a valuable asset to the Board.

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Melvin Sharoky, M.D., age 67

Director since May 2001

Chairman from June 2009 - December 2010

Member of Nominations and Governance Committee

Member of Compensation Committee

Career Highlights:

Par Pharmaceutical Companies, Inc. (2007 - 2012)

○

Director until acquisition by Endo International plc (Nasdaq: ENDP)

Somerset Pharmaceuticals, Inc. (1995 - 2001; 2002 - 2007)

○

President

○

CEO

○

Consultant

Watson Pharmaceuticals, Inc. (now Actavis plc) (1995 - 1998)

○

President

Education:

University of Maryland in Baltimore County - B.A., biology

University of Maryland School of Medicine - M.D.

Circa Pharmaceuticals, Inc., a wholly-owned subsidiary of Watson Pharmaceuticals, Inc. (1988 - 1998)

○

President

○

CEO

Pharmakinetics Laboratories, Inc. (1986 - 1988)

○

Vice President

○

Chief Medical Officer

Qualifications: Dr. Sharoky has more than 30 years of experience in the pharmaceutical industry. The Board believes that, in addition to his medical experience as a physician, Dr. Sharoky's background as an executive of pharmaceutical companies, as well as his public company board service, brings valuable senior management, leadership, financial and strategic planning experience to our Board.

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" EACH OF THE CLASS III DIRECTOR NOMINEES.

Vote Required for Election of Director Nominees

Our Class III directors will be elected by a plurality of the votes properly cast, in person or by proxy, at the Annual Meeting. Votes withheld and broker non-votes will not have any effect on the outcome of this vote.

Our Remaining Board Members

The information below describes the primary experience, qualifications and skills of each of our Class I directors, Alfred F. Altomari, Steinar J. Engelsen, M.D., and William H. Lewis, and Class II directors, Donald Hayden, Jr., David W.J. McGirr, and Myrtle Potter. The term of the Class I directors will expire at the 2019 Annual Meeting of Shareholders, and the term of the Class II directors will expire at the 2020 Annual Meeting of Shareholders.

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Incumbent Directors Whose Term Expires at the 2019 Annual Meeting of Shareholders (Class I Directors)

Alfred F. Altomari, age 59

Director since August 2012

Chairman of the Compensation Committee

Member of the Audit Committee

Career Highlights:

Agile Therapeutics, Inc. (Nasdaq: AGRX) (2004 - present)

○

Chairman of the Board

○

President

○

CEO

○

Director

○

Executive Chairman

○

Consultant

Barrier Therapeutics, Inc. (2003 - 2008)

○

Current Public Board Service:

Chairman, Agile Therapeutics, Inc.

Director, Recro Pharma, Inc. (Nasdaq: REPH)

Education:

Drexel University - B.S., finance

Drexel University - B.S., accounting

Rider University - M.B.A.

Director

○

CEO

○

Chief Operating Officer

○

Chief Commercial Officer

Johnson & Johnson (NYSE: JNJ) (1982 - 2003)

○

Numerous executive roles in general management, commercial operations, business development, product launch preparation, and finance

Qualifications: Mr. Altomari is a pharmaceutical industry veteran with more than 30 years of experience. The Board believes that Mr. Altomari's executive experience in pharmaceutical companies with commercialized products, product launches, and more than 20 years of focus on the development and marketing of specialty pharmaceutical products, along with his public company board service, makes him uniquely suited to guide the Board in strategic planning, as well as operational and commercial matters.

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Steinar J. Engelsen, M.D., age 67

Director since November 1999

Director of Insmed Pharmaceuticals Inc. from 1998 - 2000

Chairman of the Nominations and Governance Committee

Member of the Audit Committee

Career Highlights:

Teknoinvest AS (1996 - present)

- Partner

Centaur Pharmaceuticals, Inc. (2000)

- Acting CEO

Hafslund Nycomed AS (1989 - 1996)

- Senior Vice President, Research and Development among other management positions

Current Private Board Service:

Director, Holberg EEG AS

Education and Certifications:

University of Oslo - M.S., nuclear chemistry

University of Oslo - M.D.

Norwegian School of Economics - Certified European Financial Analyst

Qualifications: Dr. Engelsen has more than 25 years of experience in the pharmaceutical industry, including his experience as a financial analyst and as an investor in biopharmaceutical companies. The Board believes that Dr. Engelsen's finance and management experience as well as his public company board experience in biopharmaceutical companies enables him to provide operating insights.

William H. Lewis, age 49

Education:

Oberlin College - B.A.

Director since September 2012

Case Western Reserve University - M.B.A.

President and CEO since September 2012

Case Western Reserve University - J.D.

Consultant to Board from June - September 2012

Career Highlights:

Aegerion Pharmaceuticals, Inc. (Nasdaq: AEGR) (Aegerion)
(2005 - 2011)

○ Co-founder

○ President

○ Chief Financial Officer

Wells Fargo & Co. (2002 - 2004)

Robertson Stephens Capital (2000 - 2002)

JP Morgan Chase & Co. (1995 - 2000)

Foreign Service for the U.S. Government (1989 - 1992)

Qualifications: Mr. Lewis has more than 10 years of executive experience in the life sciences industry and a track record of success for over 20 years in the pharmaceutical and finance industries both in the United States and internationally. During his tenure at Aegerion, Mr. Lewis played a pivotal role in re-orienting the company's strategy to focus on rare disease indications, enabling Aegerion to conduct a successful initial public offering in 2010. The Board believes that Mr. Lewis brings significant qualifications including his experience as a seasoned entrepreneur and senior executive with a fast-growing biotechnology company. In addition, Mr. Lewis offers the Board significant insights and experience with financing, orphan drug development and commercialization, and international business development.

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Incumbent Directors Whose Term Expires at the 2020 Annual Meeting of Shareholders (Class II Directors)

Donald Hayden, Jr., age 62

Non-Executive Chairman of Board since December 2010

Executive Chairman from May - September 2012 during senior management transition

Member of the Nominations and Governance Committee

Career Highlights:

Vitae Pharmaceuticals Inc. (Nasdaq: VTAE) (2006 - 2016)

○

Chairman until acquisition by Allergan plc (NYSE: AGN)

Dimension Therapeutics, Inc. (2013 - 2015)

○

Director

Transave, Inc. (2006 - 2010)

○

Executive Chairman until acquisition by Insmed

Bristol-Myers Squibb Company (1981 - 2006)

○

President of Global Pharmaceuticals

○

Current Public Board Service:

Chairman, REGENXBIO Inc. (Nasdaq: RGNX)

Lead Independent Director, Amicus Therapeutics, Inc. (Nasdaq: FOLD)

Current Private Board Service:

Director, WindMIL Therapeutics, Inc.

Director, Otsuka America Pharmaceutical, Inc.

Education:

Harvard University - B.A., general studies

Indiana University - M.B.A.

Executive Vice President and President, Americas

○

Executive Vice President of the Health Care Group

○

President of Oncology and Immunology

○

Senior Vice President of Worldwide Franchise Management and
Business Development.

Qualifications: Mr. Hayden has more than 30 years of pharmaceutical industry experience, including roles in executive management, commercialization, business development, and financial and strategic planning. This extensive experience makes him a valuable asset to our Board. The Board believes that Mr. Hayden brings a unique combination of skills to the Board, including public company board experience, and that his leadership abilities make him particularly well qualified to be our Chairman.

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David W.J. McGirr, age 63

Director since October 2013

Chairman of the Audit Committee

Career Highlights:

Relypsa, Inc. (2013 - 2016)

- Director until acquisition by Galencia AG

Cubist Pharmaceuticals, Inc. (2002 - 2014), acquired by Merck & Co., Inc. (NYSE: MRK) in 2015

- Senior Advisor to the CEO
- Senior Vice President
- Chief Financial Officer
- Treasurer

hippo inc. (1999 - 2002)

- Chief Operating Officer
- President

Current Public Board Service:

Director, Rhythm Pharmaceuticals, Inc. (Nasdaq: RYTM)

Director, Arsanis, Inc. (Nasdaq: ASNS)

Director, Menlo Therapeutics Inc. (Nasdaq: MNLO)

Education:

University of Glasgow - B.S., civil engineering

University of Pennsylvania - M.B.A.

○

Director

GAB Robins North America, Inc. (1996 - 1999)

○

CEO

○

President

○

Private Equity Investor

S.G. Warburg Group (1978 - 1995)

○

Chief Financial Officer (U.S.)

○

Chief Administrative Officer

○

Managing Director of S.G. Warburg & Co., Inc.

Qualifications: Mr. McGirr has more than 30 years of experience as a senior financial executive, including 11 years at Cubist, during which the company secured a number of product approvals and launched these products across multiple markets. The Board believes that Mr. McGirr brings a unique combination of skills to the Board, including public company executive and board experience, capital markets insight, operational and corporate development experience, and significant expertise in the healthcare sector, specifically with infectious diseases. Mr. McGirr's background is well-suited to help guide the Company in building a commercial biopharmaceutical company with a franchise of novel therapies at the intersection of orphan, pulmonary, and infectious diseases.

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Myrtle Potter, age 59

Director since December 2014

Member of the Compensation Committee

Career Highlights:

Myrtle Potter & Company, LLC (2005 - present)

○

CEO

Express Scripts (2012)

○

Director

Everyday Health (2010 - 2016)

○

Director until acquisition by Ziff Davis, LLC, a subsidiary of j2 Global, Inc. (Nasdaq: JCOM)

Medco Health Solutions (2007 - 2012)

○

Director until acquisition by Express Scripts (Nasdaq: ESRX)

Genentech (2000 - 2005)

○

President of Commercial Operations

Current Public Board Service:

Director, Rite Aid (NYSE: RAD)

Director, Axsome Therapeutics, Inc. (NYSE: AXSM)

Current Private Board and Other Service:

Director, Liberty Mutual Holding Company

Director, Proteus Digital Health

Trustee, The University of Chicago

Education:

University of Chicago - B.A., political science

○

Chief Operating Officer

○

Member of the Executive Committee

Bristol-Myers Squibb (1996 - 2000)

○

President of U.S. Cardiovascular and Metabolic business

Merck & Co., Inc. (1982 - 1996)

○

Vice President of $800 million U.S. pharmaceutical business unit,
among other positions

Procter & Gamble Company (1980 - 1982)

Qualifications: Ms. Potter has over 35 years of experience in the pharmaceutical industry. The Board believes that Ms. Potter's experience, including extensive commercial and operational experience leading pharmaceutical companies in bringing new therapies to market, makes her well-suited to guide the Board in operational and commercial matters.

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Executive Officers

The following table sets forth our current executive officers, their ages, the positions currently held by each such person as of the date of this Proxy Statement and the period holding such positions.

Name	Age	Position(s)	Period During Which Officer Served in Such Position(s)
William H. Lewis	49	President and CEO	September 2012 Present
Paolo Tombesi	54	Chief Financial Officer	June 2017 Present
Roger Adsett	49	Chief Commercial Officer	September 2016 Present
Paul Streck, M.D.	55	Chief Medical Officer	June 2017 Present
Christine Pellizzari	50	Chief Legal Officer	July 2013 Present

William H. Lewis. Mr. Lewis's biographical information is summarized above under "Incumbent Directors Whose Term Expires at the 2019 Annual Meeting of Shareholders (Class I Directors)."

Paolo Tombesi. Mr. Tombesi joined Insmed as Chief Financial Officer in June 2017. Mr. Tombesi brings over 20 years of experience in the biotechnology and pharmaceutical sector. Prior to joining the Company, Mr. Tombesi was Vice President and Chief Financial and Administrative Officer of Novartis Pharmaceuticals Corporation, a position he held since November 2014. Mr. Tombesi was Managing Director and Chief Financial Officer of Novartis Japan from April 2009 to October 2014 and held various finance roles at Novartis from September 2006 to March 2009. Mr. Tombesi held several finance director positions at Bristol-Myers Squibb from August 1996 to September 2006. From January 1988 to July 1996, Mr. Tombesi held various positions in consumer goods at Unilever NV and Johnson & Johnson. Mr. Tombesi holds a B.Ed. in Business and Managerial Economics from Sapienza Università di Roma and a B.A. in Accounting from Duca degli Abruzzi Roma.

Roger Adsett. Mr. Adsett joined Insmed as Chief Commercial Officer in September 2016. Mr. Adsett has over 20 years of experience in the global biotechnology and pharmaceutical industry. From January 2015 to September 2016, Mr. Adsett was Senior Vice President, Head of Gastrointestinal and Internal Medicine Business Unit at Shire Plc (Nasdaq: SHPG) (Shire), a global specialty biopharmaceutical company. From August 2008 to January 2015, Mr. Adsett was Senior Vice President, Gastrointestinal Business Unit Leader at Shire. From October 2005 to August 2008, Mr. Adsett was General Manager, Oral IBD Products of the Gastroenterology Business Unit of Shire. From November 1994 to October 2005, Mr. Adsett held various marketing and commercial roles at AstraZeneca plc (NYSE: AZN), a multinational pharmaceutical and biopharmaceutical company. Mr. Adsett was a senior analyst at Accenture PLC (NYSE: ACN), a global professional services company, from September 1991 to November 1994. Mr. Adsett holds a Masters of Business Administration from The Wharton School at the University of Pennsylvania and a Bachelor of Arts in English and Economics from Bucknell University.

Paul Streck. Dr. Streck joined Insmed as Chief Medical Officer in June 2017. Dr. Streck has over 25 years of clinical development, management and leadership expertise. He most recently served as Vice President, Global Medical Specialty Franchise, Immuno-inflammation at GlaxoSmithKline, a position he held since November 2015, where he was responsible for portfolio strategy, including drug launch, life cycle management, post-registration clinical strategy and health economics. From November 2007 to November 2015, Dr. Streck held various positions at Shire Pharmaceuticals. Dr. Streck served as Group Vice President, Clinical Development/TA Lead (Hematology, Gastrointestinal, Internal Medicine) at Shire Pharmaceuticals from November 2013 to November 2015. Prior to that, Dr. Streck

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served as Global Head of Medical Affairs, Internal Medicine (November 2012 to December 2013), Product General Manager, Emerging Business Unit (November 2011 to November 2012), and Senior Director, Global Clinical Development (November 2007 to December 2012). From February 2006 to October 2007, Dr. Streck was Director of Marketing at AMGEN USA Inc. Dr. Streck holds a M.B.A. from the Duke University Fuqua School of Business, a M.D. from Jefferson Medical College, a D.M.D. from the Temple University School of Dentistry and a B.A. in chemistry from Rutgers University.

Christine Pellizzari. Ms. Pellizzari joined Insmed as General Counsel and Corporate Secretary in July 2013 and was promoted to Chief Legal Officer in January 2018. Ms. Pellizzari has over 20 years of experience in the global biotechnology and pharmaceutical industry, including senior-level leadership roles. From August 2007 to December 2011, Ms. Pellizzari served as Executive Vice President, General Counsel and Secretary for Aegerion and served as a legal consultant for Aegerion from January 2012 to June 2012. From 1998 to 2007, Ms. Pellizzari served as Senior Vice President, General Counsel and Secretary of Dendrite International, Inc., a publicly traded company that provided the global pharmaceutical industry with sales effectiveness, promotional and compliance solutions until it was acquired by Cegedim S.A. (Euronext: CGM) in 2007. Prior to her tenure at Dendrite, Ms. Pellizzari practiced law at the firm of Wilentz, Goldman & Spitzer where she specialized in health care transactions and related regulatory matters. Before joining Wilentz, Ms. Pellizzari served as a law clerk to the Honorable Reginald Stanton, Assignment Judge for the Superior Court of New Jersey. Ms. Pellizzari received her Bachelor of Arts degree, cum laude, from the University of Massachusetts, Amherst and her Juris Doctor degree from the University of Colorado, Boulder.

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CORPORATE GOVERNANCE

Corporate Governance Matters

Corporate Governance Materials and Practices. Our written corporate governance materials, including our Bylaws, Corporate Governance Guidelines, Code of Business Conduct and Ethics, Audit Committee Charter, Compensation Committee Charter, Nominations and Governance Committee Charter, and Director Resignation Policy are posted on our website at www.insmed.com under the heading "Investor Relations Corporate Governance." Our corporate governance practices include the following:

- The Board currently has an independent Chairman, and all of our non-employee directors and board committee members are independent.
- The Board has adopted a director resignation policy in uncontested director elections.
- The Board oversees succession planning for executive officers, including the CEO.
- Directors have access to all levels of management and are provided with opportunities to meet with members of management on a regular basis.
- Directors may retain their own independent advisors, at our expense.
- The Board and each committee thereof conduct self-evaluations at least once per year to assess their performance and ways in which performance could be improved.
- Our Board addresses the importance of incorporating new viewpoints on the Board through the director evaluation and nomination process. Our director composition reflects a mix of tenure on the Board (ranging from three years to 18 years), which we believe provides an effective balance of historical perspective and an understanding of the evolution of the Company with fresh perspectives and insights.
- Share ownership guidelines are in place for our directors and executive officers.

Code of Business Conduct and Ethics. We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers (including our CEO, chief financial officer, controller and any person performing similar functions) and employees. Our Code of Business Conduct and Ethics contains written standards designed to communicate our expectations of our directors, officers, and employees when making decisions and conducting themselves in corporate activities, including the ethical handling and use of confidential information; actual or apparent conflicts of interest; compliance with applicable governmental laws, rules and regulations; protection of our assets and proprietary information; the ethical handling of payments and gifts received in the normal course of business and of payments made to government personnel; prompt internal reporting of violations of our Code of Business Conduct and Ethics; and accountability for adherence to our Code of Business Conduct and Ethics. We have established a means for individuals to report a violation or suspected violation of the Code of Business Conduct and Ethics anonymously, including those violations relating to accounting, internal controls or auditing matters, and federal securities laws. We intend to satisfy the disclosure requirements regarding any amendment to, or waiver from, a provision of the Code of Business Conduct and Ethics by making disclosures concerning such matters available on our website at www.insmed.com under the heading "Investor Relations Corporate Governance."

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Corporate Governance Guidelines. We have adopted Corporate Governance Guidelines to assist and guide the Board in the exercise of its responsibilities and establish a framework for our corporate governance practices. The Corporate Governance Guidelines contain written standards pertaining to director qualifications, director responsibilities, structure of our Board, director access to management and independent advisors, director compensation, and performance evaluation of our Board and committees, among other things. The Corporate Governance Guidelines help to ensure that the Board is independent from management, the Board adequately performs its oversight functions, and the interests of the Board and management align with the interests of our shareholders. Our Corporate Governance Guidelines are interpreted in accordance with all applicable laws and regulations, the Nasdaq listing standards, and our Articles of Incorporation and our Bylaws.

Meetings of the Board. The Board held eleven meetings during 2017. Each director attended at least 75% of the Board meetings that occurred in 2017. Each director attended at least 75% of the committee meetings that occurred in 2017 during his or her tenure on such committees.

Director Resignation Policy. Any nominee for director in an uncontested election who has a greater number of votes "withheld" from his or her election than votes cast "for" his or her election must submit his or her resignation to the Board promptly following certification of the election results. Within 90 days after the date of the certification of the election results, the Nominations and Governance Committee will make a recommendation to the Board as to whether to accept or reject the submitted resignation. Within 45 days after receiving this recommendation, the Board must accept or reject the resignation or pursue another action unless doing so would cause us to fail to comply with federal or state law or Nasdaq listing standards. If more than a majority of the members of the Nominations and Governance Committee do not receive a greater number of votes cast "for" their election than votes "withheld," the independent directors whose classes were not nominated for election will appoint a special committee to consider the resignations and make a recommendation to the Board. Any director whose resignation is under consideration will not participate in any deliberation or vote regarding his or her resignation. If the Board accepts a director's resignation pursuant to this policy, the Board may decrease the size of the Board or fill the resulting vacancy in accordance with the Virginia Stock Corporation Act and our Articles of Incorporation and Bylaws.

Independence of the Directors and Director Nominees. The Board has determined that the following members of the Board are independent, as that term is defined under the general independence standards of the Nasdaq listing standards: Mr. Altomari, Mr. Brennan, Dr. Engelsen, Mr. Hayden, Mr. McGirr, Ms. Potter, and Dr. Sharoky. Mr. Lewis is not considered independent because he is currently employed by the Company. The Board makes an affirmative determination regarding the independence of each director annually, based on the recommendation of the Nominations and Governance Committee.

Board's Role in Strategy. The Board actively participates in Company strategy decisions and oversight throughout the year. The Board annually reviews the company's strategic plan, including key risks and decisions facing the company.

Director Nominating Process

Our Nominations and Governance Committee, which is described more fully below under "Corporate Governance Committees of the Board Nominations and Governance Committee," serves as an independent and objective party to identify, assess, recruit and recommend to the Board qualified candidates for directorship, consistent with criteria approved by the Board, and establishes and annually reviews such criteria based on factors it considers appropriate. Among the factors that the Board and the Nominations and Governance Committee consider are strength of character, sound business

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judgment, career specialization, relevant technical skills, diversity, independence, the ability to commit sufficient time to the Board, and the extent to which the candidate would fill a present need of the Board.

Nominations and Governance Committee Process for Identifying and Evaluating Director Candidates. The Nominations and Governance Committee evaluates all director candidates in accordance with the director qualification standards described in the Corporate Governance Guidelines and seeks candidates with experience in the pharmaceutical and biotechnology industries, as well as business, management, accounting and financial experience. The Nominations and Governance Committee evaluates a candidate's qualifications to serve as a member of the Board based on the skills and characteristics of such individual Board members, as well as the composition of the Board as a whole. In addition, the Nominations and Governance Committee will evaluate a candidate's independence, diversity, skills and experience in the context of the Board's needs.

Director Candidate Recommendations and Nominations by Shareholders. The Nominations and Governance Committee's charter provides that the committee will consider director candidate recommendations by shareholders. Shareholders should submit any such recommendations for the Nominations and Governance Committee through the method described below under "Corporate Governance Communications with the Board." In accordance with our Bylaws, any person who is a shareholder of record on the record date for the shareholder meeting, on the date of the shareholder meeting, and on the date such person provides required notice to the Company may nominate persons for election to the Board if such shareholder complies with the notice procedures set forth in the Bylaws and summarized in this Proxy Statement under the heading "Proposals for 2019 Annual Meeting."

Communications with the Board

The Board has approved a process for shareholders to send communications to the Board. Shareholders can send communications to the Board and, if applicable, to the Nominations and Governance Committee or to specified individual directors in writing c/o Ms. Christine Pellizzari, Corporate Secretary, Insmed Incorporated, 10 Finderne Avenue, Building 10, Bridgewater, New Jersey, 08807. All communications sent to Ms. Pellizzari will be forwarded, as appropriate, to the Board, the Nominations and Governance Committee or any specified individual directors.

Director Attendance at Annual Meeting

Our policy is that directors are expected to make reasonable efforts to attend the annual meeting of shareholders absent unusual circumstances. All directors attended the 2017 Annual Meeting of Shareholders.

Board Leadership Structure

The Board believes that it is in the best interests of the Company to maintain the flexibility to make determinations about the separation of the positions of Board Chair and CEO. The Board believes that its current leadership structure, with Mr. Lewis serving as CEO and Mr. Hayden serving as our independent non-executive Chairman, is appropriate for the Company at this time. Both Mr. Lewis and Mr. Hayden are actively engaged on significant matters affecting us, such as long-term strategy. The CEO has overall responsibility for all aspects of our operation, while the Chairman has a greater focus on governance of the Company, including oversight of the Board. We believe this balance of shared leadership between the two positions is a strength for the Company. As our independent non-executive Chairman, Mr. Hayden calls and chairs regular and special meetings of the Board and all executive sessions of the independent directors, chairs and presides at annual or special meetings of shareholders, provides meaningful input into the agenda of Board meetings, oversees the retention of outside advisors, consultants and legal counsel who report directly to the Board, consults frequently with committee chairs and management and has the right to and often does attend Board committee meetings.

Committees of the Board

Our Bylaws provide that the Board may create one or more committees of the Board. Currently, the Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominations and Governance Committee.

Audit Committee

Composition and Attendance. Our Audit Committee consists of Mr. McGirr (Chairman), Dr. Engelsen, and Mr. Altomari, each of whom is an independent Board member. During 2017, the Audit Committee held six meetings. Each of Mr. McGirr, Dr. Engelsen and Mr. Altomari attended all meetings of the Audit Committee held in 2017.

Responsibilities and Duties. The Audit Committee assists our Board in fulfilling its oversight responsibilities relating to the accounting, reporting and financial practices of the Company and seeking to ensure our compliance with applicable legal and regulatory requirements. The Committee reviews and oversees:

- the financial statements, financial reports and other financial information that we provide to governmental bodies, our shareholders and others;
- our systems of internal controls regarding finance and accounting;
- our auditing, accounting, and financial reporting processes;
- the qualifications and independence of our independent registered public accounting firm; and
- the engagement and compensation of our independent registered public accounting firm to perform audit services and any permissible non-audit services.

The Audit Committee reviews and reassesses the adequacy of its charter at least annually.

Committee Independence. Our Board has determined that all three of the current Audit Committee members, Mr. McGirr, Dr. Engelsen, and Mr. Altomari, satisfy the heightened independence requirements of the Nasdaq listing standards and Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act).

Financial Literacy and Expertise. Our Board determined that each of the members of the Audit Committee is able to read and understand fundamental financial statements, including our consolidated balance sheet, statement of comprehensive income/loss, statement of cash flows, and statement of shareholders' equity. Our Board also has determined that Mr. McGirr is an "audit committee financial expert," as that term is defined in the rules promulgated by the SEC and has accounting or related financial management expertise as required under the Nasdaq listing standards.

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Compensation Committee

Composition and Attendance. Our Compensation Committee consists of Mr. Altomari (Chairman), Mr. Brennan, Ms. Potter, and Dr. Sharoky, each of whom is an independent Board member. During 2017, the Compensation Committee held seven meetings. Each of Mr. Altomari, Mr. Brennan, and Dr. Sharoky attended all Compensation Committee meetings held in 2017 and Ms. Potter attended six of the Compensation Committee meetings held in 2017.

Responsibilities and Duties. The Compensation Committee develops and oversees the implementation of our compensation philosophy for our executive officers and is responsible for our executive and other compensation plans. The Committee's primary objectives are to develop and maintain an executive compensation program that:

- creates a direct relationship between pay levels and corporate performance and returns to shareholders;
- provides overall competitive pay levels to effectively attract and retain executive talent;
- creates proper incentives to enhance shareholder value; and
- rewards performance.

The Compensation Committee reviews and reassesses the adequacy of its charter at least annually.

Committee Independence and Related Requirements. Our Board has determined that all four of the current Compensation Committee members, Mr. Altomari, Mr. Brennan, Ms. Potter and Dr. Sharoky, satisfy the heightened independence requirements of the Nasdaq listing standards. In addition, all of the members of our Compensation Committee are "non-employee directors" within the meaning of the rules under Section 16 of the Exchange Act and "outside directors" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code and Section 162(m)).

Nominations and Governance Committee

Composition and Attendance. Our Nominations and Governance Committee consists of Dr. Engelsen (Chairman), Mr. Hayden, and Dr. Sharoky, each of whom is an independent Board member. During 2017, the Nominations and Governance Committee held six meetings. Each of Dr. Engelsen, Mr. Hayden, and Dr. Sharoky attended all meetings of the Nominations and Governance Committee held in 2017 during their tenure on the Nominations and Governance Committee.

Responsibilities and Duties. The Nominations and Governance Committee identifies and nominates qualified candidates for directorship and serves in a leadership role in shaping our corporate governance and overseeing the evaluation of the Board and its committees. The Nominations and Governance Committee:

- assists the Board by identifying individuals qualified to become Board members and recommending to the Board the director nominees for election at shareholder meetings and to fill vacancies on the Board;
- makes recommendations to the Board regarding Board and committee organization, structure and composition;

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- evaluates the overall effectiveness of the Board and its committees; and
- develops, implements and assesses the Company's corporate governance policies and practices, including risks related to such policies and practices.

The Nominations and Governance Committee reviews and reassesses the adequacy of its charter at least annually.

The Role of the Board in Risk Oversight

The Board has primary responsibility for overseeing the Company's risk management. The Board administers its oversight responsibility for risk management directly and through its committees. Each committee chairman reports to the Board regarding the committee's considerations of management's processes for identifying, evaluating, and controlling significant risks. In addition, the officers responsible for oversight of particular risks within the Company provide updates and information to our Board. The Board considers specific risk topics, including risks associated with our strategic plan, our capital structure, our research and development activities, our manufacturing and supply chain, and our operations. Our Board believes that full and open communication between management and the Board is essential for effective risk management and oversight. The Board and each of its committees have full access to our senior management, as well as the ability to engage outside advisors and other experts. Management routinely informs the Board of developments that could affect our risk profile or other aspects of our business and development.

The Audit Committee periodically discusses with management and the independent auditor our policies and guidelines regarding risk assessment and risk management as well as our major financial and operational risk exposures and the steps that management has taken to monitor and control such exposures. The Audit Committee also reviews and evaluates our processes and policies for identifying and assessing key risk areas and for formulating and implementing steps to address such risk areas. The Audit Committee oversees disclosure controls and procedures, including applicable internal control over financial reporting and meets with the Chief Financial Officer, the Chief Legal Officer, the Chief Compliance Officer, the Vice President of Quality Assurance, the Vice President, Corporate Controller, external audit personnel, and other senior managers as appropriate to review issues regarding compliance with the applicable legal and regulatory requirements.

The Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk taking. Our Compensation Committee engages an independent consultant to advise it on topics related to Board and executive compensation. During the last year, the Compensation Committee, with the assistance of Frederic W. Cook & Co., Inc. (FW Cook), its independent compensation consultant, reviewed the executive compensation program and determined that the design of the compensation policies, including the components, weightings and focus of the elements of executive compensation, do not encourage management to assume excessive or inappropriate risks.

The Nominations and Governance Committee oversees the risks associated with our corporate governance and operating practices, including those relating to the composition of the Board, the structure and function of Board committees and meeting logistics and policies. The Nominations and Governance Committee regularly reviews the Board's performance, oversees the self-evaluation of each of the Board's committees, oversees our corporate governance and formulates and recommends corporate governance standards to our Board.

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AUDIT COMMITTEE REPORT* AND INDEPENDENT AUDITOR FEES

Report of the Audit Committee

The Audit Committee approves the selection of the Company's independent registered public accounting firm and regularly meets with and holds discussions with management and the Company's independent registered public accounting firm.

The Audit Committee oversees the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 (the Annual Report) with management, including a discussion of the quality, the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with Ernst & Young, which is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, its judgments as to the overall quality of financial reporting, the Company's accounting principles, and such other matters as are required to be discussed with the Audit Committee by Public Company Accounting Oversight Board (PCAOB) standards.

In addition, the Audit Committee has discussed with Ernst & Young its independence from management and the Company, including the matters described in the written disclosures and letter required by PCAOB standards from Ernst & Young to the Audit Committee regarding the independent accountant's communications with the Audit Committee concerning independence, and has considered the compatibility of non-audit services with the independence of the independent registered public accounting firm.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board (and the Board approved) that the audited financial statements be included in the Company's Annual Report for filing with the SEC.

THE AUDIT COMMITTEE

David W.J. McGirr, Chairman
Alfred F. Altomari
Steinar J. Engelsen, M.D., C.E.F.A.

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* The foregoing report of the Audit Committee is not to be deemed "soliciting material" or deemed to be "filed" with the SEC (irrespective of any general incorporation language in any document filed with the SEC) or subject to Regulation 14A of the Exchange Act, or to the liabilities of Section 18 of the Exchange Act, except to the extent we specifically incorporate the text of such report by reference into a document filed with the SEC.

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Audit Committee Pre-Approval Policy

The Audit Committee has adopted an Audit Committee Pre-Approval Policy for the pre-approval of audit services and permitted non-audit services by the Company's independent registered public accounting firm in order to assure that the provision of such services does not impair the independence of the independent registered public accounting firm from the Company and is consistent with the rules of the SEC. The policy requires pre-approval by the Audit Committee of the terms and fees of all audit, review and attestation engagements and related services. The policy also requires the Audit Committee to determine that the provision of any audit-related services or non-audit services would not impair the independence of our independent registered public accounting firm. The policy also prohibits the Audit Committee from retaining our independent registered public accounting firm in connection with a transaction initially recommended by such firm, the purpose of which may be tax deferral or reduction. The policy delegates pre-approval authority to the Chair of the Audit Committee or, if the Chair is not available, to any of the Audit Committee's members, but any pre-approval decision must be reported to the Audit Committee at its next scheduled meeting. All of the services performed by Ernst & Young in the year ended December 31, 2017 were pre-approved in accordance with the applicable pre-approval policy.

Independent Registered Public Accounting Firm Fee Disclosure

The Audit Committee reviewed the aggregate fees billed by Ernst & Young for professional services rendered for the years ended December 31, 2017 and 2016, which were as follows:

	2017	2016
Audit Fees	$782,550	$652,017
Audit Related Fees		
Tax Fees		
All Other Fees	1,995	1,995
Total Fees	$784,545	$654,012

Audit fees in 2017 and 2016 include fees for services performed to comply with generally accepted auditing standards. These services include the quarterly reviews, the integrated year-end audit of our consolidated financial statements, attestation services with respect to our internal control over financial reporting, review of documents filed with the SEC, accounting consultations on matters addressed during the audit or quarterly reviews, and, with respect to 2017, $100,000 paid to Ernst & Young for consent and comfort letter procedures for registration statements filed in 2017.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Review and Approval of Related Party Transactions

Pursuant to our written related party policy, our Audit Committee must review and consider whether to approve or ratify all related party transactions, as defined in Item 404 of Regulation S-K. In determining whether to approve or ratify a related party transaction, the Audit Committee will take into account, among other factors it deems appropriate, the purpose and potential benefits to us of the transaction, the related party's interest in the transaction, the approximate dollar value involved in the transaction, whether the transaction was undertaken in the ordinary course of business, whether the related party transaction is on terms no less favorable to us than terms generally available to us from an unaffiliated third-party under the same or similar circumstances, and whether, under all the circumstances, the transaction is not inconsistent with our best interests. Any transaction which is

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deemed to be a related party transaction requires the approval of a majority of the disinterested Audit Committee members.

Related Party Transactions

Since January 1, 2017, there were no transactions, nor are there currently any proposed transactions, which in accordance with SEC rules, would require disclosure in this Proxy Statement.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires that our directors, executive officers and holders of more than 10% of our Common Stock report to the SEC their ownership of our Common Stock and changes in that ownership. Directors, executive officers and beneficial owners of more than 10% of our Common Stock are required by applicable regulations to furnish us with copies of all Section 16(a) forms they file. As a matter of practice, members of our staff assist our executive officers and directors in preparing initial ownership reports and reporting ownership changes and typically file these reports on their behalf. Based solely upon a review of the reports filed pursuant to Section 16(a) of the Exchange Act, we believe that during the year ended December 31, 2017, our executive officers, directors and beneficial owners of more than 10% of our Common Stock complied with applicable Section 16(a) requirements.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND MANAGEMENT

The following tables set forth information about the beneficial ownership of our Common Stock as of the Record Date (except as otherwise noted), by:

- each person, or group of persons, who beneficially owns more than five percent (5%) of our Common Stock, based on reports filed with the SEC;
- each of our directors and director nominees;
- each of our named executive officers; and
- all directors and executive officers as a group.

Beneficial ownership and percentage ownership are determined in accordance with Section 13 of the Exchange Act and related rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock subject to options held by that person that are currently exercisable or exercisable within 60 days of the Record Date and restricted stock units that may vest within 60 days of the Record Date are deemed outstanding. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as indicated in the footnotes to the following tables or pursuant to applicable community property laws, to our knowledge each shareholder named in the tables has sole voting and investment power with respect to the shares set forth opposite such

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shareholder's name. As of the Record Date, there were 76,623,136 shares of Common Stock outstanding.

Name and Address	Shares Beneficially Owned(1) Number	Percentage
Greater Than Five Percent (5%) Shareholders		
T. Rowe Price Associates, Inc.(2) 100 E. Pratt Street Baltimore, Maryland 21202	13,028,622	17.00%
FMR LLC(3) 245 Summer Street Boston, Massachusetts 02210	11,488,651	14.99%
BlackRock, Inc.(4) 40 East 52nd Street New York, NY 10022	7,830,604	10.22%
Palo Alto Investors, LLC(5) 470 University Avenue Palo Alto, CA 94301	6,718,495	8.77%
The Vanguard Group(6) 100 Vanguard Blvd. Malvern, PA 19355	6,305,495	8.23%
Janus Henderson Group plc(7) 201 Bishopsgate EC2M 3AE United Kingdom	5,963,206	7.78%

(1) All information in this table, including the footnotes thereto, is derived from third-party filings made with the SEC, as described in the footnotes. We have not independently verified this information.

(2) As of December 31, 2017, T. Rowe Price Associates, Inc. (Price Associates) reported an aggregate beneficial ownership of 13,028,622 shares of our Common Stock, with sole voting power over 1,890,016 shares and sole dispositive power over 13,028,622 shares. These securities are owned by various individual and institutional investors including T. Rowe Price Health Sciences Fund, Inc., which jointly filed the Schedule 13G with Price Associates and reported sole voting power over 3,967,278 of the shares. For the purposes of the reporting requirements of the Exchange Act, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is the beneficial owner of such securities.

(3) As of December 31, 2017, FMR LLC (FMR) reported an aggregate beneficial ownership of 11,488,651 shares of our Common Stock, with sole voting power over 383,039 shares and sole dispositive power over 11,488,651 shares.

Members of the family of Abigail P. Johnson, Director, Vice Chairman, CEO and President of FMR, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR, representing 49% of the voting power of FMR. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940 (the Investment Company Act), to form a controlling group with respect to FMR.

Neither FMR nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act advised by Fidelity Management & Research Company, a wholly owned subsidiary of FMR, which power resides with the Fidelity Funds' Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees.

(4)

As of December 31, 2017, BlackRock, Inc. reported an aggregate beneficial ownership of 7,830,604 shares of our Common Stock with sole dispositive power over 7,830,604 shares and sole voting power and investment power over 7,668,742 shares, including shares held by a number of its subsidiaries.

(5)

As of December 31, 2017, Palo Alto Investors, LLC (Palo Alto) reported an aggregate beneficial ownership of 6,718,495 shares of our Common Stock with shared dispositive power over 6,718,495 shares and shared voting power over 6,718,495 shares.

Palo Alto is the general partner and investment adviser of Palo Alto Healthcare Master Fund II, L.P. (Healthcare Master II). Dr. Patrick Lee and Dr. Anthony Joonkyoo Yun co-manage Palo Alto. Palo Alto, Healthcare Master II, and Drs. Lee and Yun filed the Schedule 13G jointly, but not as members of a group, and each of them expressly disclaims membership in a group. Each filer disclaims beneficial ownership of our Common Stock except to the extent of that filer's pecuniary interest therein. Each of Palo Alto, Healthcare Master II, and Drs. Lee and Yun disclaims that it or he is a beneficial owner, as defined in Rule 13d-3 under the Exchange Act, of any of our Common Stock.

(6)

As of December 31, 2017, The Vanguard Group and its affiliates named in the Schedule 13G/A reported aggregate beneficial ownership of 6,305,495 shares of our Common Stock, with sole voting power over 138,182 shares, shared voting power over 8,897 shares, sole dispositive power over 6,163,619 shares and shared dispositive power over 141,876 shares. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 132,979 shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 14,100 shares as a result of its serving as investment manager of Australian investment offerings.

(7)

As of December 31, 2017, Janus Henderson Group plc (Janus Henderson) reported an aggregate beneficial ownership of 5,963,206 shares of our Common Stock, with shared voting and dispositive power over 5,963,206 shares. Janus Henderson has an indirect 97.11% ownership stake in Intech Investment Management LLC and a 100% ownership stake in Janus Capital Management LLC (Janus Capital), Perkins Investment Management LLC, Geneva Capital Management LLC, Henderson Global Investors Limited, Janus Henderson Investors Australia Institutional Funds Management Limited and Henderson Global Investors North America Inc (each an Asset Manager and collectively the Asset Managers). Due to the above ownership structure, holdings for the Asset Managers are aggregated for purposes of this disclosure. Each Asset Manager is an investment adviser registered or authorized in its relevant jurisdiction and each furnishing investment advice to various fund, individual and/or institutional clients (collectively referred to as Managed Portfolios).

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As a result of its role as investment adviser or sub-adviser to the Managed Portfolios, Janus Capital may be deemed to be the beneficial owner of 5,963,206 shares or 7.78% of the shares outstanding of our Common Stock held by such Managed Portfolios. However, Janus Capital does not have the right to receive any dividends from, or the proceeds from the sale of, the securities held in the Managed Portfolios and disclaims any ownership associated with such rights.

	Shares Beneficially Owned	
Name	**Number**	**Percentage**
Directors and Executive Officers		
Donald Hayden, Jr.(1)	81,131	*
Alfred F. Altomari(2)	41,876	*
David R. Brennan(2)	42,256	*
Steinar J. Engelsen, M.D.(2)	259,152	*
David W.J. McGirr(2)	29,296	*
Myrtle Potter(2)	19,444	*
Melvin Sharoky, M.D.(2)	225,728	*
William H. Lewis(3)	1,898,251	2.42%
Paolo Tombesi		*
Roger Adsett(4)	72,742	*
Christine Pellizzari(5)	375,475	*
Paul Streck, M.D.		*
Andrew T. Drechsler(6)	20,000	*
All directors and executive officers as a group (13 persons)(7)	3,065,351	3.88%

* Denotes ownership of less than 1% of the outstanding shares of our Common Stock.

(1) Includes 6,702 restricted stock units (RSUs) that will vest within 60 days of the Record Date and 25,000 shares of our Common Stock that are subject to stock options that are currently exercisable or exercisable within 60 days of the Record Date.

(2) Includes 6,702 RSUs that will vest within 60 days of the Record Date.

(3) Includes 1,801,279 shares of our Common Stock that are subject to stock options that are currently exercisable or exercisable within 60 days of the Record Date.

(4) Consists of 72,742 shares of our Common Stock that are subject to stock options that are currently exercisable or exercisable within 60 days of the Record Date.

(5) Includes 345,475 shares of our Common Stock that are subject to stock options that are currently exercisable or exercisable within 60 days of the Record Date.

(6) Mr. Drechsler resigned as our chief financial officer in November 2016, and his employment with the Company ended on March 31, 2017.

(7) Includes 46,914 RSUs that will vest within 60 days of the Record Date and 2,244,496 shares of our Common Stock that are subject to stock options that are currently exercisable or exercisable within 60 days of the Record Date.

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PROPOSAL NO. 2

ADVISORY VOTE ON THE 2017 COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Information Regarding the Advisory Vote on the 2017 Compensation of our Named Executive Officers

As required pursuant to Section 14A of the Exchange Act, we are holding a shareholder advisory vote on the compensation of our named executive officers, as described in the "Compensation Discussion and Analysis" section, the tabular disclosure regarding such compensation, and the accompanying narrative disclosure set forth in this Proxy Statement. At the 2017 Annual Meeting, shareholders voted to hold advisory votes on an annual basis, and the Board subsequently adopted a resolution providing for such an annual vote. At the Annual Meeting, shareholders will be asked to approve the following resolution:

RESOLVED, that the shareholders of Insmed Incorporated approve, on an advisory basis, the compensation of the Company's named executive officers, disclosed pursuant to Item 402 of Regulation S-K in the Company's Proxy Statement.

The Compensation Committee oversees and administers our executive compensation program, including the evaluation and approval of compensation plans, policies and programs offered to our named executive officers. Our executive compensation program is designed to meet the following objectives:

- align management interests with the interests of our shareholders;
- emphasize use of "at-risk" and performance-based compensation to motivate executives to advance our interests; and
- provide executive compensation packages that are competitive in order to attract and retain executives whose skills are critical to the current and long-term success of the Company.

Please read the "Compensation Discussion and Analysis" section starting on page 27 of this Proxy Statement for a detailed discussion about our executive compensation programs, including information about the 2017 compensation of our named executive officers.

Vote Required for Approval of this Proposal

The advisory vote on the compensation of our named executive officers will be approved by the affirmative vote of the majority of votes properly cast, in person or by proxy, at the Annual Meeting. Abstentions or broker non-votes will not have an effect on the outcome of this proposal.

While this vote is being conducted on an advisory basis, and is therefore not binding on us, the vote will be carefully considered by the Compensation Committee and our Board. Both our Compensation Committee and our Board value the opinions of our shareholders and, to the extent there is any meaningful vote against the compensation of our named executive officers as disclosed in this Proxy Statement, we will consider our shareholders' concerns and evaluate what actions, if any, may be appropriate to address those concerns. The outcome of the vote, however, will not be construed as overruling any prior decision by the Company, the Compensation Committee or the Board.

Recommendation

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL, ON AN ADVISORY BASIS, OF THE 2017 COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

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EXECUTIVE COMPENSATION
COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (the CD&A) explains our compensation philosophy, policies and decisions for 2017 for the following executives, whom we refer to in this CD&A and in the following tables as our named executive officers:

1. ***William H. Lewis***, President and CEO, responsible for developing, in connection with the Board, our corporate mission and objectives and providing direction and leadership to ensure the execution of our corporate strategy and achievement of our objectives.

2. ***Paolo Tombesi,*** Chief Financial Officer, responsible for managing all financial and technical operations activities, including internal and external reporting, treasury, accounting, tax, investor relations, manufacturing and supply chain.

3. ***Roger Adsett***, Chief Commercial Officer, responsible for managing all global marketing, sales and commercial activities.

4. ***Paul Streck, M.D.,*** Chief Medical Officer, responsible for leading global research, clinical development, clinical operations, regulatory affairs, drug safety and pharmacovigilance, and medical affairs.

5. ***Christine Pellizzari***, Chief Legal Officer, responsible for oversight of all corporate and litigation-related legal matters, global compliance and providing ongoing legal support for development, financing opportunities, business development initiatives, and intellectual property matters.

6. ***Andrew T. Drechsler***, former Chief Financial Officer. Mr. Drechsler announced his resignation in November 2016 and left the Company in March 2017.

Executive Summary of Our 2017 Business and Strategic Achievements

We are a global biopharmaceutical company focused on the unmet needs of patients with rare diseases. Our lead product candidate is amikacin liposome inhalation suspension (ALIS) (formerly known as liposomal amikacin for inhalation), which is in late-stage development for adult patients with treatment refractory nontuberculous mycobacteria (NTM) lung disease caused by *Mycobacterium avium* complex (MAC), a rare and often chronic infection that can cause irreversible lung damage and can be fatal. Our earlier clinical-stage pipeline includes INS1007 and INS1009. INS1007 is a novel oral, reversible inhibitor of dipeptidyl peptidase 1 (DPP1), an enzyme responsible for activating neutrophil serine proteases, which are implicated in the pathology of chronic inflammatory lung diseases, such as non-cystic fibrosis (non-CF) bronchiectasis. INS1009 is an inhaled nanoparticle formulation of a treprostinil prodrug that may offer a differentiated product profile for rare pulmonary disorders, including pulmonary arterial hypertension (PAH). Our earlier-stage pipeline includes preclinical compounds that we are evaluating in multiple rare diseases of unmet medical need, including methicillin-resistant staph aureus and NTM. To complement our internal research and development, we actively evaluate in-licensing and acquisition opportunities for a broad range of rare diseases.

In 2017, our named executive officers played critical roles in achieving several key strategic steps toward our goal of building a commercial biopharmaceutical company. We announced positive top-line results from the phase 3 CONVERT study of ALIS in patients with NTM lung disease, advanced the WILLOW study of INS1007 in patients with non-CF bronchiectasis, and expanded our leadership team with talented executives in key finance, medical, commercial, sales, clinical and investor relations roles. When determining payouts for the annual cash incentives, the Board, with respect to our President and CEO, and the Compensation Committee, with respect to the other named executive officers, took into account these and other achievements in the evaluation of our performance against our annual corporate objectives.

Compensation Philosophy and Principles

We operate in a competitive, rapidly changing and heavily-regulated industry. The long-term success of our business requires us to be resourceful, adaptable, and innovative. As we transition from a development stage company to a commercial biopharmaceutical company, the skills, talent, and dedication of our executive officers are critical components to the success of this transition and the future growth of the company. Therefore, our compensation program for our executive officers, including our named executive officers, is designed to attract, retain, and incentivize the best possible talent. The Company's compensation program for named executive officers is structured to implement the following guiding principles:

Alignment with Shareholder Interests. The compensation program is designed to align the compensation realized by our named executive officers with the value realized by our shareholders. For instance, a significant portion of our named executive officers' compensation is based on stock options based on our belief that stock options align management's interests with the creation of future shareholder value.

Use of "At-Risk" Compensation to Incentivize Executives. As shown in the charts below, the compensation program is designed such that a substantial portion of our named executive officers' compensation is based on "at risk," or variable, compensation, such as annual cash incentives and stock options. We believe this mix of compensation best aligns the interests of our named executive officers with those of our shareholders over time and contributes to the achievement of short-term goals and the advancement of our long-term strategy through long-term goals. Accordingly, in 2017, 87% of our CEO's compensation was "at risk," and 81% of our other named executive officers' (excluding Mr. Drechsler) compensation was "at risk":

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2017 CEO Compensation

Variable Performance-Based vs. Guaranteed CEO Compensation for 2017

2017 Other Named Executive Officer Compensation(1)

Variable Performance-Based vs. Guaranteed Other Named Executive Officer Compensation for 2017(1)

(1) Mr. Dreschler's 2017 compensation is not included in these charts.

Pay for Performance. The compensation program is designed to reward the named executive officers for attaining established business and individual goals. The attainment of these goals requires the named executive officer to dedicate his or her time, effort, skills and business experience to the success of the Company and the maximization of shareholder value. A significant portion of the named executive officers' compensation is based on Company and individual performance, and the compensation program is designed to reward both short-term and long-term performance. Short-term performance of our named executive officers is principally rewarded through annual cash incentives that reflect the achievement of corporate and individual goals. Long-term performance of our named executive officers is largely rewarded through option awards that are eligible to vest based on continued service and have a value tied to our share price appreciation.

Pay competitively to attract and retain skilled executive officers. The compensation program is designed to allow the Company to attract and retain individuals whose skills are critical to the current and long-term success of the Company. Because the implementation of our strategic goals requires long-term commitments by our named executive officers, and because competition for top talent is intense in our industry, retention is a key objective of the compensation program. The compensation program is designed to appropriately compensate our executive officers for the success of the Company

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from a competitive standpoint, so that they remain with the Company and continue to contribute to the Company's long-term success.

At our 2017 Annual Meeting of Shareholders, we held an advisory vote on the compensation of our named executive officers. Over 99% of the shares voted were voted in favor of our say-on-pay proposal. The Compensation Committee considered these voting results and believes they affirm the Company's compensation philosophy and the principles discussed above.

Corporate Governance Perspectives on our Executive Compensation Program

We believe that our executive compensation program reflects our commitment to strong corporate governance practices as evidenced by the following aspects of our executive compensation program:

- Our Compensation Committee has governance responsibility over executive pay and incentives while our independent Board members ratify recommendations made by our Compensation Committee on our President and CEO's goals and compensation;

- Performance metrics that govern incentive compensation are defined by our Compensation Committee at the start of each fiscal year and are reviewed by our Compensation Committee at the end of the year;

- The executive compensation program, in the aggregate, rewards performance in a variety of ways, aimed at a balanced assessment based on the Company's strategic objectives;

- Individual and corporate multiplier ranges under our incentive compensation program are developed and implemented such that payouts are capped at a predetermined maximum amount, irrespective of performance that exceeds objectives;

- Our Compensation Committee has the ability to exercise its discretion to reduce or eliminate incentive compensation payouts;

- We have share ownership guidelines in place for our President and CEO, pursuant to which he must hold shares of Common Stock equal to at least three times his base salary as in effect from time to time within 5 years of the adoption of the guidelines or date of hire, whichever is later. As of the Record Date, Mr. Lewis satisfied these guidelines;

- We also have share ownership guidelines in place for certain of our senior executives (other than our President and CEO), including each of our current named executive officers other than our President and CEO, pursuant to which each of them must hold shares of Common Stock equal to his or her base salary as in effect from time to time within 5 years of the adoption of the guidelines or date of hire, whichever is later. As of the Record Date, Mr. Adsett and Ms. Pellizari satisfied these guidelines, and Mr. Tombesi and Dr. Streck, who joined the company during 2017, are making progress towards satisfying these guidelines;

- Our independent executive compensation consultant reports directly to the Compensation Committee;

- The employment agreements for our Named Executive Officers do not provide for tax "gross-ups";

Our executive compensation program balances short-term pay opportunities through base salary and annual cash incentives with long-term incentive opportunities through equity awards and balances fixed compensation (base salary) with variable compensation (annual cash incentives and equity awards); and

Our insider trading policy prohibits our officers and directors from engaging in hedging transactions involving the Company's securities and prohibits insiders from pledging the Company's securities as collateral for loans of any type without the prior approval of the Compensation Committee. No such pledges were approved during 2017.

In addition, the Compensation Committee conducts a compensation risk assessment annually. Due to adherence to our compensation philosophy and principles and the governance principles described above, the Compensation Committee does not believe that our compensation program is reasonably likely to have a material adverse effect on the Company.

Executive Compensation Determination Process

Role of the Compensation Committee and the Board in Making Compensation Decisions. Our Compensation Committee has been delegated the authority to make determinations regarding all elements of compensation for our executive officers, except for Mr. Lewis, our President and CEO. Our Compensation Committee recommends to our independent Board members the goals and individual elements of total compensation for Mr. Lewis for final approval. The independent Board members review this recommendation and determine the compensation for Mr. Lewis. As discussed in further detail below, in assessing executive compensation, our Compensation Committee engages an outside independent executive compensation consultant to assess the competitiveness of our programs and periodically conducts a peer group review.

Role of Management. The Compensation Committee, in making executive compensation decisions, may solicit input from management as appropriate with respect to individual and Company performance and results. The Compensation Committee receives recommendations and evaluations with respect to the compensation and performance of our named executive officers from the CEO (aside from his own compensation and performance) and Company performance. The Compensation Committee considered management's assessment along with the input of its independent executive compensation consultant when making 2017 compensation decisions.

Role of the Compensation Consultant. The Compensation Committee is authorized to select and retain its own independent compensation consultant and has routinely sought the advice of an independent compensation consultant regarding our executive compensation practices. The Compensation Committee evaluates the independence of its compensation consultant on an annual basis and concluded during its 2017 evaluation that FW Cook was independent. During 2017, FW Cook advised the Compensation Committee on evolving best pay practices, provided benchmarking data and recommendations on executive officer compensation and provided recommendations about certain changes to our 2017 peer group.

Compensation Evaluation Processes and Criteria. Given the high demand for experienced and well-qualified executives of the type we seek to employ, the Compensation Committee reviews data and information from a variety of sources such as outside surveys of compensation and benefits for executive officers in the biotechnology industry, as well as public information regarding executive compensation at peer biotechnology companies. The Compensation Committee also draws upon the personal knowledge of its members with respect to executive compensation at comparable companies.

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In determining the amount and composition of compensation elements (cash and non-cash elements and short- and long-term elements) for our non-CEO named executive officers, our Compensation Committee relies upon its judgment about the performance of each individual executive officer and not on rigid formulas or short-term changes in business performance. In setting compensation levels for our executive officers for 2017, our Compensation Committee considered many factors, including, but not limited to, the following factors:

- our achievement of certain product development, corporate partnering, financial, strategic planning and other goals;
- each officer's individual performance against certain pre-established goals, as discussed in more detail below;
- the scope and strategic impact of each executive officer's responsibilities;
- our past business performance and future expectations;
- our long-term goals and strategies;
- the experience of each individual;
- past compensation levels of each individual and of the executives as a group;
- relative levels of pay among officers;
- the amount of each element of compensation in the context of the executive officer's total compensation and other benefits;
- for each executive officer, other than the President and CEO, the evaluations and recommendations of our President and CEO; and
- the competitiveness of our compensation relative to the selected peer group companies and other survey data, which are described in detail below.

Consideration of these factors is subjective; no relative weights or rankings are assigned to them (except as otherwise discussed in this CD&A).

For the President and CEO's compensation, the Compensation Committee reviews and evaluates the performance of the President and CEO and recommends to the Board the individual elements of his total compensation, considering, among other things, individual performance, experience, prior compensation levels, and our general performance objectives, as well as the compensation practices of peer companies and the markets where we compete for executive talent. The Board then must approve the President and CEO's compensation; the President and CEO may not be present during voting or deliberations on his compensation.

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Selection of Peer Companies/Benchmarking

In August 2016, the Compensation Committee, upon advice received from FW Cook, selected the companies that comprised our 2017 peer group through a screening process that considered publicly traded biopharmaceutical companies similar to us in number of employees, market capitalization and stage of product development. This review resulted in modifications from our 2016 peer group as described below.

The number of employees at the companies in our 2017 peer group ranged from 28 to 465, with a median of 184 employees, and these companies had average market capitalizations that ranged from approximately $450 million to $2.12 billion, with a median of $953 million. We had 125 employees and an average market capitalization of approximately $866 million. Employee numbers were as of the most recently reported fiscal year-end prior to August 2016 and market capitalizations were the average of the market capitalizations as of December 31, 2015 and June 30, 2016. At those respective times, our percentile rank among our peers for number of employees and average market capitalization were 35% and 32%, respectively. The table below depicts our 2017 peer group:

Achillion Pharmaceuticals, Inc.	Dynavax Technologies Corp.	Sage Therapeutics
Amicus Therapeutics, Inc.	Halozyme Therapeutics, Inc.	Sangamo BioSciences, Inc.
Celldex Therapeutics, Inc.	Keryx Biopharmaceuticals, Inc.	ZIOPHARM Oncology, Inc.
Cempra, Inc.	Novavax, Inc.	
Clovis Oncology, Inc.	Raptor Pharmaceutical Corp.	

The 2017 peer group reflects the following changes from our 2016 peer group: (i) the removal of Anacor Pharmaceuticals, Inc., Dyax Corp., Ligand Pharameucitcal Incorporated, Nektar Therapeutics, and PTC Therapeutics, Inc., and (ii) the addition of Achillion Pharmaceuticals, Inc., Dynavax Technologies Corp. and ZIOPHARM Oncology, Inc. The Compensation Committee concluded that these adjustments to the peer group were appropriate given changes in the number of employees, market capitalization, stage of development and merger-and-acquisition activity of the Company and historical and potential peer companies.

Using compensation data from these peer companies, the Compensation Committee establishes benchmarks for the purpose of evaluating appropriate compensation ranges for base salary, annual cash incentive targets and long-term equity incentives for each of our named executive officers.

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Components of Compensation

In summary, the compensation paid to our executive officers includes the following components:

Component	**Purpose of Component**
Base Salary	Provide our executive officers with a level of stability and certainty each year.
Sign-On Bonus	Motivate top executive candidates to join the Company.
Annual Cash Incentives	Motivate and reward executive officers for short-term individual and corporate performance.
Long-term Equity Incentives (Stock Options)	Motivate and reward executive officers for long-term corporate performance. Align the interests of management and shareholders, thereby enhancing shareholder value. Equity-based incentive to help attract, motivate, and retain talented employees.
Health, Welfare and Retirement Programs	Provide market competitive benefits to protect employees' and their covered dependents' health and welfare. Provide a program to foster retirement savings.
Severance and Change in Control Benefits	Discourage turnover and permit executives to be better able to respond to the possibility of a change in control without being influenced by the potential effect of a change in control on their job security.

The components of our compensation program and compensation decisions for 2017 for each named executive officer are described in more detail below:

Base Salary

The Compensation Committee reviews and sets base salaries for executives, other than the President and CEO, on an annual basis during the first quarter of each year. The Board annually determines the base salary for our President and CEO based on the recommendation of our Compensation Committee.

Our Board and Compensation Committee seek to establish and maintain base salaries for each position and level of responsibility that are competitive with those of executive officers in our peer group. Our Compensation Committee reviews variances between the salary levels for each of our executive officers and those of the companies included in our peer group and determines, in its discretion, individual salary adjustments after considering the factors described above, although no relative weights or rankings are assigned to these factors. In setting the base salary for our executive officers other than our President and CEO, the Compensation Committee also considers the recommendations of our President and CEO.

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The base salaries for our named executive officers were adjusted as follows in 2017:

Name	Annual Rate Approved in 2016	Base Salaries Annual Rate Approved in 2017	% Increase
William H. Lewis	$550,000	$566,500	3%
Paolo Tombesi	N/A	$435,000	N/A
Roger Adsett	$430,000	$436,450	1.5%
Christine Pellizzari	$394,613	$415,340	5.25%
Paul Streck	N/A	$425,000	N/A
Andrew T. Drechsler	$379,106	$390,480	3%

Mr. Lewis, Mr. Adsett, Ms. Pellizzari, and Mr. Drechsler were given merit increases based on their performance in 2016. Mr. Adsett's merit increase has been prorated for six months, given that he joined the Company during the second half of 2016.

Sign-On Bonuses

Mr. Tombesi received a $40,000 sign-on bonus in 2017 to incent him to join the Company and serve as its Chief Financial Officer. Dr. Streck received a $40,000 sign-on bonus in 2017 to incent him to join the Company and serve as its Chief Medical Officer.

Annual Cash Incentives

We maintain an annual cash incentive program for all of our employees to motivate and reward the attainment of annual corporate goals and individual goals. In establishing targets for the cash incentive awards for our executive officers, the Compensation Committee (and the Board in the case of our President and CEO) considers target annual cash incentive opportunities extended to executive officers in similar positions at companies included in our peer group.

For 2017, target cash incentive award percentages were set at 60% of our President and CEO's base salary and 40% of base salary for each of Mr. Tombesi, Mr. Adsett, Ms. Pellizzari, and Dr. Streck. The target percentages set for 2017 are the same as the percentages set for the prior year for Mr. Lewis, Mr. Adsett, and Ms. Pellizzari, as reflected in the table below. The 2017 target percentages for Mr. Tombesi and Dr. Streck were set in accordance with their respective employment agreements. Mr. Drechsler left the Company in March 2017 and was not eligible for an annual cash incentive in 2017.

	Target Cash Incentive Award Opportunity as a Percentage of Base Salary	
Name	2016	2017
William H. Lewis	60%	60%
Paolo Tombesi		40%
Roger Adsett	40%	40%
Christine Pellizzari	40%	40%
Paul Streck		40%

For 2017, the Compensation Committee determined that the cash incentive award for our named executive officers other than Mr. Lewis would be determined by reference to both corporate and individual goals, with 75% tied to corporate goals and 25% tied to individual goals. The Compensation Committee believes that including the achievement of individual goals as a component of our 2017 cash incentive award payouts is important to incent our non CEO named executive officers as we continue to transform the Company from a development stage company into a commercial biopharmaceutical company. Given Mr. Lewis's substantial influence on the overall performance of the Company, the Compensation Committee believes it is appropriate and in the best interests of our shareholders to continue to have Mr. Lewis's cash incentive award be based solely upon the achievement of corporate objectives, and the Board has concurred in this view.

Payouts for corporate goals were based upon the product of each named executive officer's respective target award times an overall corporate multiplier (ranging between 0% and 200%), which was determined based on Company performance during 2017. For our non-CEO named executive officers, payouts for individual objectives were based upon the product of each named executive officer's respective target award times an individual multiplier (ranging between 25% and 150%), which was determined based on achievement of individual goals for 2017.

Corporate Goals

At the beginning of each year, management recommends annual corporate objectives to the Compensation Committee for approval. These objectives serve as the basis for determining our performance against key strategic and operating parameters for the year.

The Compensation Committee (and the Board, with respect to our President and CEO) approved the following corporate objectives and weightings for 2017:

Corporate Objectives	**Weighting (% of Corporate Objectives)**
Advance ALIS for NTM for commercial sale	70%
Ensure resourcing of human and financial capital	20%
Advance successor product candidates	10%
Total	100%

At that time, the Compensation Committee believed that these corporate objectives were challenging but attainable, and attainment was uncertain.

Individual Goals

In consultation with our named executive officers, Mr. Lewis established individual goals for each of our named executive officers at the beginning of 2017 that (i) were specific to each named executive officer's area of responsibility and (ii) supported our corporate objectives for 2017. These individual goals were then recommended to and approved by our Compensation Committee. At the time these goals were established, the Compensation Committee believed they were challenging but

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attainable, and attainment was uncertain. Specifically, the individual goals for each named executive officer, other than Mr. Lewis, for 2017 were as follows:

Paolo Tombesi	**Roger Adsett**	**Christine Pellizzari**	**Paul Streck**
Leading the finance organization's evolution from an accounting function into a broad based finance function;	Laying the groundwork for international launch of ALIS;	Managing all Board interactions as corporate secretary and being responsive to Board needs;	Advancing the 212 study and 312 study through completion of the 212 study top-line results;
Maintaining a financial forecast for corporate defense and planning purposes;	Creating a comprehensive launch plan; and	Ensuring timely filing of all SEC required disclosures;	Advancing INS1007 into phase 2 clinical trials;
Working effectively with the Audit Committee; and	Ensuring the effective growth of the commercial organization with a particular focus on culture.	Managing compliance to integrate effectively with the commercial team and the board;	Coordinating database preparation, release and integration into filings for the United States, Japan and Europe; and
Working on a growth plan in advance of commercial launch.		Working effectively with our corporate development team;	Leading and directing the Medical Affairs function to ensure compliant outreach to and learning by the physician community.
		Preparing materials for corporate defense and strategies for proactive growth post-data release; and	
		Effectively managing outstanding litigation towards a timely resolution.	

With input from Mr. Lewis, the Compensation Committee made a qualitative determination following the end of the year as to the level of achievement by each of our named executive officers other than our President and CEO with regard to his or her respective individual performance objectives.

Determining Payouts of Annual Cash Incentives

The Compensation Committee received benchmarking data and recommendations from FW Cook in evaluating the 2017 cash incentive awards for our named executive officers. When determining payouts for the annual cash incentives, the Board, with respect to our President and CEO, and the Compensation Committee, with respect to the other named executive officers, took into account our

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performance against our annual corporate objectives. Specifically, we had the following achievements in 2017 relative to our corporate objectives:

Advance ALIS for NTM for commercial sale	**Ensure resourcing of human and financial capital**	**Advance successor product candidates**
Released positive top-line results from the phase 3 CONVERT study of ALIS in patients with treatment-refractory NTM lung disease in a timely manner.	Completed an underwritten offering in September 2017 of 14.1 million shares of our common stock for net proceeds of $377.7 million, net of fees and expenses related to the offering.	Advanced our phase 2 WILLOW study of INS1007 in non-CF bronchiectasis and commenced enrollment in December 2017.
Timely advanced the new drug application (NDA) for accelerated approval of ALIS with the U.S. Food and Drug Administration (FDA).	Made the following additions to our sales team in preparation of commercial launch: Jason Hoitt, Vice President, Head of U.S. Sales, two area directors, ten regional sales directors and four key account directors.	Evaluated options to advance INS1009 development including exploring its use as an inhaled dry powder formulation.
Accelerated progress towards commercial readiness via our go-to-market strategy, including efforts to ensure that our product supply chain is sufficient to satisfy current clinical demand and to meet projected commercial need post-launch.	Made the following appointments to our leadership team: Paolo Tombesi, Chief Financial Officer; Paul Streck, M.D., Chief Medical Officer; Blaine Davis, Vice President, Head of Investor Relations; Patrick Coyle, Vice President, Financial Planning & Analysis; Peter Sallstig, Vice President, Clinicial Development Pipeline Programs; and Andy Stautberg, General Manager, Pipeline Programs.	

For bonuses related to our 2017 performance, the Compensation Committee determined that we achieved a cash bonus payout percentage of 170% on our overall performance against our corporate objectives. The following table provides a breakdown of how the Board, with respect to our President

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and CEO, and the Compensation Committee, with respect to our remaining named executive officers, determined that we performed against each of these corporate objectives during 2017:

Corporate Objectives	Weighting (% of Corporate Objectives)	Actual Performance	Actual % of Corporate Objectives Earned
Advance ALIS for NTM for commercial sale	70%	Exceeded	122.5%
Ensure resourcing of human and financial capital	20%	Exceeded	37.5%
Advance successor product candidates	10%	Achieved	10%
Total	100%		170%

Based upon our performance in 2017, including our achievement of the corporate goals summarized above, as well as the achievement of individual goals set by the Compensation Committee, our named executive officers earned the following cash incentive awards for 2017:

			Allocation of Bonus		Actual Bonus Achievement		
Name	Base Salary	Target Bonus %	Corporate Goals	Individual Goals	Corporate Goals	Individual Goals	2017 Cash Bonus
William H. Lewis	$566,500	60%	100%	N/A	170%	N/A	$577,830
Paolo Tombesi	$435,000	40%	75%	25%	170%	127.5%	$277,400
Roger Adsett	$436,450	40%	75%	25%	170%	135%	$281,600
Christine Pellizzari	$415,340	40%	75%	25%	170%	140%	$270,000
Paul Streck	$425,000	40%	75%	25%	170%	145%	$208,800

Dr. Streck's 2017 cash bonus reflects a prorated amount for nine months in accordance with his employment agreement.

Long-term Equity Incentives

One of the guiding principles of our compensation program is pay for performance, and we believe that a significant portion of our executives' compensation should be performance-based to create appropriate incentives and rewards for achieving strategic goals that are critical drivers of shareholder value. We also believe that stock ownership by management aligns our executives' interests with those of our shareholders, and equity incentive compensation rewards our executives for their contributions to the long-term success of the Company. The Compensation Committee believes that equity-based compensation is a vital part of our compensation program as it creates an ownership culture that rewards our executives for maximizing shareholder value over time and aligns the interests of our named executive officers and other key employees with those of our shareholders.

In determining the equity compensation awards to grant to our named executive officers in 2017, the Board, with respect to our President and CEO, and the Compensation Committee, with respect to our remaining named executive officers, considered each named executive officer's role, as described above, along with the advice of FW Cook, including information regarding comparative equity compensation awards received by the executives in our peer group. With regard to Messrs. Lewis, Tombesi, and Adsett and Ms. Pellizzari, performance prior to the grant date was also

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considered. Based on these considerations, Messrs. Lewis, Tombesi and Adsett, Ms. Pellizzari and Dr. Streck received the following option awards in 2017:

Name	Date of Option Grant(1)	Number of Options Granted
William H. Lewis	1/5/2017	175,530
	5/17/2017	142,080
Paolo Tombesi(2)	6/1/2017	127,160
Roger Adsett	1/5/2017	82,280
	5/17/2017	76,600
Christine Pellizzari	1/5/2017	65,820
	5/17/2017	60,780
Paul Streck(2)	6/5/2017	109,210
Andrew T. Drechsler(3)		

(1) Options granted on (1) January 5, 2017 had an exercise price of $13.67, (2) May 17, 2017 had an exercise price of $17.16, (3) June 1, 2017 had an exercise price of $15.60, and (4) June 5, 2017 had an exercise price of $15.38, the per-share closing price of our Common Stock on the relevant grant date. Shares of our Common Stock underlying these options will vest over a four-year period, with 25% of the shares vesting on the first anniversary of the date of grant and 12.5% of the shares vesting every six months thereafter until the fourth anniversary of the date of grant.

(2) Mr. Tombesi and Dr. Streck received their option grants as inducement awards in connection with their commencement of employment.

(3) Mr. Drechsler announced his resignation in November 2016 and left the Company in March 2017; accordingly he was not eligible to receive equity compensation awards in 2017.

The Board, with respect to our President and CEO, and the Compensation Committee, with respect to our remaining named executive officers, may also grant stock options from time to time in recognition of a named executive officer's expanded duties and responsibilities or continuing contributions to the Company's performance. No such option grants were made during 2017.

Other Benefits

We maintain several other benefit programs that are offered to all employees including executives on an equivalent basis, which include coverage for health insurance, dental insurance, life and disability insurance, and a 401(k) Plan. In 2017, we increased the Company match with respect to our 401(k) Plan. In general, for each employee who contributes up to 4% of his or her eligible compensation, the Company will deposit a matching contribution of 100% of deferrals up to 4% of eligible compensation (subject to any maximum applicable limits under the IRS regulations). We do not have any defined benefit plans or non-qualified deferred compensation plans.

Severance and Change in Control Benefits

As discussed in further detail below, we have entered into employment agreements with each of our named executive officers that, in addition to other items, provide for certain severance and change in control payments. We believe that the existence of these potential benefits will discourage turnover and cause such executives to be better able to respond to the possibility of a change in control

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without being influenced by the potential effect of a change in control on their job security. The employment agreements with our named executive officers do not provide for tax gross-up payments.

Other Compensation Considerations

Section 162(m). The limitation on deductibility imposed by Section 162(m) is one of the considerations we take into account in designing our executive compensation programs. Under Section 162(m), we cannot deduct, for federal income tax purposes, compensation in excess of $1,000,000 paid to certain executive officers for any one calendar year. Prior to the Tax Cuts and Jobs Act of 2017 (the Tax Act), this limitation on deductibility did not apply to certain "performance-based compensation" within the meaning of Section 162(m) and the regulations promulgated thereunder. However, the Tax Act eliminated the "performance-based compensation" exemption for tax years beginning after December 31, 2017, other than with respect to grandfathered amounts. In light of this change to Section 162(m), compensation that was previously intended to satisfy the "performance-based compensation" exemption may not be fully deductible when paid after December 31, 2017. Additionally, the Tax Act significantly expanded the definition of "covered employees" under Section 162(m), such that after December 31, 2017, all of our named executives officers (including our chief financial officer) will be subject to the limitation on deductibility under Section 162(m), and any executive who is a covered employee will remain a covered employee for subsequent years, even after such executive's termination of employment.

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COMPENSATION COMMITTEE REPORT*

The Compensation Committee has reviewed and discussed the CD&A required by Item 402(b) of Regulation S-K with management and based on the review and discussions with management of the CD&A, the Compensation Committee recommended to the Board that the CD&A be included in this Proxy Statement and incorporated by reference in the Company's Annual Report.

THE COMPENSATION COMMITTEE

Alfred F. Altomari, Chairman
David R. Brennan
Myrtle Potter
Melvin Sharoky, M.D.

* The foregoing report of the Compensation Committee is not to be deemed "soliciting material" or deemed to be "filed" with the SEC (irrespective of any general incorporation language in any document filed with the SEC) or subject to Regulation 14A of the Exchange Act or to the liabilities of Section 18 of the Exchange Act, except to the extent we specifically incorporate it by reference into a document filed with the SEC.

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Summary Compensation Table

The following table sets forth information regarding compensation earned by the named executive officers in 2017, 2016, and 2015.

To improve readability, the following columns have been removed from the table as there is no reportable information with respect to these items: "Stock Awards," "Change in Pension Value," and "Nonqualified Deferred Compensation Earnings."

Name and Principal Position	Year	Salary	Bonus(1)	Option Awards(2)	Non-Equity Incentive Plan Compensation(3)	All Other Compensation(4)	Total
William H. Lewis	2017	$566,500		$3,200,003	$577,830	$8,100	$4,352,433
President and	2016	$550,000		$3,595,226	$330,000	$7,950	$4,483,176
CEO	2015	$505,000		$2,379,360	$248,460	$7,950	$3,140,770
Paolo Tombesi(5)	2017	$253,750	$40,000	$1,300,046	$277,400	$12,087	$1,883,283
Chief Financial	2016						
Officer	2015						
Roger Adsett(6)	2017	$436,450		$1,612,615	$281,600	$8,100	$2,338,765
Chief Commercial	2016	$114,115	$25,000	$1,282,154	$86,000	$3,583	$1,510,852
Officer	2015						
Christine Pellizzari	2017	$415,340		$1,284,425	$270,000	$8,100	$1,977,865
Chief Legal Officer	2016	$394,613		$1,100,674	$169,700	$7,950	$1,672,937
	2015	$365,382		$880,026	$132,000	$7,950	$1,385,358
Paul Streck(7)	2017	$244,920	$40,000	$1,099,996	$208,800	$684	$1,594,400
Chief Medical	2016						
Officer	2015						
Andrew T. Drechsler(8)	2017	$97,620				$3,905	$101,525
Former Chief	2016	$379,106		$1,100,674	$151,700	$7,950	$1,639,430
Financial Officer	2015	$351,024		$880,026	$119,700	$7,950	$1,358,700

(1) Amounts in this column represent cash bonus compensation paid to each executive officer as a sign-on bonus upon commencement of employment.

(2) Amounts in this column reflect grant date fair values of stock option awards granted during 2017, calculated in accordance with FASB ASC Topic 718, except the assumptions of forfeitures is not made. See Note 8, "Stock-Based Compensation" of the consolidated financial statements in the Company's Form 10-K for the year ended December 31, 2017, regarding assumptions underlying valuation of all equity awards. The stock options granted expire ten years from the date of grant, and the exercise price equals the closing price of our Common Stock on the date of grant.

(3) Amounts in this column represent annual cash incentive awards paid to each executive officer under our annual cash incentive program. For further information, see "Components of Compensation Annual Cash Incentives."

(4) In 2015, we implemented a Company match with respect to our 401(k) plan. Amounts in this column partially represent contributions to each named executive officer's account pursuant to such plan. In 2015, 2016 and 2017, Mr. Lewis and Ms. Pellizzari each received $7,950, $7,950, and $8,100, respectively, pursuant to our 401(k) plan. In 2016 and 2017, Mr. Adsett received $3,583 and $8,100, respectively, pursuant to our 401(k) plan. In 2017, Mr. Tombesi received $7,200 pursuant to our 401(k) plan and an additional $4,887 as reimbursement for legal fees in connection with his entry into an employment agreement with the Company. In 2017, Dr. Streck received $684 as reimbursement for legal fees in connection with his entry into an employment agreement with the Company.

(5)

Mr. Tombesi's 2017 salary covers the period from his date of hire on June 1, 2017 through December 31, 2017. Mr. Tombesi's annual salary as of his hire date was $435,000.

(6)

Mr. Adsett's 2016 salary covers the period from his date of hire on September 27, 2016 through December 31, 2016. Mr. Adsett's annual salary as of his hire date was $430,000.

(7)

Dr. Streck's 2017 salary covers the period from his date of hire on June 5, 2017 through December 31, 2017. Dr. Streck's annual salary as of his hire date was $425,000. Dr. Streck's 2017 non-equity incentive plan compensation reflects a prorated amount for nine months pursuant to his employment agreement.

(8)

Mr. Drechsler's 2017 salary covers the period from January 1, 2017 through his departure date of March 31, 2017. Mr. Drechsler's approved annual salary for 2017 was $390,480.

2017 Grants of Plan-Based Awards

The following table sets forth certain information regarding the annual cash incentive awards and stock option grants made to our named executive officers during the year ended December 31, 2017. No other plan-based awards were granted to any of our named executive officers during 2017. Mr. Drechsler was not eligible to receive annual cash incentive awards or stock option grants in 2017.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan	All Other Stock Awards: Number of Shares of Restricted Stock Units (RSUs)	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Target (#)	(#)	(#)(2)	($/Sh)	($)(3)
William H. Lewis			$339,900	$679,800					
	1/5/2017						175,530	$13.67	$1,600,026
	5/17/2017						142,080	$17.16	$1,599,977
Paolo Tombesi		$10,875	$174,000	$326,250					
	6/1/2017						127,160	$15.60	$1,300,046
Roger Adsett		$10,911	$174,580	$327,338					
	1/5/2017						82,280	$13.67	$750,015
	5/17/2017						76,600	$17.16	$862,600
Christine Pellizzari		$10,384	$166,136	$311,505					
	1/5/2017						65,820	$13.67	$599,975
	5/17/2017						60,780	$17.16	$684,450
Paul Streck.		$10,625	$170,000	$318,750					
	6/5/2017						109,210	$15.38	$1,099,996
Andrew T. Drechsler									

(1)

Constitutes threshold, target and maximum award opportunities for our named executive officers under our annual cash incentive program. See "Compensation Discussion and Analysis Components of Compensation Annual Cash Incentives" for information regarding the criteria applied in determining the amounts payable under the awards. The actual amounts paid with respect to these awards are included in the "Non-Equity Incentive Plan Compensation" column in the Summary Compensation Table.

(2)

The amounts shown in this column reflect stock options granted to our named executive officers pursuant to our 2015 and 2017 Incentive Plans. The vesting schedule for these grants is as follows: 25% on the first anniversary of the date of grant and 12.5% of the shares vesting on each six-month anniversary thereafter until the fourth anniversary of the date of grant.

(3) Reflects grant date fair values of stock option awards granted during the applicable year, calculated in accordance with FASB ASC Topic 718, except the assumption of forfeitures is not made. See Note 8 of the consolidated financial statements in the Company's Form 10-K for year ended 2017 regarding assumptions underlying valuation of all equity awards.

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Narrative Disclosure to Summary Compensation Table and 2017 Grants of Plan-Based Awards Table

Employment Agreements

Our employment agreements for our named executive officers and other officers generally provide for no fixed termination or other expiration dates. See "Potential Payments Upon Termination or Change in Control" for information regarding the terms of these agreements that would be relevant in the event of the executive's termination or upon a change in control.

William H. Lewis. On September 10, 2012, we entered into an employment agreement with Mr. Lewis under which he is entitled to an annual base salary, a target annual bonus opportunity equal to 50% of his base salary and participation in Company benefit plans generally provided to the Company's executive personnel, including participation in any equity incentive plans maintained by the Company. For 2017, Mr. Lewis's base salary was increased to $566,500 and his target bonus percentage remained consistent with the prior year at 60%.

Paolo Tombesi. On June 1, 2017, we entered into an employment agreement with Mr. Tombesi under which he is entitled to an annual base salary, a target annual bonus opportunity equal to 40% of his base salary and participation in Company benefit plans generally provided to the Company's executive personnel, including participation in any equity incentive plans maintained by the Company. For 2017, Mr. Tombesi's initial base salary was at an annual rate of $435,000. He also received a sign-on bonus of $40,000 upon the completion of 30 days of employment

Roger Adsett. On September 27, 2016, we entered into an employment agreement with Mr. Adsett under which he is entitled to an annual base salary, a target annual bonus opportunity equal to 40% of his base salary and participation in Company benefit plans generally provided to the Company's executive personnel, including participation in any equity incentive plans maintained by the Company. For 2017, Mr. Adsett's base salary was increased to $436,450 and his target bonus percentage remained consistent with the prior year at 40%.

Christine Pellizzari. On July 29, 2013, we entered into an employment agreement with Ms. Pellizzari under which she is entitled to an annual base salary, a target annual bonus opportunity equal to 40% of her base salary and participation in Company benefit plans generally provided to the Company's executive personnel, including participation in any equity incentive plans maintained by the Company. On September 26, 2016, we entered into an amended employment agreement with Ms. Pellizzari to revise certain terms of her employment agreement related to severance, as described in more detail below. For 2017, Ms. Pellizzari's base salary was increased to $415,340 and her target bonus remained consistent with the prior year at 40%.

Paul Streck. On June 5, 2017, we entered into an employment agreement with Dr. Streck under which he is entitled to an annual base salary, a target annual bonus opportunity equal to 40% of his base salary and participation in Company benefit plans generally provided to the Company's executive personnel, including participation in any equity incentive plans maintained by the Company. For 2017, Dr. Streck's initial base salary was at an annual rate of $425,000. Dr. Streck also received a sign-on bonus of $40,000 upon the completion of 30 days of employment. We further agreed to reimburse Dr. Streck for certain other fees and expenses incurred by him in connection with entering into the employment agreement and joining the Company, up to a maximum of $50,000.

Andrew T. Drechsler. On November 7, 2012, we entered into an employment agreement with Mr. Drechsler under which he was entitled to an annual base salary, a target annual bonus opportunity equal to 30% of his base salary and participation in Company benefit plans generally provided to the Company's executive personnel, including participation in any equity incentive plans maintained by the Company. For 2017, Mr. Drechsler's base salary was increased to $390,480. Mr. Drechsler announced his resignation in November 2016 and left the Company in March 2017, and was not eligible for an annual bonus.

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Outstanding Equity Awards at 2017 Year End

The following table sets forth certain information regarding the stock options held by each of our named executive officers as of December 31, 2017. None of our named executive officers held unvested RSUs as of December 31, 2017.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (#)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#)
William H. Lewis	708,314			$3.40	09/10/2022(1)				
	186,170			$4.55	09/28/2022(1)				
	83,334			$12.44	05/23/2023(1)				
	83,333	83,333		$12.44	05/23/2023(2)				
	250,000			$14.24	10/31/2023(1)				
	43,750	6,250		$20.49	01/10/2024(1)				