MERRIMACK PHARMACEUTICALS INC
Form DEF 14A
March 27, 2015
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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

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Merrimack Pharmaceuticals, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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March 27, 2015

Dear Merrimack Pharmaceuticals, Inc. Stockholder:

You are cordially invited to our Annual Meeting of Stockholders on Tuesday, May 12, 2015, beginning at 3:00 p.m., Eastern time, at the Hotel Marlowe at 25 Edwin H. Land Boulevard, Cambridge, Massachusetts 02141. The enclosed notice of annual meeting of stockholders sets forth the proposals that will be presented at the meeting, which are described in more detail in the enclosed proxy statement. Our board of directors recommends that you vote FOR each of the director nominees in Proposal 1, FOR Proposal 2 (say-on-pay), ONE YEAR for Proposal 3 (frequency of future say-on-pay votes) and FOR Proposal 4 (ratification of our independent auditors).

We look forward to seeing you there.

Very truly yours,

Robert J. Mulroy

President and Chief Executive Officer

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MERRIMACK PHARMACEUTICALS, INC.

One Kendall Square, Suite B7201

Cambridge, Massachusetts 02139

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held on Tuesday, May 12, 2015

The 2015 Annual Meeting of Stockholders (the Annual Meeting) of Merrimack Pharmaceuticals, Inc., a Delaware corporation (Merrimack), will be held on Tuesday, May 12, 2015, at 3:00 p.m., Eastern time, at the Hotel Marlowe at 25 Edwin H. Land Boulevard, Cambridge, Massachusetts 02141, to consider and act upon the following matters:

1. To elect nine directors for a one year term, to hold office until the 2016 Annual Meeting of Stockholders;

2. To hold a non-binding, advisory vote on executive compensation;

3. To hold a non-binding, advisory vote on the frequency of future executive compensation advisory votes;

4. To ratify the selection of PricewaterhouseCoopers LLP as Merrimack s independent registered public accounting firm for the fiscal year ending December 31, 2015; and

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

Stockholders of record at the close of business on March 18, 2015 will be entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

By Order of the Board of Directors,

Robert J. Mulroy

President and Chief Executive Officer

Cambridge, Massachusetts

March 27, 2015

YOU MAY OBTAIN ADMISSION TO THE ANNUAL MEETING BY IDENTIFYING YOURSELF AT THE ANNUAL MEETING AS A STOCKHOLDER AS OF THE RECORD DATE. IF YOU ARE A RECORD OWNER, POSSESSION OF A COPY OF A PROXY CARD WILL BE ADEQUATE IDENTIFICATION. IF YOU ARE A BENEFICIAL (BUT NOT RECORD) OWNER, A COPY OF AN ACCOUNT STATEMENT FROM YOUR BANK, BROKER OR OTHER NOMINEE SHOWING SHARES HELD FOR YOUR BENEFIT ON MARCH 18, 2015 WILL BE ADEQUATE IDENTIFICATION.

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO HELP ENSURE REPRESENTATION OF YOUR SHARES AT THE ANNUAL MEETING. NO POSTAGE NEED BE AFFIXED IF THE PROXY CARD IS MAILED IN THE UNITED STATES. ALTERNATIVELY, YOU MAY SUBMIT YOUR VOTE VIA THE INTERNET OR BY TELEPHONE BY FOLLOWING THE INSTRUCTIONS SET FORTH ON THE ENCLOSED PROXY CARD.

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MERRIMACK PHARMACEUTICALS, INC.

One Kendall Square, Suite B7201

Cambridge, Massachusetts 02139

PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON TUESDAY, MAY 12, 2015

Information About the Annual Meeting and Voting

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors (the board of directors or the board) of Merrimack Pharmaceuticals, Inc. (Merrimack, we or us) for use at the 2015 Annual Mee of Stockholders (the Annual Meeting) to be held on Tuesday, May 12, 2015, at 3:00 p.m., Eastern time, at the Hotel Marlowe at 25 Edwin H. Land Boulevard, Cambridge, Massachusetts 02141, and at any adjournment or postponement thereof. On March 18, 2015, the record date for the determination of stockholders entitled to vote at the Annual Meeting, there were outstanding and entitled to vote an aggregate of 107,596,350 shares of our common stock, par value $0.01 per share (common stock). Each share of common stock entitles the record holder thereof to one vote on each of the matters to be voted on at the Annual Meeting.

This proxy statement, the enclosed proxy card and our 2014 annual report to stockholders were first made available to stockholders on or about March 27, 2015.

Your vote is important no matter how many shares you own. Please take the time to vote. Take a moment to read the instructions below. Choose the way to vote that is easiest and most convenient for you, and cast your vote as soon as possible.

If you are the record holder of your shares, meaning that you own your shares in your own name and not through a bank, broker or other nominee, you may vote in one of four ways:

(1) *You may vote over the Internet.* You may vote your shares by following the Vote by Internet instructions on the enclosed proxy card. If you vote over the Internet, you do not need to vote by telephone or complete and mail your proxy card.

(2) *You may vote by telephone.* You may vote your shares by following the Vote by Phone instructions on the enclosed proxy card. If you vote by telephone, you do not need to vote over the Internet or complete and mail your proxy card.

(3) *You may vote by mail.* You may vote by completing, dating and signing the proxy card delivered with this proxy statement and promptly mailing it in the enclosed postage-paid envelope. If you vote by mail, you do not need to vote over the Internet or by telephone.

(4) *You may vote in person.* If you attend the Annual Meeting, you may vote by delivering your completed proxy card in person or you may vote by completing a ballot at the Annual Meeting. Ballots will be available at the Annual Meeting.

All proxies that are executed or are otherwise submitted over the Internet or by telephone will be voted on the matters set forth in the accompanying Notice of Annual Meeting of Stockholders in accordance with the stockholders instructions. However, if no choice is specified on a proxy as to one or more of the proposals, the proxy will be voted in accordance with our board of directors recommendations on such proposals as set forth in this proxy statement.

After you have submitted a proxy, you may still change your vote and revoke your proxy prior to the Annual Meeting by doing any one of the following things:

submitting a new proxy by following the Vote by Internet or Vote by Phone instructions on the enclosed proxy card up until 11:59 p.m., Eastern time, the day before the Annual Meeting;

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- signing another proxy card and either arranging for delivery of that proxy card by mail prior to the start of the Annual Meeting, or by delivering that signed proxy card in person at the Annual Meeting;

- giving our Corporate Secretary a written notice before or at the Annual Meeting that you want to revoke your proxy; or

- voting in person at the Annual Meeting.

Your attendance at the Annual Meeting alone will not revoke your proxy.

If the shares you own are held in street name by a bank, broker or other nominee record holder, which, for convenience, we collectively refer to in this proxy statement as brokerage firms, your brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your brokerage firm provides you. Many brokerage firms also offer the option of providing for voting over the Internet or by telephone, instructions for which, if available, would be provided by your brokerage firm on the voting instruction form that it delivers to you. Under applicable stock exchange rules, if you do not give instructions to your brokerage firm subject to these rules, it will still be able to vote your shares with respect to certain discretionary items, but will not be allowed to vote your shares with respect to certain non-discretionary items. The ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm (Proposal 4) is considered to be a discretionary item, and your brokerage firm will be able to vote on that item even if it does not receive instructions from you, so long as it holds your shares in its name. The election of directors (Proposal 1), the non-binding, advisory vote on executive compensation, or say-on-pay vote (Proposal 2), and the non-binding, advisory vote on the frequency of future say-on-pay votes (Proposal 3) are all non-discretionary items, meaning that if you do not instruct your brokerage firm on how to vote with respect to any of these proposals, your brokerage firm will not vote with respect to that proposal and your shares will be counted as broker non-votes. Broker non-votes are shares that are held in street name by a brokerage firm that indicates on its proxy that it does not have or did not exercise discretionary authority to vote on a particular matter.

If your shares are held in street name, you must bring an account statement from your brokerage firm showing that you are the beneficial owner of the shares as of the record date (March 18, 2015) in order to be admitted to the Annual Meeting. To be able to vote your shares held in street name at the Annual Meeting, you will need to obtain a proxy card from the holder of record.

Votes Required

The holders of a majority of the shares of our common stock issued and outstanding and entitled to vote at the Annual Meeting will constitute a quorum for the transaction of business at the Annual Meeting. Shares of common stock represented in person or by proxy (including broker non-votes and shares that abstain or do not vote with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum is present at the Annual Meeting. The following votes are required for approval of the proposals being presented at the Annual Meeting:

Proposal 1: Election of Directors. A nominee will be elected as a director at the Annual Meeting if the nominee receives a plurality of the votes cast FOR the applicable seat on our board of directors.

Proposal 2: Advisory Vote on Executive Compensation, or Say-on-Pay. This proposal calls for a non-binding, advisory vote, and accordingly there is no required vote that would constitute approval. However, our board, including our organization and compensation committee, values the opinions of our stockholders and, to the extent there are a substantial number of votes cast against the executive officer compensation as disclosed in this proxy statement, we will consider our stockholders concerns and evaluate what actions may be appropriate to address those concerns.

Proposal 3: Advisory Vote on Frequency of Say-on-Pay Votes. This proposal provides a choice among three frequency periods (every one, two or three years) for future advisory say-on-pay votes. The frequency period that

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receives the most votes will be deemed to be the recommendation of our stockholders. However, because this vote is advisory and not binding on our board, we may decide that it is in the best interests of our stockholders and Merrimack to hold a say-on-pay vote more or less frequently than the frequency period selected by a plurality of our stockholders.

Proposal 4: Ratification of Independent Auditors. The affirmative vote of the holders of shares of common stock representing a majority of the votes cast on the matter is required for the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year.

Shares that abstain from voting as to a particular matter and shares held in street name by brokerage firms who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter will not be counted as votes in favor of such matter, and will also not be counted as shares voting on such matter. Accordingly, abstentions and broker non-votes will have no effect on the voting on the proposals referenced above.

Important Notice Regarding the Availability of Proxy Materials for

the Annual Meeting of Stockholders to Be Held on May 12, 2015:

This proxy statement and our 2014 annual report to stockholders are available at

www.proxyvote.com for viewing, downloading and printing.

A copy of our Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission, or SEC, except for exhibits, will be furnished without charge to any stockholder upon written or oral request to Merrimack Pharmaceuticals, Inc., One Kendall Square, Suite B7201, Cambridge, Massachusetts 02139, Attention: Corporate Secretary, Telephone: (617) 441-1000.

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CORPORATE GOVERNANCE

Board of Directors

Members of Our Board of Directors

Set forth below are the names and certain information about each of our directors as of March 15, 2015. The information presented includes each director s principal occupation and business experience for the past five years and the names of other public companies of which he or she has served as a director during the past five years. We believe that all of our directors possess the attributes and characteristics described in Board Processes Director Nomination Process.

Name	Age	Position
Robert J. Mulroy (4)	50	President, Chief Executive Officer and Director
Gary L. Crocker (2)(4)	63	Chairman of the Board
Gordon J. Fehr (1)(3)	81	Director
Vivian S. Lee, M.D., Ph.D. (3)	48	Director
John Mendelsohn, M.D. (3)	78	Director
Ulrik B. Nielsen, Ph.D.	42	Director
Michael E. Porter, Ph.D. (2)(4)	67	Director
James H. Quigley (1)	63	Director
Russell T. Ray (1)	67	Director

(1) Member of the audit committee.
(2) Member of the corporate governance and nominating committee.
(3) Member of the organization and compensation committee.
(4) Member of the executive committee.

Robert J. Mulroy has served as our President and Chief Executive Officer and a member of our board of directors since May 1999. Prior to joining us, Mr. Mulroy worked as a management consultant in the pharmaceutical and healthcare industries. Mr. Mulroy has also worked as a consultant in the field of international development and has served as an advisor to multiple start-up companies in the biotechnology industry. Mr. Mulroy holds a master s degree in public and private management from Yale University and a B.A. from Stanford University. We believe that Mr. Mulroy is qualified to serve on our board of directors because of his extensive executive leadership experience, many years of service as one of our directors and our President and Chief Executive Officer and extensive knowledge of our company and industry.

Gary L. Crocker has served as a member of our board of directors since 2004 and as Chairman of our board of directors since 2005. Mr. Crocker is President and Managing Director of Crocker Ventures, LLC, a privately-held life science investment firm funding differentiated biotechnology and medical device companies. Mr. Crocker has held senior executive positions or served on the board of directors of several life science companies, including as Chairman of the Board of ARUP Laboratories, co-founder and director of Theratech, Inc. (acquired by Actavis plc) and President, Chief Executive Officer and founder of Research Medical, Inc. (acquired by Baxter International). Mr. Crocker also served on the boards of directors of the publicly traded firms Interleuken Genetics, Inc. and The Med-Design Corporation. Mr. Crocker served as a member of the board of the Federal Reserve Branch of San Francisco from 1999 to 2007, and currently serves as the Chairman of the University of Utah s Center for Medical

Innovation and on the board of the Sorenson Legacy Foundation. Mr. Crocker holds an M.B.A. from Harvard Business School and a B.S. from Harvard College. We believe that Mr. Crocker is qualified to serve on our board of directors due to his experience in the life sciences industry as an entrepreneur, venture capitalist and executive and his service on the boards of directors of a range of public and private companies and government institutions, as well as his ability to provide us with his expertise in diagnostics and therapeutic development.

Gordon J. Fehr has served as a member of our board of directors since 1999. Mr. Fehr retired from the board of directors of the Research Institute of McGill University Health Centers in October 2011, where he had served since 1996. In 1963, Mr. Fehr joined Pfizer Canada, Inc., or Pfizer Canada, as the Assistant to the President of Pfizer Canada and later became Pfizer Canada s Controller and the General Manager of the Chemical Division. In 1972, Mr. Fehr was named Chairman and President of Pfizer Canada, a position he held until his retirement in 1994. Mr. Fehr served as a member of the board of directors of Labopharm, Inc. from 1998 to 2007. Mr. Fehr also served as President and Chairman of the Montreal Board of Trade from 1983 to 1984 and as a member of the board of directors of the Montreal Airport Authority from 1992 to 2002. In addition, Mr. Fehr has served on advisory boards for the National Research Council s Biotechnology Research Institute and the Montreal Center of Innovative Technology, where he was Chairman of the biotechnology committee. Mr. Fehr holds a B.Eng. in chemical engineering from McGill University. We believe that Mr. Fehr is qualified to serve on our board of directors due to his expertise in the commercialization of pharmaceuticals, his leadership and management experience from his service as an executive for a public pharmaceutical company and his knowledge of our business and industry.

Vivian S. Lee, M.D., Ph.D. has served as a member of our board of directors since November 2014. Dr. Lee has served as Senior Vice President for Health Sciences at the University of Utah, Dean of the University of Utah s School of Medicine and Chief Executive Officer of University of Utah Health Care since July 2011. From 2007 to June 2011, Dr. Lee served as Vice Dean for Science, Senior Vice President and Chief Scientific Officer of New York University Medical Center. Dr. Lee has also served as Chair of the Medical Imaging National Institute of Health (NIH) study section and is a Fellow and past President of the International Society of Magnetic Resonance in Medicine. Dr. Lee holds a Ph.D. in medical engineering from Oxford University, an M.D. from Harvard Medical School, an M.B.A. from the Stern School of Business at New York University and a B.A. from Harvard-Radcliffe College. We believe that Dr. Lee is qualified to serve on our board of directors due to her knowledge of the healthcare industry, her expertise in medical imaging and her leadership and management experience.

John Mendelsohn, M.D. has served as a member of our board of directors since June 2012. Dr. Mendelsohn has served as the Co-Director of the Khalifa Institute for Personalized Cancer Therapy at The University of Texas MD Anderson Cancer Center since September 2011. Dr. Mendelsohn also served as President of the MD Anderson Cancer Center from 1996 to August 2011. Prior to joining the MD Anderson Cancer Center, Dr. Mendelsohn was founding director of the cancer center at the University of California San Diego and served as Chairman of Medicine at Memorial Sloan-Kettering Cancer Center from 1985 to 1996. Dr. Mendelsohn also currently serves as the L.E. and Virginia Simmons Senior Fellow in Health and Technology Policy at the James A. Baker, III Institute for Public Policy. Dr. Mendelsohn is recognized for his research on the binding of growth factors to cell surface receptors and how they regulate cell functions, which led to the discovery, development and eventual commercialization of the cancer therapy cetuximab (Erbitux®). Dr. Mendelsohn holds an M.D. from Harvard Medical School and a B.S. from Harvard College. We believe that Dr. Mendelsohn is qualified to serve on our board of directors due to his expertise in cancer research and his experience leading a cancer treatment and research center.

Ulrik B. Nielsen, Ph.D. has served as a member of our board of directors since January 2015 and is one of our co-founders. Dr. Nielsen led our research and drug discovery from when he joined us in 2002 to January 2015, including as our Senior Vice President and Chief Scientific Officer from March 2009 until January 2015. Dr. Nielsen has served as Chief Executive Officer of Torque Inc., a biotechnology company, since January 2015. Dr. Nielsen also served as Chief Executive Officer of Silver Creek Pharmaceuticals, Inc., a majority owned subsidiary of ours, from July 2010 to March 2014. Dr. Nielsen holds a Ph.D. in molecular biology and an M.S. in biochemistry from the University of Copenhagen. We believe that Dr. Nielsen is qualified to serve on our board of directors due to his extensive knowledge of Merrimack, his leadership and management experience at Merrimack and Silver Creek Pharmaceuticals, Inc. and his thorough understanding of our business and industry.

Michael E. Porter, Ph.D. has served as a member of our board of directors since December 2010. Dr. Porter was also a strategy advisor to us from 1999 until he joined our board in December 2010. Dr. Porter is the Bishop William

Lawrence University Professor at Harvard Business School and has been on the faculty at

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Harvard Business School since 1973. Dr. Porter also served on the boards of directors of PTC Inc. from 1995 to 2015, The Scotts Miracle-Gro Company from 2013 to 2015 and Thermo Fisher Scientific Inc. from 2001 to 2012. Dr. Porter has written extensively on healthcare delivery and has worked with leading healthcare providers in multiple countries and with government leaders on healthcare policy issues. Dr. Porter holds a Ph.D. in business economics from Harvard University, an M.B.A. from Harvard Business School and a B.S.E. from Princeton University. We believe that Dr. Porter is qualified to serve on our board of directors due to his expertise in corporate strategy, healthcare delivery and the development of companies in the life sciences industry, as well as his experience as an advisor and consultant to many leading companies globally, including a range of healthcare and pharmaceutical companies.

James H. Quigley has served as a member of our board of directors since July 2012. Mr. Quigley also currently serves on the boards of directors of Hess Corporation and Wells Fargo & Company. Mr. Quigley retired as a Senior Partner from Deloitte LLP, a global public accounting firm, in June 2012, where he also served as Chief Executive Officer of Deloitte Touche Tohmatsu, Limited (Deloitte s global network) from June 2007 to June 2011. Mr. Quigley is actively engaged in a number of business organizations and committees, including as U.S. co-chairman of the TransAtlantic Business Dialogue, a member of the board of directors of the German Marshall Fund of the United States and the Economic Club of New York, and a trustee of the International Financial Reporting Standards (IFRS) Foundation. Mr. Quigley is also a member of the National Advisory Committee of Brigham Young University and the Advisory Board of the Center for Leadership and Ethics at Duke University s Fuqua School of Business. Mr. Quigley holds a B.S. and an honorary Doctorate of Business from Utah State University. We believe that Mr. Quigley is qualified to serve on our board of directors due to his expertise in financial reporting and auditing, his experience as a leader of a global firm and his experience working with the boards of directors of a range of public and private companies as their independent auditor.

Russell T. Ray has served as a member of our board of directors since January 2015. Mr. Ray has been a Senior Advisor to HLM Venture Partners, a healthcare venture capital firm, since January 2014. Mr. Ray was also a Partner at HLM Venture Partners from 2003 to December 2013. From 1999 to 2003, Mr. Ray was a Managing Director and Global Co-Head of Healthcare Investment Banking at Credit Suisse First Boston. From 1987 to 1999, Mr. Ray was a Managing Director and Global Head of Healthcare Investment Banking at Deutsche Bank and its predecessor entities, BT Alex. Brown and Alex. Brown & Sons. Mr. Ray also serves on the board of directors of SWP Media, Inc. (a private company) and served on the board of directors of Allergan, Inc. from 2003 to March 2015. Mr. Ray holds an M.B.A. from the Wharton School at the University of Pennsylvania, an M.S. in evolutionary biology from the University of Pennsylvania and B.S. degrees from the United States Military Academy and the University of Washington. We believe that Mr. Ray is qualified to serve on our board of directors due to his knowledge of the healthcare industry, his financial expertise and his management background as an executive in the financial services industry.

Board Composition

Our board of directors is currently authorized to have nine members. All of our directors are elected annually for a one year term expiring at the next annual meeting of stockholders. Each director will hold office until his or her successor has been elected and qualified or until his or her earlier death, resignation or removal. Our bylaws provide that the authorized number of directors may be changed only by resolution of our board of directors. Our bylaws also provide that our directors may be removed with or without cause by the affirmative vote of the holders of at least a majority of the votes that all of our stockholders would be entitled to cast in an annual election of directors, and that any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of our directors then in office.

Board Determination of Independence

Rule 5605 of the NASDAQ Marketplace Rules requires a majority of a listed company s board of directors to be comprised of independent directors. In addition, the NASDAQ Marketplace Rules require that, subject to specified exceptions, each member of a listed company s audit, compensation and corporate governance and

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nominating committees be independent and that audit committee members also satisfy independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Under Rule 5605(a)(2), a director will only qualify as an independent director if, in the opinion of our board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee: (1) accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries; or (2) be an affiliated person of the listed company or any of its subsidiaries. In addition, in affirmatively determining the independence of any director who will serve on a company s compensation committee, Rule 10C-1 under the Exchange Act requires that a company s board of directors consider all factors specifically relevant to determining whether a director has a relationship to such company which is material to that director s ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to: (i) the source of compensation of the director, including any consulting, advisory or other compensatory fee paid by such company to the director; and (ii) whether the director is affiliated with the company or any of its subsidiaries or affiliates.

Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, our board of directors has determined that none of Mr. Crocker, Mr. Fehr, Dr. Lee, Dr. Mendelsohn, Dr. Porter, Mr. Quigley and Mr. Ray, representing seven of our nine directors, has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is independent as that term is defined under Rule 5605(a)(2) of the NASDAQ Marketplace Rules. Our board previously made a similar determination of independence with respect to James van B. Dresser, who served as a director until November 2014, Sarah E. Nash, who served as a director until December 2014 and Anthony J. Sinskey, who served as a director until January 2015. Our board of directors has also determined that Mr. Fehr, Mr. Quigley and Mr. Ray, who comprise our audit committee, Mr. Crocker and Dr. Porter, who comprise our corporate governance and nominating committee, and Mr. Fehr, Dr. Lee and Dr. Mendelsohn, who comprise our organization and compensation committee, each satisfy the independence standards for such committees established by the SEC and the NASDAQ Marketplace Rules, as applicable. In making such determination, our board of directors considered the relationships that each such non-employee director has with Merrimack, including each of the transactions described below in Board Policies Related Person Transactions, and all other facts and circumstances our board of directors deemed relevant in determining independence.

How Our Board Is Organized

Board Leadership Structure

Our board of directors, upon the recommendation of our corporate governance and nominating committee, has determined that the roles of Chairman of the Board and Chief Executive Officer should be separated at the current time. Accordingly, our board has appointed Mr. Crocker, an independent director within the meaning of NASDAQ Marketplace Rules, as the Chairman of the Board.

Mr. Crocker s duties as Chairman of the Board include the following:

- chairing meetings of our board and of the independent directors in executive session;

meeting with any director who is not adequately performing his or her duties as a member of our board or any committee;

facilitating communications between other members of our board and the Chief Executive Officer;

determining the frequency and length of board meetings and recommending when special meetings of our board should be held;

- preparing or approving the agenda for each board meeting; and
- reviewing and, if appropriate, recommending action to be taken with respect to written communications from stockholders submitted to our board.

Our board of directors decided to separate the roles of Chairman of the Board and Chief Executive Officer because it believes that a bifurcated leadership structure offers the following benefits:

- increasing the independent oversight of Merrimack and enhancing our board s objective evaluation of the Chief Executive Officer;
- freeing the Chief Executive Officer to focus on company operations instead of board administration;
- providing the Chief Executive Officer with an experienced sounding board;
- providing greater opportunities for communication between stockholders and our board;
- enhancing the independent and objective assessment of risk by our board; and
- providing an independent spokesman for Merrimack.

Board Committees

Our board of directors has established an audit committee, a corporate governance and nominating committee, an organization and compensation committee and an executive committee, each of which operates under a charter that has been approved by our board. Copies of the committee charters are posted on the Investor Relations section of our website, which is located at investors.merrimackpharma.com.

Audit Committee

The members of our audit committee are Mr. Fehr, Mr. Quigley and Mr. Ray. Mr. Quigley chairs the audit committee. Our audit committee s responsibilities include:

- appointing, approving the compensation of and assessing the independence of our registered public accounting firm;
- overseeing the work of our independent registered public accounting firm, including through the receipt and consideration of reports and other communications from such firm;

- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;

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

- overseeing our internal audit function;

- overseeing our risk assessment and risk management policies;

- establishing policies regarding hiring employees from the independent registered public accounting firm and procedures for the receipt and retention of accounting-related complaints and concerns;

- meeting independently with our internal auditing staff, independent registered public accounting firm and management;

- reviewing and approving or ratifying any related person transactions; and

- preparing the audit committee report required by SEC rules.

All audit and non-audit services, other than *de minimis* non-audit services, to be provided to us by our independent registered public accounting firm must be approved in advance by our audit committee.

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Our board of directors has determined that each of Mr. Fehr and Mr. Quigley is an audit committee financial expert as defined in applicable SEC rules. We believe that the composition of our audit committee meets the requirements for independence under the current NASDAQ Marketplace Rules and SEC rules and regulations.

The audit committee met nine times during 2014.

Corporate Governance and Nominating Committee

The members of our corporate governance and nominating committee are Mr. Crocker and Dr. Porter. Dr. Porter chairs the corporate governance and nominating committee. Our corporate governance and nominating committee s responsibilities include:

- identifying individuals qualified to become members of our board;
- recommending to our board the persons to be nominated for election as directors and to each of our board s committees;
- reviewing and making recommendations to our board with respect to our board leadership structure;
- developing and recommending to our board corporate governance principles; and
- overseeing an annual evaluation of our board.

The corporate governance and nominating committee met five times during 2014.

Organization and Compensation Committee

The members of our organization and compensation committee are Mr. Fehr, Dr. Lee and Dr. Mendelsohn. Mr. Fehr chairs the organization and compensation committee. Our organization and compensation committee s responsibilities include:

- annually reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer and our other executive officers;
- determining our Chief Executive Officer s compensation;
- reviewing and approving, or making recommendations to our board with respect to, the compensation of our other executive officers;

- overseeing an evaluation of our executive officers;
- overseeing and administering our cash and equity incentive plans;
- reviewing and making recommendations to our board with respect to director compensation;
- reviewing and making recommendations to our board with respect to management succession planning;
- reviewing and discussing annually with management our Compensation Discussion and Analysis disclosure required by SEC rules; and
- preparing the organization and compensation committee report required by SEC rules.

The processes and procedures followed by our organization and compensation committee in considering and determining executive and director compensation are described below under Board Processes Executive and Director Compensation Processes.

The organization and compensation committee met seven times during 2014.

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Executive Committee

The members of our executive committee are Mr. Crocker, Mr. Mulroy and Dr. Porter. Mr. Crocker chairs the executive committee. Our executive committee has, and may exercise when necessary, all of the authority and powers of our full board of directors during the intervals between meetings of our board, except as limited by Delaware law.

The executive committee met five times during 2014.

Compensation Committee Interlocks and Insider Participation

The members of our organization and compensation committee during 2014 were Mr. Fehr, Dr. Lee, Dr. Mendelsohn and Dr. Sinskey, who resigned from our board effective January 30, 2015. No other person served as a member of our organization and compensation committee during 2014. None of our executive officers serves as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who serve as members of our board of directors or our organization and compensation committee. None of the members of our organization and compensation committee is an officer or employee of Merrimack, nor have they ever been an officer or employee of Merrimack.

Board Meetings and Attendance

Our board of directors met eleven times during 2014. During 2014, each director attended at least 75% of the aggregate of the number of board meetings and the number of meetings held by all committees of our board on which he or she then served.

Our directors are expected to attend our annual meetings of stockholders. Eight of our nine directors then serving attended our 2014 Annual Meeting of Stockholders.

Board Processes

Oversight of Risk

Our board oversees our risk management processes directly and through its committees. Our management is responsible for risk management on a day-to-day basis. The role of our board and its committees is to oversee the risk management activities of management. They fulfill this duty by discussing with management the policies and practices utilized by management in assessing and managing risks and providing input on those policies and practices. In general, our board oversees risk management activities relating to business strategy, acquisitions, capital allocation, organizational structure and certain operational risks; our audit committee oversees risk management activities related to financial controls and legal and compliance risks; our corporate governance and nominating committee oversees risk management activities relating to board composition; and our organization and compensation committee oversees risk management activities relating to our compensation policies and practices and management succession planning. Each committee reports to the full board on a regular basis, including reports with respect to the committee s risk oversight activities as appropriate. In addition, since risk issues often overlap, committees from time to time request that that the full board discuss particular risks.

Director Nomination Process

The process followed by our corporate governance and nominating committee to identify and evaluate director candidates may include requests to board members and others for recommendations, evaluation of the performance on our board and its committees of any existing directors being considered for nomination, consideration of biographical information and background material relating to potential candidates and, particularly in the case of potential candidates who are not then serving on our board, interviews of selected candidates by members of the committee and our board.

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In considering whether to recommend any particular candidate for inclusion in our board s slate of recommended director nominees, our corporate governance and nominating committee applies the criteria set forth in our corporate governance guidelines. Consistent with these criteria, our corporate governance and nominating committee expects every nominee to have the following attributes or characteristics, among others: integrity, honesty, adherence to high ethical standards, business acumen, good judgment and a commitment to understand our business and industry.

All of the director nominees are currently members of our board of directors. The nominee biographies under Board of Directors Members of Our Board of Directors indicate the experience, qualifications, attributes and skills of each of our current directors that led our corporate governance and nominating committee and our board to conclude he or she should continue to serve as a director of Merrimack. Our corporate governance and nominating committee and our board believe that each of the nominees has the individual attributes and characteristics required of our directors, and that the nominees as a group possess the skill sets and specific experience desired of our board as a whole.

Our corporate governance and nominating committee considers the value of diversity when selecting nominees, and believes that our board, taken as a whole, should embody a diverse set of skills, experiences and backgrounds. The committee does not make any particular weighting of diversity or any other characteristic in evaluating nominees and directors.

Stockholders may recommend individuals for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials, and information with respect to the stockholder or group of stockholders making the recommendation, including the number of shares of common stock owned by such stockholder or group of stockholders, to our Corporate Secretary at Merrimack Pharmaceuticals, Inc., One Kendall Square, Suite B7201, Cambridge, Massachusetts 02139, Attention: Corporate Secretary. The specific requirements for the information that is required to be provided for such recommendations to be considered are specified in our bylaws and must be received by us no later than the date referenced below in Other Matters Deadline for Submission of Stockholder Proposals for 2016 Annual Meeting of Stockholders. Assuming that appropriate biographical and background material has been provided on a timely basis, the corporate governance and nominating committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others.

Executive and Director Compensation Processes

Our executive compensation program is administered by the organization and compensation committee of our board of directors, subject to the oversight and approval of our full board of directors. Our organization and compensation committee reviews our executive compensation practices on an annual basis and based on this review makes recommendations to our board of directors for approval, which has full discretion to approve or modify the recommendations of the organization and compensation committee.

In designing our executive compensation program, our organization and compensation committee considers publicly available compensation data for national and regional companies in the biotechnology/pharmaceutical industry to help guide its executive compensation decisions at the time of hiring and for subsequent adjustments in compensation. Historically, our organization and compensation committee has also retained the services of Mercer, LLC, or Mercer, an independent compensation consultant, to provide it with additional comparative data on executive compensation practices in our industry and to advise it on our executive compensation program generally. Although the organization and compensation committee considers Mercer s advice and recommendations about our executive compensation program, the organization and compensation committee ultimately makes its own decisions about these matters. None of the organization and compensation committee members and none of our executive officers or directors have any relationship with Mercer or the individual consultants employed by Mercer. Mercer has not provided any other services to Merrimack other than compensation consulting services to the organization and compensation committee. The organization and compensation committee has determined that no conflicts of interest exist between Merrimack and Mercer. The organization and compensation committee is directly responsible for the appointment and oversight of any compensation consultants and other advisors it retains.

Our director compensation program is administered by our board of directors with the assistance of the organization and compensation committee. The organization and compensation committee periodically reviews director compensation and makes recommendations to our board with respect thereto.

Communications with Stockholders

Our management will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. Stockholders may communicate with our management by writing to our Corporate Secretary at Merrimack Pharmaceuticals, Inc., One Kendall Square, Suite B7201, Cambridge, Massachusetts 02139, Attention: Corporate Secretary, or by calling (617) 441-1000. Additional information about contacting Merrimack is available on the Investor Relations section of our website, which is located at investors.merrimackpharma.com.

In addition, stockholders who wish to communicate with our entire board may do so by writing to Gary L. Crocker, Chairman of the Board, Merrimack Pharmaceuticals, Inc., One Kendall Square, Suite B7201, Cambridge, Massachusetts 02139. Communications will be forwarded to other directors if they relate to substantive matters that the Chairman of the Board, in consultation with our General Counsel, considers appropriate for attention by the other directors. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances or matters as to which we tend to receive repetitive or duplicative communications.

Corporate Governance Guidelines

Our board of directors has adopted corporate governance guidelines to assist in the exercise of its duties and responsibilities and to serve the best interests of Merrimack and our stockholders. The guidelines provide that:

- our board s principal responsibility is to oversee the management of Merrimack;
- a majority of the members of our board must be independent directors;
- the independent directors meet in executive session at least twice a year;
- directors have full and free access to management and, as necessary, independent advisors;
- new directors participate in an orientation program and all directors are expected to participate in continuing director education on an ongoing basis; and

our board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively.

A copy of the corporate governance guidelines is posted under the heading Corporate Governance on the Investor Relations section of our website, which is located at investors.merrimackpharma.com.

Board Policies

Related Person Transactions

Our board of directors has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which Merrimack is a participant, the amount involved exceeds $120,000 and one of our executive officers, directors, director nominees or 5% stockholders, or their immediate family members, each of whom we refer to as a related person, has a direct or indirect material interest.

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If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a related person transaction, the related person must report the proposed related person transaction to our General Counsel. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by our audit committee. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the audit committee will review, and, in its discretion, may ratify the related person transaction. The policy also permits the chair of the audit committee to review and, if deemed appropriate, approve proposed related person transactions that arise between audit committee meetings, subject to ratification by the audit committee at its next meeting. Any related person transactions that are ongoing in nature will be reviewed annually.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the audit committee after full disclosure of the related person s interest in the transaction. As appropriate for the circumstances, the audit committee will review and consider:

- the related person s interest in the related person transaction;
- the approximate dollar value of the amount involved in the related person transaction;
- the approximate dollar value of the amount of the related person s interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction was undertaken in the ordinary course of our business;
- whether the terms of the transaction are no less favorable to us than terms that could have been reached with an unrelated third party;
- the purpose, and the potential benefits to us, of the transaction; and
- any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The audit committee may approve or ratify the transaction only if the audit committee determines that, under all of the circumstances, the transaction is in, or is not inconsistent with, Merrimack s best interests. The audit committee may impose any conditions on the related person transaction that it deems appropriate.

In addition to the transactions that are excluded by the instructions to the SEC s related person transaction disclosure rule, our board of directors has determined that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy:

interests arising solely from the related person s position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction and (c) the amount involved in the transaction equals less than the greater of $200,000 or 5% of the annual gross revenues of the company receiving payment under the transaction; and

a transaction that is specifically contemplated by provisions of our charter or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the organization and compensation committee in the manner specified in its charter.

Since January 1, 2014, we have engaged in the following related person transaction, which we believe was made on terms no less favorable to us than could have been obtained from unaffiliated third parties:

Sanofi. In September 2009, we entered into a license and collaboration agreement with Sanofi, a holder of more than 5% of our voting securities as of January 1, 2014, for the development and

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commercialization of MM-121. Under this agreement, we granted Sanofi an exclusive, royalty-bearing, worldwide right and license to develop and commercialize MM-121 in exchange for various upfront and milestone payments and royalties. On June 17, 2014, we agreed with Sanofi to terminate this agreement effective December 17, 2014. Sanofi was responsible for all development and manufacturing costs for MM-121. During 2014, we received $23,026,668 in reimbursements from Sanofi. Sanofi was no longer a holder of more than 5% of our voting securities as of December 31, 2014.

Code of Business Conduct and Ethics

Our board of directors has adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the code of business conduct and ethics is posted on the Investor Relations section of our website, which is located at investors.merrimackpharma.com. In addition, we intend to post on our website all disclosures that are required by law or the NASDAQ Marketplace Rules concerning any amendments to, or waivers from, any provision of our code of business conduct and ethics.

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EXECUTIVE COMPENSATION

Executive Officers

Our executive officers, their current positions and their ages as of March 15, 2015 are set forth below:

Name	Age	Position(s)
Robert J. Mulroy	50	President, Chief Executive Officer and Director
Peter N. Laivins	56	Head of Development
William M. McClements	51	Head of Corporate Operations
Birgit M. Schoeberl, Ph.D.	42	Head of Discovery
Edward J. Stewart	44	Head of Commercial
William A. Sullivan	43	Chief Financial Officer and Treasurer

In addition to Mr. Mulroy, whose biography is set forth above in Corporate Governance Board of Directors Members of Our Board of Directors, the biographies of our executive officers are as follows:

Peter N. Laivins has served as our Head of Development since May 2014. Mr. Laivins served as our Vice President of Clinical Development from October 2011 to May 2014. Previously, Mr. Laivins ran an independent consulting practice specializing in oncology and neuroscience from January 2010 to October 2011. Prior to that, Mr. Laivins served as Vice President of Strategic Marketing at Elan Corporation, plc, a biopharmaceutical company, from 2006 to January 2010. Mr. Laivins began his career at Pfizer Canada, joined Pfizer International in New York in 1995 and held positions of increasing responsibility at Pfizer Inc., culminating as Group Leader of Pfizer US Oncology Marketing until 2006. Mr. Laivins holds an M.B.A. and a B.S. from McGill University.

William M. McClements has served as our Head of Corporate Operations since September 2011. Previously, Mr. McClements served as Chief Human Resources Officer of Integreon Managed Solutions, Inc., a global research and business services company, from May 2010 to September 2011. Prior to that, Mr. McClements served as Chief Operating Officer and a partner at Monitor Group, a global strategic advisory firm, where he worked from 1987 to May 2010. From September 2009 to March 2010, Mr. McClements also served as Acting President of Be the Change Inc., a non-profit focused on creating national issue-based campaigns. Mr. McClements holds an M.B.A. from Harvard Business School and a B.A. from Williams College.

Birgit M. Schoeberl, Ph.D. has served as our Head of Discovery since January 2015. Dr. Schoeberl served as our Senior Vice President of Research from January 2014 to January 2015, as our Vice President of Research from October 2009 to January 2014 and in various other research roles since she joined us in 2003. Prior to joining us, Dr. Schoeberl was a post-doctoral fellow at the Massachusetts Institute of Technology, where she built some of the earliest computational models of signaling networks. Dr. Schoeberl holds a Ph.D. in systems biology from the Max Planck Institute for Dynamics of Complex Technical Systems in Germany and an M.S. in chemical engineering from the University of Karlsruhe in Germany.

Edward J. Stewart has served as our Head of Commercial since December 2011. Mr. Stewart served as our Senior Vice President of Business Development from March 2009 to December 2011 and in various other business development roles since he joined us in 2001. Mr. Stewart began his career at KPMG Peat Marwick LLP in the life sciences strategy consulting group. Mr. Stewart holds an M.B.A. from the Johnson Graduate School of Management at Cornell University and a B.S. from Bates College.

William A. Sullivan has served as our Chief Financial Officer since May 2011 and our Treasurer since February 2010. Mr. Sullivan served as our Vice President of Finance from February 2010 to May 2011 and as our Controller from November 2007 to February 2010. Previously, Mr. Sullivan served as Corporate Controller of Vette Corp., a thermal management solutions company, from 2004 to 2007. Mr. Sullivan began his career at Arthur Andersen LLP, where he obtained his certified public accountant license. Mr. Sullivan holds an M.B.A. and an M.S. in accounting from Northeastern University s Graduate School of Professional Accounting and a B.A. from Williams College.

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Our executive officers are elected by, and serve at the discretion of, our board of directors. There are no family relationships among any of our directors or executive officers.

Compensation Discussion and Analysis

Overview

This section discusses the principles underlying our policies and decisions with respect to the compensation of our executive officers and the most important factors relevant to an analysis of these policies and decisions. This section also describes the material elements of compensation awarded to, earned by or paid to each of our named executive officers for 2014. Our named executive officers for 2014 are Robert J. Mulroy, our President and Chief Executive Officer, William A. Sullivan, our Chief Financial Officer and Treasurer, and our three other most highly compensated executive officers, Peter N. Laivins, our Head of Development who became an executive officer in May 2014, William M. McClements, our Head of Corporate Operations, and Ulrik B. Nielsen, our former Senior Vice President and Chief Scientific Officer who resigned effective January 30, 2015. In addition, this section provides qualitative information regarding the manner and context in which compensation is awarded to and earned by our executive officers and is intended to place in perspective the data presented in the tables and narrative that follow.

Our organization and compensation committee oversees our policies governing the compensation of our executive officers. In this role, the organization and compensation committee reviews and approves all compensation decisions relating to our named executive officers. Our organization and compensation committee consists of three members of our board of directors, all of whom have extensive experience in our industry and each of whom is an independent director. Our organization and compensation committee uses its judgment and experience and has historically considered the recommendations of our President and Chief Executive Officer when determining the amount and appropriate mix of compensation for each of our executive officers. Specifically, our President and Chief Executive Officer provides input and recommendations, via an annual review of executive performance and otherwise, regarding salary adjustments, the corporate and individual goals used to determine annual performance-based cash bonuses and appropriate equity incentive compensation levels. Historically, our President and Chief Executive Officer has provided input to the organization and compensation committee on his own compensation, but has not had any control over setting the amount or mix of his compensation and is not present when the organization and compensation committee discusses and determines his compensation.

The organization and compensation committee periodically evaluates the need for revisions to our executive compensation program to ensure our program is competitive with the companies with which we compete for executive talent.

Objectives and Philosophy of Our Executive Compensation Program

The primary objectives of the organization and compensation committee with respect to executive compensation are to:

- attract, retain and motivate experienced and talented executives;
- ensure executive compensation is aligned with our corporate strategies, research and development programs and business goals;

recognize the individual contributions of executives, but foster a shared commitment among executives by aligning their individual goals with our corporate goals;

promote the achievement of key strategic, development and operational performance measures by linking compensation to the achievement of measurable corporate and individual performance goals; and

align the interests of our executives with our stockholders by rewarding performance that leads to the creation of stockholder value.

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To achieve these objectives, the organization and compensation committee evaluates our executive compensation program with the goal of setting compensation at levels that are justifiable based on each executive s level of experience, performance and responsibility and that the committee believes are competitive with those of other companies in our industry and our region that compete with us for executive talent. In addition, our executive compensation program ties a portion of each executive s overall compensation to the achievement of key corporate and individual goals. We provide a portion of our executive compensation in the form of stock options that vest over time, which we believe helps to retain our executives and aligns their interests with those of our stockholders by allowing them to participate in the longer term success of Merrimack as reflected in the appreciation of our stock price.

Use of Compensation Consultants and Market Benchmarking

In designing our executive compensation program, our organization and compensation committee considers publicly available compensation data for national and regional companies in the biotechnology/pharmaceutical industry to help guide its executive compensation decisions at the time of hiring and for subsequent adjustments in compensation. Historically, our organization and compensation committee has also retained the services of Mercer, an independent compensation consultant, to provide it with additional comparative data on executive compensation practices in our industry and to advise it on our executive compensation program generally. Although the organization and compensation committee considers Mercer s advice and recommendations about our executive compensation program, the organization and compensation committee ultimately makes its own decisions about these matters. None of the organization and compensation committee members and none of our executive officers or directors have any relationship with Mercer or the individual consultants employed by Mercer. Mercer has not provided any other services to Merrimack other than compensation consulting services to the organization and compensation committee. The organization and compensation committee has determined that no conflicts of interest exist between Merrimack and Mercer.

In February 2014, Mercer provided our organization and compensation committee with comparative data showing where our total compensation and each element of our compensation ranked among (1) both public and private companies in the biotechnology/pharmaceutical industry generally, according to compensation data from the 2013 Radford Global Life Sciences Survey, and (2) an updated peer group of publicly traded companies in the biotechnology/pharmaceutical industry at a stage of development, market capitalization or size comparable to ours with which the organization and compensation committee believes we compete against for executive talent, according to publicly available compensation data for years prior to 2014. The companies included in that peer group in 2014 were Achillion Pharmaceuticals, Inc., Arena Pharmaceuticals, Inc., Ariad Pharmaceuticals, Inc., ArQule, Inc., Array BioPharma Inc., BioCryst Pharmaceuticals, Inc., Celldex Therapeutics, Inc., Clovis Oncology, Inc., Exelexis, Inc., Idenix Pharmaceuticals, Inc., ImmunoGen, Inc., Infinity Pharmaceuticals, Inc., InterMune, Inc., Ironwood Pharmaceuticals, Inc., Neurocrine Biosciences, Inc., NPS Pharmaceuticals, Inc., Puma Biotechnology, Inc., Rigel Pharmaceuticals, Inc., Sarepta Therapeutics, Inc., Targacept, Inc., Vanda Pharmaceuticals Inc. and XOMA Corporation.

This peer group is subject to change, and we expect that our organization and compensation committee will continue to periodically review and update the list. The 2014 changes made to our previous peer group, which was last updated in 2012, consist of:

- the removal of Micromet, Inc. and Pharmasset, Inc., which were acquired in 2012;

the removal of Acorda Therapeutics, Inc., which our organization and compensation committee deemed to have revenue too large compared to ours;

the removal of Seattle Genetics, Inc., which our organization and compensation committee deemed to have revenue and a market capitalization too large compared to ours;

the removal of Aveo Pharmaceuticals, Inc., which our organization and compensation committee deemed to have a market capitalization too small compared to ours; and

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- the addition of Arena Pharmaceuticals, Inc., ArQule, Inc., Array BioPharma Inc., BioCryst Pharmaceuticals, Inc., Celldex Therapeutics, Inc., Clovis Oncology, Inc., Idenix Pharmaceuticals, Inc., Infinity Pharmaceuticals, Inc., InterMune, Inc., Neurocrine Biosciences, Inc., Puma Biotechnology, Inc., Sarepta Therapeutics, Inc., Vanda Pharmaceuticals Inc. and XOMA Corporation, which our organization and compensation committee deemed to have revenue, market capitalizations or pipelines similar to ours.

Our peer group is used for purposes of gathering data to compare against our existing executive compensation practices and for guiding future compensation decisions. Our compensation consultant also makes suggestions for changes to our executive compensation practices based on the data they provide to us as well as compensation trends in our industry. However, although the organization and compensation committee may consider peer group and other industry compensation data and the recommendations of our compensation consultant when making decisions related to executive compensation, to date, it has not made and does not intend to make adjustments to overall executive compensation or any element thereof solely or primarily either to target a specified threshold level of compensation or market benchmark within the peer group, our larger industry or some other group of comparable companies or to act on the recommendations of our compensation consultant.

Annual Compensation Review Process

After the end of each calendar year, we evaluate each executive s performance for the completed year. Our President and Chief Executive Officer, with respect to each executive other than himself, prepares a written evaluation based on his evaluation of the executive and input from others within Merrimack. Our President and Chief Executive Officer also prepares his own self-assessment. This process leads to a recommendation by our President and Chief Executive Officer to the organization and compensation committee with respect to each executive officer, including himself, as to:

- the achievement of stated corporate and individual performance goals;
- the level of contributions made to the general management and guidance of Merrimack;
- the need for salary increases;
- the amount of bonuses to be paid; and
- whether or not stock option awards should be made.

These recommendations are reviewed by the organization and compensation committee and are taken into account when it makes a final determination on all such matters.

Components of Our Executive Compensation Program

The primary elements of our executive compensation program are:

- base salary;
- annual performance-based cash bonuses;
- equity incentive awards;
- benefits and other compensation; and
- severance and change in control benefits.

We do not have a formal or informal policy for allocating between long-term and short-term compensation, between cash and non-cash compensation or among different forms of non-cash compensation. Instead, our organization and compensation committee, after reviewing information provided by our compensation consultant and other relevant data, determines subjectively what it believes to be the appropriate level and mix of the

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various compensation components. We generally strive to provide our named executive officers with a balance of short-term and long-term incentives to encourage consistently strong performance. Ultimately, the objective in allocating between long-term and currently paid compensation is to ensure adequate base compensation to attract and retain personnel, while providing incentives to maximize long-term value for Merrimack and our stockholders. Therefore, we provide cash compensation in the form of base salary to meet competitive salary norms and reward good performance on an annual basis and in the form of bonus compensation to incent and reward superior performance based on specific annual goals. To further focus our executives on longer-term performance and the creation of stockholder value, we rely upon equity-based awards that vest over a meaningful period of time. In addition, we provide our executives with benefits that are generally available to our salaried employees and severance benefits to incentivize them to continue to strive to achieve stockholder value in connection with change in control situations.

Base salary

We use base salaries to recognize the experience, skills, knowledge and responsibilities of our employees, including our executive officers. Base salaries for our named executive officers typically are established through arm s length negotiation at the time the executive is hired, taking into account the position for which the executive is being considered and the executive s qualifications, prior experience and prior salary. None of our executive officers is currently party to an employment agreement that provides for automatic or scheduled increases in base salary. However, on an annual basis, our organization and compensation committee reviews and evaluates, with input from our President and Chief Executive Officer, the need for adjustment of the base salaries of our executives based on changes and expected changes in the scope of an executive s responsibilities, including promotions, the individual contributions made by and performance of the executive during the prior fiscal year, the executive s performance over a period of years, overall labor market conditions, the relative ease or difficulty of replacing the executive with a well-qualified person, our overall growth and development as a company and general salary trends in our industry and among our peer group and where the executive s salary falls in the salary range presented by that data. In making decisions regarding salary increases, we may also draw upon the experience of members of our board of directors with other companies. No formulaic base salary increases are provided to our named executive officers, and we do not target the base salaries of our named executive officers at a specified compensation level within our peer group or other market benchmark.

The following table sets forth the annual base salary for 2013 and 2014 for our named executive officers:

Name	**2013 Base Salary ($)(1)**	**2014 Base Salary ($)(2)**
Robert J. Mulroy *President and Chief Executive Officer*	520,000	530,400
William A. Sullivan *Chief Financial Officer and Treasurer*	289,831	295,628
Peter N. Laivins (3) *Head of Development*	267,717	273,071
William M. McClements	346,762	353,697

Head of Corporate Operations		
Ulrik B. Nielsen *Former Senior Vice President and Chief Scientific Officer*	371,219	389,780

(1) Amounts for Mr. Mulroy, Mr. Sullivan, Mr. McClements and Dr. Nielsen reflect adjustments made by our organization and compensation committee effective April 1, 2013.

(2) Amounts for Mr. Mulroy, Mr. Sullivan, Mr. McClements and Dr. Nielsen reflect adjustments made by our organization and compensation committee effective April 1, 2014.

(3) Mr. Laivins became an executive officer in May 2014. Mr. Laivins served as our Vice President of Clinical Development from October 2011 to May 2014.

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Our organization and compensation committee increased Mr. Mulroy s base salary by 2% for 2014 as a result of his overall performance having exceeded expectations in 2013. Based on the recommendation of our President and Chief Executive Officer, our organization and compensation committee also increased the base salaries for each of Messrs. Sullivan and McClements by 2% for 2014 as a result of their overall performance having met or exceeded expectations in 2013. Although Mr. Laivins was not an executive officer at the time of such determination, his base salary was also increased by 2% for 2014.

In addition, our organization and compensation committee increased Dr. Nielsen s base salary by 5% for 2014 as a result of his superior contributions in 2013, including the broad scope of his management responsibilities, his success in advancing our product candidates and his continued service as Chief Executive Officer of Silver Creek Pharmaceuticals, Inc.

Please refer to Employment Agreements for a listing of the base salaries of each of our named executive officers for 2015.

Annual performance-based cash bonuses

We have designed our annual performance-based cash bonus program to emphasize pay-for-performance and to reward our named executive officers for (1) the achievement of specified annual corporate objectives, (2) the achievement of specified annual individual performance objectives and (3) the support of the overall management of Merrimack and the creation of long-term value for Merrimack s stockholders, which we refer to as the general management contribution. Each executive officer is eligible to receive an annual performance-based cash bonus, which we refer to as an annual cash bonus, in an amount up to a fixed percentage of his base salary, or bonus percentage.

For Mr. Mulroy, our organization and compensation committee weighs each of the three foregoing elements equally when determining the percentage of the annual cash bonus that he will receive. Achievement of Mr. Mulroy s corporate and individual objectives is measured on a successful/unsuccessful basis and proportionate achievement of a particular goal is not taken into account.

For each of Mr. Sullivan, Mr. Laivins, Mr. McClements and Dr. Nielsen, our organization and compensation committee looks at the three foregoing elements as a whole when determining the annual cash bonus. If the organization and compensation committee determines that the named executive officer has substantially satisfied the three elements as a whole, then the named executive officer will receive his full annual cash bonus. On the other hand, if the organization and compensation committee determines that the named executive officer has not substantially satisfied the elements as a whole, then the named executive officer will not receive an annual cash bonus.

The annual corporate objectives component of the annual cash bonus focuses on the achievement of specific research, clinical, regulatory, operational and financial milestones, with a focus on the advancement of our product candidates in preclinical and clinical development, the pursuit of various internal initiatives and ensuring the adequate funding of Merrimack. The corporate objectives are proposed by senior management each year in our annual operating plan that is reviewed and approved by our board of directors at its regularly scheduled meeting in the fourth quarter of our fiscal year, with such modifications as our board deems appropriate.

The annual individual performance objectives component of the annual cash bonus focuses on contributions made by each individual executive officer within their respective areas of responsibility that facilitate the achievement of our corporate objectives. Each executive officer, including our President and Chief Executive Officer, proposes his own annual individual objectives at the start of each fiscal year, which are then reviewed and approved by the organization and compensation committee, with such modifications as the committee deems appropriate.

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Our organization and compensation committee has the authority to shift both corporate and individual goals to subsequent fiscal years and eliminate them from the current year s bonus calculation if it determines that circumstances that were beyond the control of the executive were the primary cause of a goal being unattainable. The corporate and individual objectives established by our board of directors and the organization and compensation committee are designed to require significant effort and operational success on the part of our executives and Merrimack, but also to be achievable with hard work and dedication.

The general management contribution of each executive officer, including our President and Chief Executive Officer, is evaluated retrospectively by our President and Chief Executive Officer, who reports his findings to the organization and compensation committee. Historically, each executive officer has been evaluated on his contributions to the following areas:

- the improvement of processes and efficiency;
- the development of human and scientific capacity; and
- the development and management of stakeholders, including partners, collaborators, investigators, stockholders and licensees.

Each executive officer s contributions are evaluated on a scale of 0 to 3, with 0 meaning that the executive officer made no contribution, 1 meaning that the executive officer s contributions were below expectations, 2 meaning that the executive officer s contributions met expectations and 3 meaning that the executive officer s contributions exceeded expectations. The executive officer s scores in each of the categories for the particular year are totaled and the ratio of the executive officer s score to the maximum number of points that the executive officer could have earned across all categories is used to determine what portion of this element of the annual cash bonus that the executive officer will earn. The organization and compensation committee reviews and has the authority to approve the evaluation prepared by our President and Chief Executive Officer or to adjust it in a manner that it sees fit. While this element of the annual cash bonus is inherently subjective in nature, we believe that it is important to recognize the contributions made by our executive officers that do not appear in the operating plan, via objective individual goals or on our financial statements. These contributions may have an impact beyond the current fiscal year, and we believe that giving a partial weighting in the annual cash bonus calculation to these intangible contributions made by an executive officer is appropriate in light of our long-term goal of developing a motivated workforce and creating stockholder value.

The bonus percentages for each executive officer are set by the organization and compensation committee. These bonus percentages are derived from peer group data that is adjusted to match the level of qualification and experience of the executive officer, but are guided by our overarching team-based philosophy. Our organization and compensation committee believes that our executive officers should function as a team and that one way to foster a collaborative, team-based environment is to provide for each executive officer to have a similar bonus percentage.

Our organization and compensation committee has authority, in its sole discretion, to adjust the bonus percentage each year in connection with its review of the executive officer s performance and to allow an executive officer to receive a bonus payment in excess of his or her annual cash bonus for exceptional performance. In addition, our organization and compensation committee reviews the assessment of each executive officer s performance conducted by the organization and compensation committee with respect to the annual cash bonus and retains the authority, in its sole discretion, to modify the amount of the annual cash bonus above or below the amount recommended by the organization and compensation committee.

2014 bonuses

For 2014, Mr. Mulroy was eligible to receive an annual cash bonus of up to 50% of his 2014 base salary, and each of Mr. Sullivan, Mr. Laivins, Mr. McClements and Dr. Nielsen was eligible to receive an annual cash bonus of up to 35% of his respective 2014 base salary. The bonus percentage for each of our named executive officers for 2014 was the same as in 2013.

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For 2014, the annual corporate objectives were as follows:

- preparing for the commercialization of MM-398 in the United States;
- advancing our preclinical and clinical pipeline;
- advancing our diagnostic platforms; and
- executing a business development transaction for MM-398 outside of the United States.

Our organization and compensation committee considered all of the information available to it at the time and determined that we only achieved our 2014 corporate objectives at a level of 87.5% due to a certain delays with respect to advancing our clinical pipeline. As a result, Mr. Mulroy was allocated 87.5% of the portion of the annual cash bonus related to the achievement of the annual corporate objectives. In addition, the organization and compensation committee concluded that each of the other named executive officers had substantially satisfied the element related to the achievement of the annual corporate objectives.

For 2014, the individual goals for each of our named executive officers were primarily related to the corporate goals for which they were most responsible and, to a lesser extent, individual development goals or department specific goals.

Mr. Mulroy s individual objectives for 2014 related to preparing for the commercialization of MM-398 in the United States, executing a business development transaction for MM-398 outside of the United States, submitting a new drug application for MM-398, advancing our clinical trial and diagnostic capabilities and forming an additional subsidiary to apply Network Biology outside the oncology field. Our organization and compensation committee determined that Mr. Mulroy achieved the individual objectives related to preparing for the commercialization of MM-398 in the United States, executing a business development transaction for MM-398 outside of the United States and advancing our clinical trial and diagnostic capabilities, and partially achieved the individual objectives related to submitting a new drug application for MM-398 and forming an additional subsidiary to apply Network Biology outside the oncology field, on both of which substantial progress had been made and were close to being completed. As a result, our organization and compensation committee allocated Mr. Mulroy 90% of the portion of his annual cash bonus related to the achievement of annual individual objectives.

Mr. Sullivan s individual objectives for 2014 related to supporting various fundraising and business development opportunities, upgrading our supply chain operations, complying with all of our obligations as a public company, building a finance team to support commercial operations and preparing our 2015 operating plan. Our organization and compensation committee determined that Mr. Sullivan achieved each of his individual objectives and had substantially satisfied the element related to the achievement of annual individual objectives.

Mr. Laivins s individual objectives for 2014 related to completing the analysis related to our Phase 3 clinical trial of MM-398, submitting a new drug application for MM-398, launching our Phase 2 trial of MM-302 and establishing a long range development plan. Our organization and compensation committee determined that Mr. Laivins achieved the individual objectives related to completing the analysis related to our Phase 3 clinical trial of MM-398 and establishing a long range development plan, and partially achieved the individual objectives related to submitting a new drug application for MM-398, on which substantial progress had been made and was close to being completed, and launching our Phase 2 trial of MM-302, which had been launched but was delayed due to reasons outside of his control. As a result, our organization and compensation committee determined that Mr. Laivins had substantially satisfied the element related to the achievement of annual individual objectives. Mr. Lavins also had an individual objective for 2014 related to supporting Sanofi in the conduct of additional clinical trials for MM-121, which was not considered due to the termination of our collaboration with Sanofi.

Mr. McClements individual objectives for 2014 related to further developing our internal corporate structure, building critical organizational capabilities and infrastructure to support continued growth, developing

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leadership throughout the organization and building a strong external communications profile for Merrimack. Our organization and compensation committee determined that Mr. McClements achieved the individual objectives related to further developing our internal corporate structure, building critical organizational capabilities and infrastructure to support continued growth and developing leadership throughout the organization, and partially achieved the individual objective related to building a strong external communications profile for Merrimack, on which substantial progress had been made. As a result, our organization and compensation committee determined that Mr. McClements had substantially satisfied the element related to the achievement of annual individual objectives.

Dr. Nielsen s individual objectives for 2014 related to launching Phase 2 clinical trials for MM-151 and MM-141, launching a clinical trial based on imaging diagnostics, defining future development opportunities for MM-398 and advancing our preclinical product candidates. Our organization and compensation committee determined that, except for not being able to launch Phase 2 clinical trials for MM-151 and MM-141 due to reasons outside of his control, Dr. Nielsen achieved each of his individual objectives and had substantially satisfied the element related to the achievement of annual individual objectives.

Our President and Chief Executive Officer conducted a thorough review of the third element of each executive officer s annual cash bonus, the general management contribution of each executive officer, and reported his findings, including his findings with respect to himself, to our organization and compensation committee. Our organization and compensation committee determined that the contributions made by Mr. Mulroy exceeded expectations for 2014 and that he was entitled to receive 100% of this portion of his annual cash bonus payment. In addition, our organization and compensation committee determined that the contributions made by Mr. Sullivan, Mr. Laivins, Mr. McClements and Dr. Nielsen met or exceeded expectations for 2014 and that each such named executive officer had substantially satisfied the element related to the general management contribution.

The following table sets forth each named executive officer s annual cash bonus eligibility (both as a percentage of 2014 base salary and in actual dollars), the total cash bonus paid and the total cash bonus paid as a percentage of salary. Our organization and compensation committee did not use its discretion to adjust Mr. Mulroy s annual cash bonus beyond the amount calculated. The organization and compensation committee also determined that each of our other named executive officer had substantially satisfied all three elements as a whole and should receive his full annual cash bonus.

Name	**2014 Base Salary ($)**	**Bonus Percentage Range**	**Target Cash Bonus ($)**	**2014 Actual Cash Bonus ($)**	**Actual Cash Bonus as Percentage of Salary**
Robert J. Mulroy	530,400	0-50%	265,200	245,310	46.25%
William A. Sullivan	295,628	0-35%	103,470	103,470	35%
Peter N. Laivins	273,071	0-35%	95,575	95,575	35%
William M. McClements	353,697	0-35%	123,794	123,794	35%
Ulrik B. Nielsen	389,780	0-35%	136,423	136,423	35%

Equity incentive awards

Our equity award program is the primary vehicle for offering long-term incentives to our executives. While we do not currently have any equity ownership guidelines for our executives, we believe that equity grants provide our executives with a strong link to our long-term performance, create an ownership culture and help to align the interests of our executives and our stockholders. Because our executives profit from stock options only if our stock price increases relative to the stock option s exercise price, we believe that stock options provide meaningful incentives to our executives to achieve increases in the value of our stock over time. In addition, the vesting feature of our equity grants contributes to executive retention by providing an incentive to our executives to remain employed by us during the vesting period. During 2014, all stock options were granted pursuant to our

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2011 Stock Incentive Plan. Under our 2011 Stock Incentive Plan, our employees and executive officers are eligible to receive grants of stock options, restricted stock, restricted stock units, stock appreciation rights and other stock-based equity awards at the discretion of our organization and compensation committee.

We use stock options to compensate our named executive officers both in the form of initial grants in connection with the commencement of employment and generally on an annual basis thereafter. Our organization and compensation committee may also make additional discretionary grants, typically in connection with the promotion of an employee, to reward an employee, for retention purposes or for other circumstances recommended by management. Typically, the stock options we grant to our executive officers vest quarterly over a three year period. Vesting and exercise rights cease shortly after termination of employment, except in the case of death or disability. Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares subject to such option, including voting rights or the right to receive dividends or dividend equivalents.

The exercise price of all stock options granted since the closing of our initial public offering is equal to the fair market value of shares of our common stock on the date of grant, which generally is determined by reference to the closing market price of our common stock on the date of grant. It is our intention to grant equity awards annually.

In determining the size of the annual stock option grants to our named executive officers, our organization and compensation committee considers recommendations developed by our compensation consultant, including information regarding comparative stock ownership of and equity grants received by the executives in our peer group and our industry. In addition, our organization and compensation committee considers our corporate performance, the potential for enhancing the creation of value for our stockholders, the amount of equity previously awarded to the executives and the vesting of such awards.

2014 grants

In February 2014, as part of our annual grant process, our organization and compensation committee granted options to purchase shares of our common stock to our named executive officers, as set forth in the table below. Each of these options vests quarterly over a three year period and has an exercise price of $5.02, the closing market price of our common stock on the date of grant.

Name	Number of Shares Underlying Stock Option Grant
Robert J. Mulroy	300,000
William A. Sullivan	75,000
Peter N. Laivins (1)	100,000
William M. McClements	125,000
Ulrik B. Nielsen	250,000

(1) Mr. Laivins became an executive officer in May 2014

In granting the annual options, our organization and compensation committee considered, among other things, the value of annual grants as a percentage of base salary received by executives in our peer group and our industry, or the peer analysis. Based on the recommendation of our President and Chief Executive Officer, our organization and compensation committee determined that it would be appropriate to target these options at approximately the 25^{th} percentile of the peer analysis for named executive officers that met expectations during 2013 and at approximately the 50^{th} percentile of the peer analysis for named executive officers that exceeded expectations during 2013. Our organization and compensation committee determined that Mr. Mulroy and Mr. Sullivan met expectations during 2013 and Mr. McClements exceeded expectations during 2013. Although Mr. Laivins was not an executive officer at the time of grant, his annual option grant reflected a determination that he also exceeded expectations during 2013.

Our organization and compensation committee determined that Dr. Nielsen also exceeded expectations during 2013 and increased the size of his option grant above the 50^{th} percentile of the peer analysis as a result of his superior contributions in 2013, including the broad scope of his management responsibilities, his success in advancing our product candidates and his continued service as Chief Executive Officer of Silver Creek Pharmaceuticals, Inc.

In addition, in August 2014, our organization and compensation committee granted an option to purchase 50,000 shares of our common stock to Mr. Laivins in recognition of his becoming an executive officer in May 2014. This option vests quarterly over a three year period and has an exercise price of $6.85, the closing market price of our common stock on the date of grant.

Benefits and other compensation

We believe that establishing competitive benefit packages for our employees is an important factor in attracting and retaining highly qualified personnel. We maintain broad-based benefits that are provided to all employees, including medical insurance, dental insurance, vision insurance, group life insurance, accidental death and dismemberment insurance, long and short term disability insurance, medical and dependent care flexible spending accounts, work welfare stipends and matching contributions in our 401(k) plan. All of our executive officers are eligible to participate in all of our employee benefit plans, in each case on the same basis as other employees. Under our 401(k) plan, we are permitted to make discretionary contributions and matching contributions, subject to established limits and a vesting schedule. Currently, we generally match 50% of employee contributions up to a maximum contribution by us of 3% of the employee s deferrable income, subject to employer match limitations by the Internal Revenue Service. The match vests at 25% per year over four years. We also provide each employee, including our executive officers, with an annual $1,250 work welfare stipend that can be used to pay for services such as personal professional development, public transportation passes, gym memberships and medical insurance co-pays. In addition, we subsidize $15 per month of the membership fee to the gym in our office complex for all employees, including our executive officers. Our executive officers are also entitled to supplemental long-term disability insurance coverage that is not available to our other employees. Consistent with our compensation philosophy, we intend to continue to maintain our current benefits for our named executive officers. The organization and compensation committee in its discretion may revise, amend or add to the named executive officer s benefits and perquisites if it deems it advisable.

In particular circumstances, we sometimes award cash signing bonuses when executive officers first join us. Such cash signing bonuses typically must be repaid in full if the executive officer voluntarily terminates employment with us prior to the first anniversary of the date of hire. Whether a signing bonus is paid and the amount of the bonus is determined on a case-by-case basis under the specific hiring circumstances. For example, we will consider paying signing bonuses to compensate for amounts forfeited by an executive upon terminating prior employment, to assist with relocation expenses or to create additional incentive for an executive to join Merrimack in a position where there is high market demand.

Severance and change in control benefits

Pursuant to employment agreements we have entered into with our executive officers, our executive officers are entitled to specified benefits in the event of the termination of their employment under specified circumstances, including termination following a change in control of Merrimack. Please refer to Employment Agreements for a more detailed discussion of these benefits. We have provided estimates of the value of the severance payments and other benefits that would have been made or provided to executive officers under various termination circumstances under the caption Potential Payments Upon Termination or Change in Control below.

We believe that providing these benefits helps us compete for executive talent. After reviewing the practices of companies represented in our peer group, we believe that our severance and change in control benefits are generally in line with severance packages offered to executives of the companies in our peer group.

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We have structured our change in control benefits as double trigger benefits. In other words, the change in control does not itself trigger benefits. Rather, benefits are paid only if the employment of the executive officer is terminated during a specified period after the change in control. We believe that a double trigger benefit maximizes stockholder value because it prevents an unintended windfall to executive officers in the event of a friendly change in control, while still providing them appropriate incentives to cooperate in negotiating any change in control in which they believe they may lose their jobs.

Organization and Compensation Committee Report

The organization and compensation committee of the board of directors of Merrimack Pharmaceuticals, Inc. has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with Merrimack s management. Based on such review and discussions, the organization and compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into Merrimack s Annual Report on Form 10-K for the year ended December 31, 2014.

By the organization and compensation committee of the board of directors of Merrimack Pharmaceuticals, Inc.

Gordon J. Fehr

Vivian S. Lee, M.D., Ph.D.

John Mendelsohn, M.D.

Risk Considerations in Our Compensation Program

Our organization and compensation committee has reviewed and evaluated the philosophy and standards on which our compensation plans have been developed and implemented across Merrimack. It is our belief that our compensation programs do not encourage inappropriate actions or risk taking by our executive officers. We do not believe that any risks arising from our employee compensation policies and practices are reasonably likely to have a material adverse effect on Merrimack. In addition, we do not believe that the mix and design of the components of our executive compensation program encourage management to assume excessive risks. We believe that our current business process and planning cycle fosters the behaviors and controls that would mitigate the potential for adverse risk caused by the action of our executives, including the following:

- annual establishment of corporate and individual objectives for our performance-based cash bonus programs for our executive officers that are consistent with our annual operating and strategic plans, that are designed to achieve the proper risk/reward balance, and that should not require excessive risk taking to achieve;

- the mix between fixed and variable, annual and long-term and cash and equity compensation are designed to encourage strategies and actions that balance our short-term and long-term best interests; and

- stock option awards vest over a period of time, which we believe encourages executives to take a long-term view of our business.

Limits on Hedging and Pledging

As part of our insider trading policy, all employees, including executive officers, and members of our board of directors are prohibited from engaging in certain types of hedging transactions involving our securities, specifically short sales, including short sales against the box, and purchases or sales of puts, calls or other derivative securities. Our insider trading policy also prohibits certain types of pledges of our securities by all employees, including executive officers, and members of our board of directors, specifically purchases of our

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securities on margin, borrowing against our securities held in a margin account or pledging our securities as collateral for a loan, with an exception for pledges of our securities as collateral for a loan only after certain prerequisites are met and only with the pre-approval of our Chief Financial Officer or General Counsel.

Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, generally disallows a tax deduction for compensation in excess of $1.0 million paid to each of our Chief Executive Officer and our three other most highly paid executive officers (other than our Chief Financial Officer). Qualifying performance-based compensation is not subject to the deduction limitation if specified requirements are met. We intend to periodically review the potential consequences of Section 162(m), and we generally intend to structure the performance-based portion of our executive compensation, where feasible, to comply with exemptions in Section 162(m) so that the compensation will remain tax deductible to us. However, the organization and compensation committee may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent and are in the best interests of our stockholders.

We account for equity compensation paid to our employees in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation Stock Compensation*, or ASC 718, which requires us to measure and recognize compensation expense in our financial statements for all stock-based payments based on an estimate of their fair value over the service period of the award. We record cash compensation as an expense at the time the obligation is accrued.

Summary Compensation Table

The following table sets forth the total compensation awarded to, earned by or paid to our named executive officers during 2012, 2013 and 2014.

Name and Principal Position	Year	Salary ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)(3)	Total ($)
Robert J. Mulroy (4)	2014	527,343	939,060	245,310	17,446	1,729,159
	2013	512,720	1,325,730	187,778	12,186	2,038,414
President and Chief Executive Officer	2012	465,820	3,322,500	222,750	12,522	4,023,592
William A. Sullivan	2014	293,924	234,765	103,470	12,992	645,151
	2013	284,639	568,170	101,441	13,948	968,198
Chief Financial Officer and Treasurer	2012	254,862	485,200	100,640	8,279	848,981
Peter N. Laivins (5)	2014	273,201	519,755	95,575	9,050	897,581
Head of Development						
William M. McClements	2014	351,658	391,275	123,794	15,117	881,844
	2013	343,337	378,780	121,367	10,885	854,369
Head of Corporate Operations	2012	311,346	664,500	123,950	10,476	1,110,272
Ulrik B. Nielsen	2014	384,324	782,550	136,423	14,311	1,317,608
	2013	364,568	946,950	129,927	15,316	1,456,761

Former Senior Vice President and Chief Scientific Officer	2012	322,748	1,550,500	128,901	12,620	2,014,769

(1) The amounts in the Option Awards column reflect the aggregate grant date fair value of stock options granted during the year computed in accordance with the provisions of ASC 718, excluding the impact of estimated forfeitures related to service-based vesting conditions (which in our case were none). The assumptions that we used to calculate these amounts are discussed in Note 14 to our consolidated financial statements appearing in our Annual Report on Form 10-K for the year ended December 31, 2014.

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(2) The amounts in the Non-Equity Incentive Plan Compensation column represent awards to our named executive officers under our annual cash bonus program.

(3) The amounts in the All Other Compensation column represent the value of perquisites and other personal benefits, which are further detailed below for 2014.

Name	401(k) Match ($)	Group Life and Disability Insurance Premium ($)	Stipend and Gym Subsidy ($)(a)	Total ($)
Robert J. Mulroy	7,800	8,396	1,250	17,446
William A. Sullivan	7,800	3,942	1,250	12,992
Peter N. Laivins	7,800		1,250	9,050
William M. McClements	7,800	5,887	1,430	15,117
Ulrik B. Nielsen	7,800	5,261	1,250	14,311

(a) Represents the value of the work welfare stipend and gym membership subsidy provided to the named executive officer, as described in Compensation Discussion and Analysis Components of Our Executive Compensation Program Benefits and other compensation.

(4) Mr. Mulroy is also a member of our board of directors, but does not receive any additional compensation in his capacity as a director.

(5) Mr. Laivins became an executive officer in May 2014. Mr. Laivins served as our Vice President of Clinical Development from October 2011 to May 2014.

2014 Grants of Plan-Based Awards Table

The following table sets forth information regarding grants of plan-based awards to our named executive officers during 2014. All equity awards were issued under our 2011 Stock Incentive Plan.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards					
Name	Grant Date	Threshold ($)	Target ($)(1)	Maximum ($)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/share)(2)	Grant Date Fair