

INCYTE CORP
Form DEF 14A
April 09, 2010

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

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

Incyte Corporation

(Name of Registrant as Specified In Its Charter)

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

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 - (4) Date Filed:
-

Incyte Corporation
Experimental Station
Route 141 & Henry Clay Road, Building E336
Wilmington, DE 19880
(302) 498-6700

April 9, 2010

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Incyte Corporation that will be held on Tuesday, May 18, 2010, at 10:00 a.m., Eastern Daylight Time, at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801.

The formal notice of the Annual Meeting and the Proxy Statement have been made a part of this invitation.

After reading the Proxy Statement, please mark, date, sign and return, at an early date, the enclosed proxy in the enclosed prepaid envelope, to ensure that your shares will be represented. **Your shares cannot be voted unless you sign, date and return the enclosed proxy, submit your proxy by telephone or the internet, or attend the Annual Meeting in person.**

A copy of the Company's 2009 Annual Report to Stockholders is also enclosed.

The Board of Directors and management look forward to seeing you at the meeting.

Sincerely yours,

Richard U. De Schutter
Chairman of the Board

INCYTE CORPORATION

**Notice of Annual Meeting of Stockholders
to be held Tuesday, May 18, 2010**

To the Stockholders of Incyte Corporation:

The Annual Meeting of Stockholders of Incyte Corporation, a Delaware corporation (the "Company"), will be held at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801, on Tuesday, May 18, 2010, at 10:00 a.m., Eastern Daylight Time, for the following purposes:

1. To elect seven directors to serve until the 2011 Annual Meeting of Stockholders and thereafter until their successors are duly elected and qualified;
2. To vote on the approval of the Company's 2010 Stock Incentive Plan;
3. To vote on the approval of an amendment to the Company's 1997 Employee Stock Purchase Plan to increase the number of shares available for issuance thereunder by 2,000,000 shares, from 5,350,000 shares to 7,350,000 shares;
4. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2010; and
5. To transact such other business as may properly come before the Annual Meeting of Stockholders and any postponement or adjournment of the Annual Meeting.

Stockholders of record as of the close of business on April 1, 2010 are entitled to notice of and to vote at the Annual Meeting and any postponement or adjournment thereof.

It is important that your shares be represented at this meeting. Even if you plan to attend the meeting, we hope that you will vote as soon as possible. Voting now will ensure your representation at the Annual Meeting regardless of whether you attend in person. Please review the instructions on page 2 of the attached Proxy Statement regarding your voting options. This will not limit your right to attend or vote at the meeting.

By Order of the Board of Directors

Patricia A. Schreck
Secretary

April 9, 2010

INCYTE CORPORATION
Experimental Station
Route 141 & Henry Clay Road, Building E336
Wilmington, DE 19880

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Incyte Corporation, a Delaware corporation ("we," "us," "our," "Incyte" or the "Company"), of proxies in the accompanying form to be used at the Annual Meeting of Stockholders of the Company to be held at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801, on Tuesday May 18, 2010, at 10:00 a.m., Eastern Daylight Time, and any postponement or adjournment thereof.

This Proxy Statement and the accompanying form of proxy are being mailed to stockholders on or about April 15, 2010.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 18, 2010.

The Proxy Statement and Annual Report are available at <http://bnymellon.mobular.net/bnymellon/incy>

For information on how to obtain directions to attend the Annual Meeting, please see "Questions and Answers about the Proxy Materials and the Annual Meeting."

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

What proposals will be voted on at the Annual Meeting?

Four proposals will be voted on at the Annual Meeting:

The election of directors;

The approval of the Company's 2010 Stock Incentive Plan;

The approval of the amendment to the Company's 1997 Employee Stock Purchase Plan to increase the number of shares available for issuance; and

The ratification of the appointment of the independent registered public accounting firm for 2010.

What are the Board's recommendations?

Our Board recommends that you vote:

"FOR" election of each of the nominated directors;

"FOR" the approval of the Company's 2010 Stock Incentive Plan;

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"FOR" the approval of the amendment to the Company's 1997 Employee Stock Purchase Plan to increase the number of shares available for issuance; and

"FOR" ratification of the appointment of the independent registered public accounting firm for 2010.

Will there be any other items of business on the agenda?

We do not expect any other items of business because the deadline for stockholder proposals and nominations has already passed. Nonetheless, in case there is an unforeseen need, the accompanying proxy gives discretionary authority to the persons named on the proxy with respect to any other matters that might be brought before the meeting. Those persons intend to vote that proxy in accordance with their best judgment.

Who is entitled to vote?

Stockholders of record at the close of business on April 1, 2010, the Record Date, may vote at the Annual Meeting. Each stockholder is entitled to one vote for each share of our Common Stock held as of the Record Date.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Stockholder of Record. If your shares are registered directly in your name with our transfer agent, BNY Mellon Shareowner Services, you are considered, with respect to those shares, the "stockholder of record." The Proxy Statement, Annual Report and proxy card have been sent directly to you by Incyte.

Beneficial Owner. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the "beneficial owner" of shares held in street name. The Proxy Statement and Annual Report have been forwarded to you by your broker, bank or nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or nominee how to vote your shares by using the voting instruction form included in the mailing.

How do I vote?

You may vote using any of the following methods:

By Mail Stockholders of record may submit proxies by completing, signing and dating each proxy card received and returning it in the prepaid envelope. Sign your name exactly as it appears on the proxy. If you return your signed proxy but do not indicate your voting preferences, your shares will be voted on your behalf "FOR" the election of the nominated directors, "FOR" the approval of the Company's 2010 Stock Incentive Plan, "FOR" the approval of the amendment to the Company's 1997 Employee Stock Purchase Plan and "FOR" the ratification of the independent registered public accounting firm for 2010. Stockholders who hold shares beneficially in street name may provide voting instructions by mail by completing, signing and dating the voting instruction forms provided by their brokers, banks or other nominees.

By Telephone Stockholders of record may submit proxies by following the telephone voting instructions on each proxy card. Most stockholders who hold shares beneficially in street name may provide voting instructions by telephone by calling the number specified on the voting instruction form provided by their brokers, banks or nominees. Please check the voting instruction form for telephone voting availability. Please be aware that if you submit voting instructions by telephone, you may incur costs such as telephone access charges for which you will be responsible. The telephone voting facilities will close at 11:59 p.m., Eastern Daylight Time, the day before the meeting date.

By Internet Stockholders of record with internet access may submit proxies by following the internet voting instructions on their proxy cards. Most stockholders who hold shares beneficially in street name may provide voting instructions by accessing the website specified on the voting instruction form provided by their brokers, banks or nominees. Please check the voting instruction form for internet voting availability. Please be aware that if you vote over the internet, you may

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incur costs such as internet access charges for which you will be responsible. The internet voting facilities will close at 11:59 p.m., Eastern Daylight Time, the day before the meeting date.

In Person at the Annual Meeting Shares held in your name as the stockholder of record may be voted at the Annual Meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, bank or nominee that holds your shares giving you the right to vote the shares. You may obtain directions to the Annual Meeting by contacting the Company's Investor Relations Department at (302) 498-6700. *Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy or voting instructions or vote by telephone or the internet so that your vote will be counted if you later decide not to attend the meeting.*

Can I change my vote or revoke my proxy?

You may change your vote or revoke your proxy at any time prior to the vote at the Annual Meeting. If you submitted your proxy by mail, you must file with the Secretary of the Company a written notice of revocation or deliver, prior to the vote at the Annual Meeting, a valid, later-dated proxy. If you submitted your proxy by telephone or the internet, you may change your vote or revoke your proxy with a later telephone or internet proxy, as the case may be. Attendance at the Annual Meeting will not have the effect of revoking a proxy unless you give written notice of revocation to the Secretary before the proxy is exercised or you vote by written ballot at the Annual Meeting.

How are votes counted?

In the election of directors, you may vote "FOR" all of the nominees or your vote may be "WITHHELD" with respect to one or more of the nominees. For other items of business, you may vote "FOR," vote "AGAINST" or "ABSTAIN." If you "ABSTAIN," the abstention has the same effect as a vote "AGAINST." If you provide specific instructions, your shares will be voted as you instruct. If you sign your proxy card or voting instruction form with no further instructions, your shares will be voted in accordance with the recommendations of the Board ("FOR" all of the nominees to the Board of Directors, "FOR" the approval of the Company's 2010 Stock Incentive Plan, "FOR" the approval of the amendment to the Company's 1997 Employee Stock Purchase Plan, "FOR" ratification of the independent registered public accounting firm and in the discretion of the proxy holders on any other matters that may properly come before the meeting).

What vote is required to approve each item?

For Proposal 1, the election of directors, the seven persons receiving the highest number of "FOR" votes at the Annual Meeting will be elected. In addition to the voting requirements under Delaware law as to the election of directors, our Board has adopted a policy governing what will occur in the event that a director does not receive a majority of the votes cast. A majority of the votes cast means that the number of votes "FOR" the nominee exceeds the number of votes "WITHHELD." Abstentions and broker non-votes will not be counted to determine whether a nominee receives a majority of votes cast. Additional information concerning our policy for the election of directors is set forth under the heading "Corporate Governance Major Voting Policy."

Each of Proposal 2, Proposal 3 and Proposal 4 requires the affirmative "FOR" vote of the holders of a majority of the shares present at the Annual Meeting in person or by proxy and entitled to vote. For each of Proposal 2, Proposal 3 and Proposal 4, abstentions have the same effect as votes "AGAINST" the matter. If you hold shares beneficially in street name and do not provide your broker or nominee with voting instructions, your shares may constitute "broker non-votes." Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. If you hold shares beneficially in street name and do not vote your shares, your broker or nominee can vote your shares at its discretion only on Proposal 4. In tabulating the

voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the Annual Meeting, assuming that a quorum is obtained.

Is cumulative voting permitted for the election of directors?

Stockholders may not cumulate votes in the election of directors, which means that each stockholder may vote no more than the number of shares he or she owns for a single director candidate.

What constitutes a quorum?

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding on the Record Date will constitute a quorum. As of the close of business on the Record Date, there were 121,088,606 shares of our Common Stock outstanding. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.

What is "householding" and how does it affect me?

We have adopted a process for mailing the Annual Report and Proxy Statement called "householding," which has been approved by the Securities and Exchange Commission. Householding means that stockholders who share the same last name and address will receive only one copy of the Annual Report and Proxy Statement, unless we receive contrary instructions from any stockholder at that address. We will continue to mail a proxy card to each stockholder of record.

If you prefer to receive multiple copies of the Annual Report and Proxy Statement at the same address, additional copies will be provided to you upon request. If you are a stockholder of record, you may contact us by writing to Investor Relations Department, Incyte Corporation, Experimental Station, Route 141 & Henry Clay Road, Building E336, Wilmington, Delaware 19880 or by calling (302) 498-6700 and asking for Investor Relations. Eligible stockholders of record receiving multiple copies of the Annual Report and Proxy Statement can request householding by contacting us in the same manner. We have undertaken householding to reduce printing costs and postage fees, and we encourage you to participate.

If you are a beneficial owner, you may request additional copies of the Annual Report and Proxy Statement or you may request householding by notifying your broker, bank or nominee.

How are proxies solicited?

Our employees, officers and directors may solicit proxies. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation material to the owners of our Common Stock.

PROPOSAL 1

ELECTION OF DIRECTORS

Nominees

The Board of Directors proposes the election of seven directors of the Company to serve until the next annual meeting of stockholders and thereafter until their successors are duly elected and qualified. If any nominee is unable or declines to serve as director at the time of the Annual Meeting, an event that we do not currently anticipate, proxies will be voted for any nominee designated by the Board of Directors to fill the vacancy.

Our Bylaws provide that the Company shall not have fewer than one nor more than twelve directors, with the exact number of directors to be determined by the Board of Directors. The number of directors is currently fixed at seven.

Names of the nominees and certain biographical information about them are set forth below:

Name	Age	Position with the Company	Director Since
Richard U. De Schutter	69	Chairman of the Board	2001
Barry M. Ariko	64	Director	2001
Julian C. Baker	43	Director	2001
Paul A. Brooke	64	Director	2001
Paul A. Friedman, M.D.	67	President and Chief Executive Officer and Director	2001
John F. Niblack, Ph.D.	71	Director	2006
Roy A. Whitfield	56	Director	1991

Richard U. De Schutter has been Chairman of the Company's Board of Directors since 2004. He was Chairman and Chief Executive Officer of DuPont Pharmaceuticals Company, a drug manufacturer formerly based in Wilmington, Delaware, from July 2000 to October 2001. He served as Chief Administrative Officer of Pharmacia Corporation between April 2000 and July 2000. From January 1999 to March 2000, Mr. De Schutter served as Vice Chairman and Chief Administrative Officer of Monsanto Company. He served as Chief Executive Officer of G.D. Searle & Co. from April 1995 to December 1998. Mr. De Schutter is also a director of Ecolab, Inc., Smith & Nephew plc, Varian, Inc. and several privately held companies.

Barry M. Ariko retired from Mirapoint, Inc., a mail server appliance company, in November 2007, where he had served as its President and Chief Executive Officer since November 2003 and as its Chairman of the Board since December 2003. From April 2001 until September 2001, Mr. Ariko was Senior Vice President of Peregrine Systems, Inc., an infrastructure management software company, and from April 2001 until June 2002 was a member of its Board of Directors. From March 2000 until the acquisition of Extricity, Inc. by Peregrine in April 2001, Mr. Ariko served as Chairman of the Board, Chief Executive Officer and President of Extricity, an internet software provider. From March 1999 to January 2000, Mr. Ariko was a Senior Vice President of America Online, Inc., where he was responsible for the Netscape Enterprise Group. From August 1998 until the acquisition of Netscape Communications Corporation by America Online in March 1999, Mr. Ariko served as Executive Vice President and Chief Operating Officer of Netscape. From 1994 to August 1998, Mr. Ariko was Executive Vice President of Oracle Corporation. Mr. Ariko currently serves as a director of Autonomy Corporation plc and a privately held company and was a director of Aspect Communications Corporation from January 2002 until its merger with Concerto Software, Inc. in September 2005.

Julian C. Baker is a Managing Member of Baker Bros. Advisors, LLC, which he and his brother, Felix Baker, Ph.D., founded in 2000. Mr. Baker's firm manages Baker Brothers Investments, a family of long-term investment funds for major university endowments and foundations, which are focused on

publicly traded life sciences companies. Mr. Baker's career as a fund manager began in 1994 when he co-founded a biotechnology investing partnership with the Tisch family. Previously, Mr. Baker was employed from 1988 to 1993 by the private equity investment arm of Credit Suisse First Boston Corporation. He is also a director of Genomic Health, Inc. and Trimeris, Inc. and was a director of Theravance, Inc. from January 1999 until April 2007 and a director of Neurogen Corporation from May 1999 until its acquisition in December 2009.

Paul A. Brooke served as Chairman of the Board of Directors of Alsius Corporation, a medical device company, from June 2007 through its sale in May 2009, and was the Chairman and Chief Executive Officer of a predecessor company from April 2005 to June 2007. Mr. Brooke has been the Managing Member of PMSV Holdings, LLC, a private investment firm, since 1993. He also served as a Senior Advisor to Morgan Stanley & Co. Incorporated from April 2000 to December 2009, and was a Venture Partner at MPM Capital, a venture capital firm specializing in the healthcare industry, from 1997 through 2006. From April 1999 through May 2000, Mr. Brooke served as a Managing Director at Tiger Management LLC. He was a Managing Director and the Global Head of Healthcare Research and Strategy at Morgan Stanley & Co. from 1983 to April 1999. Mr. Brooke is also a director of ViroPharma Incorporated, WebMD Health Corp. and several privately held companies and was a director of HLTH Corporation from November 2000 until its merger with WebMD Health Corp. in October 2009.

Paul A. Friedman, M.D. joined the Company as the Chief Executive Officer in November 2001 and has been President of the Company since May 2004. From 1998 until October 2001, Dr. Friedman served as President of DuPont Pharmaceuticals Research Laboratories, a wholly owned subsidiary of DuPont Pharmaceuticals Company (formerly The DuPont Merck Pharmaceutical Company), from 1994 to 1998 he served as President of Research and Development of The DuPont Merck Pharmaceutical Company, and from 1991 to 1994 he served as Senior Vice President at Merck Research Laboratories. Prior to his work at Merck and DuPont, Dr. Friedman was an Associate Professor of Medicine and Pharmacology at Harvard Medical School. Dr. Friedman is a Diplomate of the American Board of Internal Medicine and a Member of the American Society of Clinical Investigation. Dr. Friedman was a director of Bausch & Lomb Incorporated from June 2004 until its acquisition in October 2007 and a director of Sirtris Pharmaceuticals, Inc. from March 2008 until its acquisition in June 2008.

John F. Niblack, Ph.D. retired from Pfizer Inc. in September 2002, where he had served as its Vice Chairman since May 1999, and as a director since June 1997. From June 2000 to July 2002, he also served as President of Pfizer Global Research and Development. Dr. Niblack was Executive Vice President of Pfizer from 1993 to May 1999 and was responsible for Pfizer's Global Research and Development Division and Pharmaceutical Licensing and Development. Dr. Niblack held other various positions at Pfizer from 1967 to 1993.

Roy A. Whitfield co-founded the Company and served as Chairman of the Board from November 2001 until June 2003. Mr. Whitfield served as Chief Executive Officer of the Company between June 1993 and November 2001, as President of the Company from June 1991 until January 1997, and as Treasurer of the Company between April 1991 and October 1995. From 1984 to 1989, he held senior operating and business development positions with Technicon Instruments Corporation, a medical instrumentation company, and its predecessor company, Cooper Biomedical, Inc., a biotechnology and medical diagnostics company. Prior to his work at Technicon, Mr. Whitfield spent seven years with the Boston Consulting Group's international consulting practice. He also serves as a director of Illumina, Inc., Nektar Therapeutics and several privately held companies and was a director of Solexa, Inc. from August 2006 until its merger with Illumina, Inc. in January 2007.

The Board of Directors recommends a vote "FOR" election as director of the nominees set forth above.

Director Nominations

The Board of Directors nominates directors for election at each annual meeting of stockholders and elects new directors to fill vacancies when they arise. The Board has as an objective, set forth in our Corporate Governance Guidelines, that its membership be composed of experienced and dedicated individuals with diversity of backgrounds, perspectives and skills. The Nominating and Corporate Governance Committee has the responsibility to identify, evaluate, recruit and recommend qualified candidates to the Board for nomination or election.

The Nominating and Corporate Governance Committee will select candidates for director based on their character, judgment, diversity of experience, business acumen, and ability to act on behalf of all stockholders. The Nominating and Corporate Governance Committee believes that nominees for director should have experience, such as experience in management, accounting, finance, drug discovery and development, or marketing, or industry and technology knowledge, that may be useful to the Company and the Board, high personal and professional ethics, and the willingness and ability to devote sufficient time to effectively carry out his or her duties as a director. Although the Company has no formal diversity policy for board members, the Board and the Nominating and Corporate Governance Committee consider diversity of backgrounds and experiences and other forms of diversity when selecting nominees.

The Nominating and Corporate Governance Committee believes it appropriate for at least one, and, preferably, multiple, members of the Board to meet the criteria for an "audit committee financial expert" as defined by Securities and Exchange Commission rules, and our Corporate Governance Guidelines require that a majority of the members of the Board meet the definition of "independent director" under the rules of The NASDAQ Stock Market. The Nominating and Corporate Governance Committee believes it appropriate for certain key members of our management currently, the President and Chief Executive Officer to participate as members of the Board.

Prior to each annual meeting of stockholders, the Nominating and Corporate Governance Committee identifies nominees first by evaluating the current directors whose term will expire at the annual meeting and who are willing to continue in service. These candidates are evaluated based on the criteria described above, including as demonstrated by the candidate's prior service as a director, and the needs of the Board with respect to the particular talents and experience of its directors. In the event that a director does not wish to continue in service, the Nominating and Corporate Governance Committee determines not to re-nominate the director, or if a vacancy is created on the Board as a result of a resignation, an increase in the size of the Board or other event, then the Committee will consider various candidates for Board membership, including those suggested by the Committee members, by other Board members, by any search firm engaged by the Committee and by stockholders. The Committee may only recommend, and the Board may only nominate, candidates for director who agree to tender, promptly following their election or re-election as a director, irrevocable resignations that would be effective if the director fails to receive a sufficient number of votes for re-election at the next annual meeting of stockholders at which he or she faces re-election and if the Board accepts the resignation. The Committee recommended all of the nominees for election included in this Proxy Statement. All of the nominees are members of the Board standing for re-election as directors.

A stockholder who wishes to suggest a prospective nominee for the Board should notify the Secretary of the Company or any member of the Nominating and Corporate Governance Committee in writing with any supporting material the stockholder considers appropriate. In addition, our Bylaws contain provisions that address the process by which a stockholder may nominate an individual to stand for election to the Board of Directors at our annual meeting of stockholders. In order to nominate a candidate for director, a stockholder must give timely notice in writing to the Secretary of the Company and otherwise comply with the provisions of our Bylaws. To be timely, our Bylaws provide that the Company must have received the stockholder's notice not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting of stockholders. However, in the event that no annual meeting was held in

the preceding year or the annual meeting is called for a date that is more than 30 days before or more than 60 days after the first anniversary date of the preceding year's annual meeting of stockholders, notice by the stockholder to be timely must be so received by the Secretary of the Company not later than the close of business on the later of (1) the 90th day prior to the date of the meeting and (2) the 10th day following the earlier to occur of the day on which notice of the date of the scheduled annual meeting was mailed or the day on which public announcement of the date of such scheduled annual meeting was first made. Information required by the Bylaws to be in the notice include the name and contact information for the candidate and the person making the nomination and other information about the nominee that must be disclosed in proxy solicitations under Section 14 of the Securities Exchange Act of 1934 and the related rules and regulations under that Section.

Stockholder nominations must be made in accordance with the procedures outlined in, and include the information required by, our Bylaws and must be addressed to:

Secretary
Incyte Corporation
Experimental Station
Route 141 & Henry Clay Road
Building E336
Wilmington, DE 19880

You can obtain a copy of the full text of the Bylaw provision by writing to the Company's Secretary at the above address.

Director Qualifications

Set forth below is a summary of the specific experience, qualifications, attributes or skills of the nominees for the Board of Directors that, in addition to the experience of those nominees described in their biographies above, led our Nominating and Corporate Governance Committee and Board to conclude that the nominee should serve as a member of the Board.

Mr. De Schutter brings significant leadership experience to the Board of Directors, having served as Chairman and Chief Executive Officer of DuPont Pharmaceuticals Company and in other senior management roles at several pharmaceutical and health care companies. Mr. De Schutter also has experience as a senior executive officer, including chief executive officer, of publicly held companies actively supervising a principal financial or accounting officer, which is critical for his role on the Audit Committee, and significant experience as a director of other publicly held companies.

Mr. Ariko brings to the Board extensive leadership experience from his executive and management positions and experience as a chief executive officer of publicly and privately held companies actively supervising a principal financial or accounting officer, which is critical for his role as Chair of the Audit Committee.

Mr. Baker is an experienced investor in many life sciences companies. He brings to the Board significant strategic and financial expertise and extensive knowledge of the life sciences and biopharmaceuticals industries as a result of his investments in and service as a director of other publicly and privately held life sciences companies.

Mr. Brooke brings leadership experience to the Board and insight into the operations, challenges and complex issues facing health care companies gained from his experience as head of health care research at a major investment bank and as an investor. He also has extensive financial and capital markets experience, which is critical to his role as Chair of the Finance Committee, and significant experience as a director of other publicly and privately held life sciences and healthcare companies.

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Dr. Friedman brings to the Board extensive expertise in the Company's business and in the drug development and discovery industry. His past experiences and role as Chief Executive Officer of the Company gives him strong knowledge of the Company's strategy, markets, competitors, financials and operations. He also has experience as a director of publicly held life sciences and healthcare companies.

Dr. Niblack brings to the Board significant scientific and leadership experience and extensive knowledge of the pharmaceuticals industry and drug discovery and development fields from his long career at Pfizer.

Mr. Whitfield has significant leadership and senior management experience as the Company's former Chief Executive Officer and from his roles in the health care industry. Mr. Whitfield also bring to the Board experience as a chief executive officer actively supervising principal financial and accounting officers and financial expertise from his prior business development and consulting positions, which is critical for his role on the Audit Committee.

Director Independence

The Board of Directors has determined that, except for Dr. Friedman, each individual who currently serves as a member of the Board is, and each individual who served as a member of the Board in 2009 was, an "independent director" within the meaning of Rule 5605 of The NASDAQ Stock Market. Dr. Friedman is not considered independent as he is employed as our President and Chief Executive Officer. All of the nominees are members of the Board standing for re-election as directors. For Messrs. Ariko, Baker, Brooke, De Schutter and Niblack, the Board of Directors considered their relationship and transactions with the Company as directors and security holders of the Company. For Mr. Whitfield, the Board of Directors considered Mr. Whitfield's status as a director, security holder and former executive officer of the Company.

Board Meetings

The Board of Directors held eighteen meetings during 2009. All directors attended at least 75% of the aggregate number of meetings held by the Board of Directors and of the committees on which such director served during his tenure in 2009, except for Mr. Niblack, who attended twelve of the Board meetings.

The independent directors meet in regularly scheduled executive sessions at in-person meetings of the Board of Directors without the participation of the President and Chief Executive Officer or other members of management. There were six regularly scheduled in-person meetings of the Board of Directors in 2009.

All directors are expected to attend the Annual Meeting and, in 2009, six of the seven directors then serving on the Board of Directors attended the annual meeting of stockholders.

Board Committees

The Board of Directors has appointed an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The Board has determined that each director who serves on these committees is "independent," as that term is defined by applicable listing standards of The NASDAQ Stock Market and Securities and Exchange Commission rules. The Board has approved a charter for each of these committees, a current copy of each committees' charter can be found on our website at <http://www.incyte.com> under the "Corporate Governance" heading in the Investor Relations portion of our website. The Board has also appointed a Finance Committee and a Non-Management Stock Option Committee.

Audit Committee

The current members of the Audit Committee are Barry M. Ariko (Chair), Richard U. De Schutter and Roy A. Whitfield. Mr. De Schutter joined the Audit Committee in February 2009, replacing Matthew W. Emmens, who served on the Audit Committee until his resignation from the Board of Directors in February 2009. The Audit Committee held six meetings during 2009. The Audit Committee's primary functions are to assist the Board of Directors in fulfilling its oversight responsibilities relating to the Company's financial statements, system of internal control over financial reporting, and auditing, accounting and financial reporting processes. Other specific duties and responsibilities of the Audit Committee are to appoint, compensate, evaluate and, when appropriate, replace our independent registered public accounting firm, review and pre-approve audit and permissible non-audit services, review the scope of the annual audit, monitor the independent registered public accounting firm's relationship with the Company, and meet with the independent registered public accounting firm and management to discuss and review our financial statements, internal control over financial reporting, and auditing, accounting and financial reporting processes. The Board of Directors has determined that all three members of the Audit Committee are qualified as Audit Committee Financial Experts under the definition outlined by the Securities and Exchange Commission.

Compensation Committee

The current members of the Compensation Committee are Paul A. Brooke (Chair), Barry M. Ariko, Julian C. Baker and Richard U. De Schutter. The Compensation Committee held three meetings during 2009. The Compensation Committee's primary functions are to assist the Board of Directors in meeting its responsibilities with regard to oversight and determination of executive compensation and to review and make recommendations with respect to major compensation plans, policies and programs of the Company. Other specific duties and responsibilities of the Compensation Committee are to develop and monitor compensation arrangements for our executive officers, determine compensation for our Chief Executive Officer and other executive officers, determine stock-based compensation awards for our executive officers, and administer performance-based compensation plans such as our 1991 Stock Plan and our 2010 Stock Incentive Plan. The Compensation Committee also reviews and recommends directors' compensation to the full Board of Directors. The Compensation Committee has the sole authority to select, retain, terminate and approve the fees and other retention terms of consultants as it deems appropriate to perform its duties. Additional information concerning the Compensation Committee's processes and procedures for the consideration and determination of executive compensation is set forth under the heading "Compensation Discussion and Analysis."

Nominating and Corporate Governance Committee

The current members of the Nominating and Corporate Governance Committee are Richard U. De Schutter (Chair), Julian C. Baker and Paul A. Brooke. The Nominating and Corporate Governance Committee held two meetings during 2009. The Nominating and Corporate Governance Committee's primary functions are to identify qualified individuals to become members of the Board of Directors, determine the composition of the Board and its committees, and monitor a process to assess Board effectiveness. Other specific duties and responsibilities of the Nominating and Corporate Governance Committee are to recommend nominees to fill vacancies on the Board of Directors, review and make recommendations to the Board of Directors with respect to candidates for director proposed by stockholders, review the composition, functioning and effectiveness of the Board and its committees, develop and recommend to the Board of Directors codes of conduct applicable to officers, directors and employees and charters for the various committees of the Board, and review and make recommendations to the Board of Directors regarding the succession plan relating to the Chief Executive Officer and other executive officers.

Finance Committee

The current members of the Finance Committee are Paul A. Brooke (Chair), Julian C. Baker, Richard U. De Schutter, and Paul A. Friedman. The Finance Committee held ten meetings in 2009. The Finance Committee's primary function is to assist the Board of Directors in its oversight of the Company's strategic financing matters and, in that regard, to review and recommend matters related to the capital structure of the Company and, upon delegation by the Board of Directors, to exercise the powers of the Board of Directors that may be lawfully delegated to the Finance Committee in connection with the authorization, issuance and sale of debt or equity securities of the Company.

Non-Management Stock Option Committee

Dr. Friedman currently serves as the Non-Management Stock Option Committee. The Non-Management Stock Option Committee is a secondary committee responsible for granting and issuing awards of options and shares under our equity incentive plans to eligible employees or consultants, other than to members of the Board of Directors, to individuals designated by the Board of Directors as "Section 16 officers," and to employees who hold the title of Senior Vice President or above. In addition, the Non-Management Stock Option Committee may not make any awards or grants to any one employee or consultant that total more than 50,000 shares of Common Stock in any calendar year.

Corporate Governance

Corporate Governance Guidelines

The Board of Directors is committed to sound and effective corporate governance practices. Accordingly, the Board has adopted Corporate Governance Guidelines, which are intended to describe the governance principles and procedures by which the Board functions. The guidelines are subject to periodic review and update by the Nominating and Corporate Governance Committee and the Board. These Guidelines can be found on our website at <http://www.incyte.com> under the "Corporate Governance" heading in the Investor Relations portion of our website.

The Corporate Governance Guidelines provide, among other things, that:

a majority of the directors must be independent;

directors should offer to resign from the Board if they experience a change in their principal occupation;

directors should submit their resignations from the Board if they do not receive the votes of a majority of the shares voted in an uncontested election;

directors should advise the chair of the Nominating and Corporate Governance Committee before accepting an invitation to serve on more than four other public company boards (or, if a director is a chief executive officer of a public company, more than two other public company boards);

the Audit, Compensation, and Nominating and Corporate Governance Committees must consist solely of independent directors;

the Board and its committees may seek advice from outside advisors as appropriate;

the independent directors regularly meet in executive sessions without the presence of the non-independent directors or members of our management; and

the Nominating and Corporate Governance Committee periodically reviews the composition, functioning and effectiveness of the Board and its committees, and oversees the self-assessment of the Board and its committees.

Board Leadership Structure and Role in Risk Oversight

The Company has an independent Chairman of the Board of Directors separate from the Chief Executive Officer. Dr. Friedman is the Chief Executive Officer of the Company and Mr. De Schutter is the Chairman of the Board. The Board believes that this leadership structure reflects the role and responsibilities of the Chief Executive Officer in the Company's business and operations with significant involvement and authority vested in a separate independent chairman of the Board. The Board retains the authority to modify this structure as it deems appropriate.

Our Board of Directors is responsible for overseeing the overall risk management process at the Company. The responsibility for managing risk rests with executive management while the committees of the Board and the Board of Directors as a whole participate in the oversight process. The Board's risk oversight process builds upon management's risk assessment and mitigation processes, which include reviews of long-term strategic and operational planning, executive development and evaluation, regulatory and legal compliance, and financial reporting and internal controls. The Board considers strategic risks and opportunities and regularly receives reports from executive management regarding specific aspects of risk management.

Majority Voting Policy

Our Corporate Governance Guidelines include a majority voting policy for the election of directors. This policy states that if a nominee for director in an uncontested election does not receive a majority of the votes cast, the director must submit a resignation to the Board. In order to receive a majority of the votes cast, the number of shares voted "for" must exceed the number of votes to withhold authority and votes against, excluding abstentions. The Nominating and Corporate Governance Committee will evaluate and make a recommendation to the Board with respect to the proffered resignation. The Board must take action on the recommendation within 90 days following certification of the stockholder vote. The director whose resignation is under consideration cannot participate in any decision regarding his or her resignation. The Nominating and Corporate Governance Committee and the Board of Directors may consider any factors they deem relevant in deciding whether to accept a director's resignation.

Communications with the Board of Directors

If you wish to communicate with the Board of Directors, you may send your communication in writing to:

Secretary
Incyte Corporation
Experimental Station
Route 141 & Henry Clay Road
Building E336
Wilmington, DE 19880

You must include your name and address in the written communication and indicate whether you are a stockholder of the Company.

The Secretary will review any communications received from a stockholder and all material communications from stockholders will be forwarded to the appropriate director or directors or Committee of the Board based on the subject matter.

Certain Relationships and Related Transactions

The Company's policy is that all employees, officers and directors must avoid any activity that is or has the appearance of conflicting with the interests of the Company. This policy is included in the Company's Code of Business Conduct and Ethics and Board of Directors Code of Conduct and Ethics. The Company

conducts a review of all related party transactions for potential conflict of interest situations on an ongoing basis and all such transactions must be approved by the Company's Audit Committee or another independent body of the Board of Directors. In 2009, the Company entered into privately negotiated transactions for the repurchase of its outstanding debt. As part of these repurchases, in September 2009, the Company repurchased from certain entities affiliated with Julian C. Baker, one of our directors, \$38.3 million aggregate principal amount of our 3¹/₂% Convertible Senior Notes due 2011 at a purchase price equal to 98.74% of face value, and \$59.1 million aggregate principal amount of our 3¹/₂% Convertible Subordinated Notes due 2011 at a purchase price equal to 97.88% of face value. The prices paid by us in the repurchase transactions with the Baker entities were equal to the weighted average prices paid by us to independent third parties in comparable transactions for the balance of the notes repurchased during this period. These repurchases were approved by a committee of the Board consisting of independent and disinterested directors.

Compensation of Directors

Directors who are employees of the Company do not receive any fees for their service on the Board of Directors or any committee. During 2009, Dr. Friedman was the Company's only employee director. For a description of the compensation arrangements with Dr. Friedman, see "Executive Compensation."

Cash Compensation

Each non-employee director, other than the Chairman of the Board, receives a \$25,000 annual retainer, payable quarterly, and prorated for such portion of the year that the director serves on the Board. Mr. De Schutter receives an annual retainer of \$50,000 as Chairman of the Board. The chair of the Audit Committee receives an additional \$15,000 annual retainer, and each other member of the Audit Committee receives an additional \$7,500 annual retainer. The chair of the Compensation Committee receives an additional \$12,000 annual retainer, and each other member of the Compensation Committee receives an additional \$6,000 annual retainer. The chair of any other committee receives an additional \$4,000 annual retainer, and each other member of such other committee receives an additional \$2,000 annual retainer. All directors are reimbursed for their travel and out-of-pocket expenses in accordance with our travel policy for each in-person Board or committee meeting that they attend.

Equity Compensation

In addition to cash compensation for services as a member of the Board in 2009, the non-employee directors also received options to purchase shares of our Common Stock pursuant to the 1993 Directors' Stock Option Plan. Under the 1993 Directors' Option Plan, each new non-employee director appointed to the Board of Directors received an initial stock option grant of 35,000 shares of Common Stock at an exercise price equal to 100% of the fair market value of the Common Stock on the date of grant. The options vest as to 25% of the shares on the first anniversary of the date of the grant, with the remaining shares vesting monthly over the following three years. Pursuant to the 1993 Directors' Option Plan, following the conclusion of each annual meeting of stockholders, each non-employee director who continued to serve as a member of the Board of Directors received an option to purchase 20,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date of grant. Each of these options vest in full on the first anniversary of the date of the grant or, if earlier, the date of the next annual meeting of stockholders or upon a change in control. Under the 1993 Directors' Option Plan, when a new non-employee director is appointed to the Board of Directors at a time other than at an annual meeting, the director received a pro rata portion of the automatic annual grant that would vest in full on the date of our next annual meeting of stockholders. In 2009, each non-employee director received their annual grant of an option to purchase 20,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date of grant. In March 2010, our Board of Directors approved the 2010 Stock Incentive Plan, subject to the approval of the Company's

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stockholders at the Annual Meeting. If the 2010 Stock Incentive Plan is approved by the Company's stockholders at the Annual Meeting, it will replace the 1993 Directors' Option Plan and the Company's 1991 Stock Plan, and, while the amounts and terms of the grants initially will not differ from those described above, future grants to the Company's non-employee directors will be made under the 2010 Stock Incentive Plan as described in "Proposal 2 Approval of the 2010 Stock Incentive Plan Automatic Option Grants to Directors."

The table below shows the compensation paid to each non-employee director for their service in 2009:

2009 Director Compensation Table

Name	Fees Earned or Paid in Cash (\$)	Option Awards \$(2)(3)	Total (\$)
Richard U. De Schutter	68,604	24,462	93,066
Barry M. Ariko	46,000	24,462	70,462
Julian C. Baker	35,000	24,462	59,462
Paul A. Brooke	43,000	24,462	67,462
Matthew W. Emmens(1)	3,160		3,160
John F. Niblack	25,000	24,462	49,462
Roy A. Whitfield	32,500	24,462	56,962

(1) Matthew W. Emmens resigned from the Board of Directors effective February 4, 2009.

(2) Amounts listed in this column represent the aggregate grant date fair value of option awards granted in 2009 determined in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (ASC 718) for financial reporting purposes.

(3) The following table provides the number of shares of Common Stock subject to outstanding options held at December 31, 2009 for each director, as applicable:

Name	Number of Shares Underlying Unexercised Options
Richard U. De Schutter	167,084
Barry M. Ariko	160,834
Julian C. Baker	157,917
Paul A. Brooke	172,084
John F. Niblack	95,000
Roy A. Whitfield	220,000

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

The Compensation Committee of our Board of Directors believes that compensation of our executive officers should:

Encourage creation of stockholder value and achievement of strategic corporate objectives;

Integrate compensation with our annual and long-term corporate objectives and strategy, and focus executive behavior on the fulfillment of those objectives;

Provide a competitive total compensation package that enables us to attract and retain, on a long-term basis, qualified personnel; and

Provide fair compensation consistent with internal compensation programs.

Implementing Our Objectives

Role of Compensation Committee and Our Chief Executive Officer. The Compensation Committee approves, administers and interprets our executive compensation and benefits policies, including our 1991 Stock Plan. The Compensation Committee evaluates the performance of our President and Chief Executive Officer (CEO) and determines his compensation in light of the goals and objectives of our compensation program. Our CEO and the Compensation Committee together assess the performance of our other executive officers and determine their compensation, based on initial recommendations from our CEO.

Peer Group Benchmarking. While the Compensation Committee did not use market benchmarks to determine executive compensation for 2009, the Committee reviewed market reference data to evaluate the competitiveness of our executive officers' compensation and to determine whether the total compensation paid to each of our named executive officers was reasonable in the aggregate.

The Compensation Committee reviewed executive cash compensation against the SIRS® Executive Compensation Data, which was used because the Committee believes the SIRS data is more closely aligned with companies that we compete with for talent than other available surveys such as Radford. We use the SIRS data as reference data when establishing cash compensation for all of our employees. The SIRS data is available to companies that subscribe to the survey and was derived from the following companies:

Abbott Laboratories	Enzon Pharmaceuticals	Pfizer
Allergan	Exelixis	Procter & Gamble Technical Ctr
Amgen	Forest Laboratories	Purdue Pharma
Amylin Pharmaceuticals	Genentech	Regeneron Pharmaceuticals
AstraZeneca	Genzyme	Roche Molecular Systems
Biogen Idec	Gilead Sciences	Roche Palo Alto
Bio-Rad Laboratories	GlaxoSmithKline Pharmaceuticals	Roche Pharmaceuticals
Boehringer Ingelheim Pharmaceuticals	Icos	Sanofi Aventis
Bristol Myers Squibb	Idenix Pharmaceuticals	Schering-Plough
Celgene	Johnson & Johnson Biotechnology	Scios
Cephalon	Johnson & Johnson Pharmaceuticals	Sepracor
Chugai Pharma USA	Ligand Pharmaceuticals	Shire
Cubist Pharmaceuticals	MedImmune	Solvay Pharmaceuticals
CV Therapeutics	Merck	Teva North America
Diversa	Millennium Pharmaceuticals	Vertex Pharmaceuticals
Eli Lilly	Neurogen	Wyeth Pharmaceuticals
Endo Pharmaceuticals	Novartis Pharmaceuticals	

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The Compensation Committee noted that our executives' base salaries and targeted total cash compensation were below the median for the SIRS executives.

The Compensation Committee also reviewed a peer group of 17 biotechnology and pharmaceutical companies, chosen based on the following characteristics: major labor and capital market competitors, broadly similar size in pre-tax loss and market capitalization value, and similar growth and performance potential. This group was the same as the peer group used for 2008. To reduce expenses, the Compensation Committee did not use an independent executive compensation consultant in 2009 but, instead, requested our finance and human resources personnel to compile the data reviewed by the Committee; the data was similar to that generated in a prior year by the Committee's former independent compensation consultant. These companies are:

Alexion Pharmaceuticals	Dendreon	Regeneron Pharmaceuticals
Allos Therapeutics	Exelixis	Rigel Pharmaceuticals
Alnylam Pharmaceuticals	Human Genome Sciences	Seattle Genetics
ARIAD Pharmaceuticals	Intermune	Theravance
Array Biopharma	Onyx Pharmaceuticals	Vertex Pharmaceuticals
Cubist Pharmaceuticals	OSI Pharmaceuticals	

The Compensation Committee reviewed against the peer group data CEO total realized compensation and executive option grant metrics share usage, potential dilution and shareholder value transfer. The Committee noted that our 2008 CEO total realized compensation, which includes actual salary and bonus plus the compensation expense of option and other stock awards under FAS 123R, was below the average and median for our peer group. The Committee noted that our corporate performance in 2008 was challenged, and that the total cash compensation for our executive officers reflected that performance. The Committee also noted that our total potential dilution, measured as total equity awards outstanding for our company plus those available for future grant, divided by fully diluted shares outstanding, was below the peer group median and average, that our three year shareholder value transfer rate, net of cancellations and forfeitures, was slightly higher than the peer group median and average but less than the 75th percentile, and that our annual share usage, based on equity grants as a percentage of total outstanding shares, net of cancellations and forfeitures, was higher than the peer group average and median but less than the 75th percentile.

Equity Grant Practices. The exercise price of each stock option awarded to our executive officers under our 1991 Stock Plan is the closing price of our common stock on the date of grant, which for our annual stock option grants is the date of the regularly scheduled Compensation Committee meeting shortly after the end of each year at which equity awards for senior executives are determined. These meetings are scheduled in advance, and we do not coordinate the timing of equity award grants with the release of financial results or other material announcements by our company. Under our 1991 Stock Plan, we may not reprice or replace options at lower exercise prices without stockholder approval. These practices will apply similarly to our 2010 Stock Incentive Plan, should stockholders approve that Plan at the Annual Meeting.

Tax Deductibility of Compensation. Section 162(m) of the Internal Revenue Code places a limit of \$1,000,000 on the amount of compensation that we may deduct in any one year with respect to our CEO and each of the next three most highly compensated executive officers (excluding the chief financial officer). To maintain flexibility in compensating our executive officers in a manner designed to promote varying corporate goals, the Compensation Committee has not adopted a policy requiring all executive compensation to be deductible.

Stock Ownership Guidelines. We have not currently adopted stock ownership guidelines.

Key Elements of Executive Compensation

Our executive officers' compensation currently includes three primary components: base salary, cash bonus, and equity-based incentive awards. In addition, we provide our executive officers a variety of benefits that are available generally to all salaried employees.

Base Salary. Base salaries are designed to attract and retain qualified personnel by providing a consistent cash flow throughout the year as compensation for acceptable levels of performance of day-to-day responsibilities. Base salaries for our executive officers are established based on the scope of their responsibilities, their performance, and their prior relevant background, training and experience, taking into account competitive market compensation paid by the companies represented in the compensation data we review for similar positions and the overall market demand for those executive officers at the time of hire. The Compensation Committee reviews salaries on an annual basis. At such time, the Compensation Committee may change each executive officer's salary based on the individual's contributions and responsibilities over the prior twelve months and any change in competitive market pay levels.

In January 2009, the Compensation Committee determined not to increase for 2009 the base salaries for our executive officers, as no base salary increases were being made for any of our employees given our company's financial position with significant debt coming due in February 2011 and the uncertainty in the world's capital and financial markets existing at that time. In January 2010, the Compensation Committee set the 2010 base salaries for our executive officers. Base salary increased by 5% for 2010 for our CEO and from 1% to 4.4% for each of the four other executive officers named in the table below entitled "Summary Compensation Table"; 3% was the average base salary increase for all of our employees. The Compensation Committee considered our company's performance in 2009, including the clinical trial progress of our drug candidates, our entry into two significant pharmaceutical company collaborations and the significant strengthening of our financial condition and refinancing of our outstanding indebtedness, job performance, internal pay alignment and equity, and marketplace competitiveness in determining the base salaries. The Committee gave the highest percentage increase to our CEO in recognition of his leadership in guiding the Company through what the Committee believed was an outstanding year for our company.

Incentive Compensation Plan. Each year, we have established an incentive compensation plan that provides for cash incentive awards for all of our eligible employees. The plans have been designed to align incentive awards for each participant based upon an evaluation of our achievement of corporate objectives, which are approved by our Board of Directors based on the recommendations of the Compensation Committee, as well as, in the case of individuals other than our CEO, the achievement of individual business objectives for a particular year. Eligibility to participate in the plans and actual award amounts are not guaranteed and are determined, in the case of our executive officers, at the discretion of the Compensation Committee. After the completion of each year, the Compensation Committee reviews with our CEO the level of achievement of the corporate objectives under the plan and determines the size of the overall bonus pool to be used for awards. The Compensation Committee, with input from our CEO with respect to our other executive officers, may use discretion in determining for each executive officer his or her bonus amount.

Incentive awards for our executive officers were approved by the Compensation Committee and paid in 2010 pursuant to our 2009 incentive compensation plan. Each of our executive officers other than our CEO had a funding target under the plan of 50% of his or her annual base salary for 2009, with the potential for actual awards under the plan to either exceed or be less than the funding target depending upon corporate performance, as well as the executive officer's achievement of certain individual goals that are predetermined by our CEO. Our CEO had a funding target under the plan of 75% of his annual base salary for 2009, with the potential for actual awards under the plan to either exceed or be less than such funding target depending upon corporate performance. Target incentive award amounts for each participant were based on the participant's potential impact on our operating and financial results and on market competitive pay practices. Individual performance goals were established for eligible employees

other than our CEO, and evaluations were based upon whether the employee met, exceeded or did not meet each established goal. Under our incentive compensation plan, the percentage of potential incentive awards attributable to the achievement of individual goals decreases as seniority increases, with a greater proportion of the potential incentive awards for executive officers being based upon achievement of corporate performance objectives. The Committee believes that it is appropriate to align a higher percentage of our executive officers' total cash compensation with the achievement of our Board-approved corporate objectives because those objectives are determined with a view toward progressing our company's business and maximizing stockholder value.

While executive officers other than our CEO have individual performance objectives that are evaluated by our CEO, the outcome of those objectives did not affect awards under our 2009 incentive compensation plan to those officers, and the award amounts were based solely on achievement of the corporate performance objectives.

Corporate performance objectives for 2009 were based on achievement of drug discovery objectives, representing 10% of the overall objectives, drug development objectives, representing 47.5% of the overall objectives, commercial objectives, representing 7.5% of the overall objectives, finance objectives, representing 10% of the overall objectives, and business development objectives, representing 25% of the overall objectives. Bonus opportunities for certain objectives enabled the payout of up to an additional 25 percentage points. Threshold, target and outperform achievement levels were defined for each corporate objective, resulting in potential payouts ranging from 0% to 150% for each objective depending on achievement of such performance levels. At the time the corporate performance objectives for 2009 were set, the Committee and management believed that achievement of the target levels of performance would be difficult and challenging, but achievable with significant effort and skill, favorable preclinical study and clinical trial results, and favorable FDA meeting outcomes.

In January 2010, the Compensation Committee evaluated the achievement of the 2009 corporate performance objectives and determined that incentive awards under our 2009 incentive compensation plan should be based upon achievement of 138% of the target level of corporate performance objectives. The various objective categories, target payouts and actual payouts, are listed in the table below.

Objectives	Target %	Payout %
Discovery	10	9.38
Development	47.5	
JAK MF	25	18.75
JAK PV/ET	5	7.5
JAK Inflammation	7.5	7.5
JAK Topical	5	7.5
HSD-1	5	5
Commercial	7.5	9.75
Finance	10	15
Bonus points		10
Business Development	25	37.5
Bonus points		10
Total payout %		137.88

The discovery objectives related primarily to identification of a specified compound for a future potential drug candidate program and the identification of new compounds with specified characteristics and activity. Of our drug development objectives, the Committee determined that we achieved our objectives for our JAK inhibitor program for myelofibrosis, at the threshold level as we enrolled the threshold level of subjects in our U.S. and European clinical trials of INCB18424 for myelofibrosis. The objectives for our JAK inhibitor program for polycythemia vera and essential thrombocythemia, were achieved at the outperform level, as we selected a dosing paradigm for polycythemia vera, received initial FDA feedback regarding our proposed clinical trial program and observed specified patient results in our

ongoing trial. The objective for our JAK inhibitor program for inflammation, which related to certain specified thresholds regarding our phase II study, was met at the target level. The objective for our JAK inhibitor program for psoriasis, which related to the achievement of certain clinical trial results and criteria relating to clinical trials for this program, was met at the outperform level. The objective for our HSD-1 program, which related to the achievement of certain clinical trial results, was met at the target level. We met our various commercial objectives, which related to the buildout of our marketing efforts and infrastructure and preparing for the launch of our first product, at levels ranging from target to outperform. We met our finance objective at the outperform level, as at least \$300 million of our existing indebtedness had been refinanced, and also achieved 10 additional bonus points as our cash at year end 2009 was projected to allow for at least 15 months of operational runway. We achieved our business development objectives at the outperform level as we completed transactions totaling at least \$200 million in committed capital through year-end 2010 and earned 10 additional bonus points as we completed transactions that were being pursued for three programs cMET, JAK oncology and JAK inflammation. Based on these corporate performance results, each of our executive officers received incentive awards for 2009 equal to 138% of his or her funding target.

In March 2010, we established corporate objectives for our 2010 incentive compensation plan. Under this plan, the funding targets for our executive officers remain the same as for 2009. Corporate performance objectives for 2010 are based on achievement of drug discovery objectives, representing 15% of the overall objectives, drug development objectives, representing 62.5% of the overall objectives, commercial objectives, representing 10% of the overall objectives, finance objectives, representing 5% of the overall objectives, and business development objectives, representing 7.5% of the overall objectives. Bonus opportunities enable the payout of up to an additional 22.5 percentage points. Threshold, target and outperform achievement levels are defined for each corporate objective and, depending on the achievement of those performance levels, a payout ranging from 0% to 150% may be made for each objective. The Committee and management believe that achievement of the target levels of performance for most of the objectives, including all of the drug discovery and development objectives, will be difficult and challenging, but achievable with significant effort and skill, favorable preclinical study and clinical trial results, favorable FDA meeting outcomes, and successful outcomes from discussions with potential collaboration partners.

Equity-Based Incentive Awards. The Compensation Committee administers equity-based incentive awards, such as stock option grants, that are made to our executive officers under our 1991 Stock Plan and 2010 Stock Incentive Plan, should the stockholders approve the latter at the Annual Meeting. The Compensation Committee believes that by providing those persons who have substantial responsibility for our management and growth with an opportunity to increase their ownership of our stock, the best interests of our stockholders and executive officers will be closely aligned. Therefore, executive officers are eligible to receive equity-based incentive awards when the Compensation Committee performs its annual review, although these awards may be granted at other times in recognition of exceptional achievements. As is the case when the amounts of base salary and initial equity awards are determined, the Compensation Committee conducts a review of all components of an executive officer's compensation when determining annual equity awards to ensure that the executive's total compensation conforms to our overall philosophy and objectives.

The Compensation Committee approved grants of stock options to our executive officers in January 2010 in connection with the Compensation Committee's evaluation of our 2009 performance. The Compensation Committee approved the grant of options in the same amounts as were granted to such officers in January 2009 for 2008 performance, with the exception of those executive officers who had been promoted to Executive Vice President, who received the same size grants in January 2010 as other our Executive Vice Presidents. These amounts were based on previously determined stock grant guidelines for all employees, and took into consideration the market reference data described above. The Compensation Committee also approved the total number of options to be awarded to all employees of the Company in connection with this annual review of stock option grants and reviewed the relative levels of grants to executive officers in relation to grants to non-executive officer employees. Because management projected

that we might not have sufficient authorized but unissued shares available under our 1991 Stock Plan due to projected grants needed for new hires, only 85% of the options were granted in January 2010, with the remainder to be granted on the date of the Annual Meeting conditioned on the approval of the 2010 Stock Incentive Plan.

Under our 1991 Stock Plan, we may grant restricted shares or restricted stock unit awards. In 2009, the Compensation Committee did not grant restricted shares or restricted stock units to any of our executive officers. Under our 2010 Stock Incentive Plan, we may grant restricted shares, performance shares, restricted stock units or stock appreciation rights. The Compensation Committee, in its discretion, may in the future elect to make such grants to our executive officers if it deems it advisable, but the 1991 Stock Plan and 2010 Stock Incentive Plan each contain a limit of 200,000 shares on the total amount of shares that may be issued other than upon the exercise of stock options or stock appreciation rights or pursuant to sales of restricted shares at purchase prices at least equal to the fair market value of the shares sold.

Termination Based Compensation Under Employment Agreements and Offer Letters. Our executive officers are parties to employment agreements and offer letters, as described below under "Employment Contracts, Termination of Employment and Change-in-Control Arrangements." We have no current plans to make changes to any employment agreements or offer letters, except as required by law or as required to clarify the benefits to which our executive officers are entitled. In December 2008, we amended these employment agreements primarily to make changes necessary to comply with Section 409A of the Internal Revenue Code.

These employment agreements and offer letters provide for severance payments and acceleration of vesting of equity-based awards upon termination of employment under the circumstances described below under "Employment Contracts, Termination of Employment and Change-in-Control Arrangements." In general, the employment agreements provide for severance benefits if an officer's employment is terminated within 24 months following a change in control. These agreements are designed both to attract executives, as we compete for talented employees in a marketplace where such protections are routinely offered, and to retain executives and provide continuity of management in the event of an actual or threatened change in control.

Other Compensation. All of our full-time employees, including our executive officers, may participate in our health programs, such as medical, dental and vision care coverage, and our 401(k) and life and disability insurance programs. These benefits are designed to provide our executive officers and eligible employees a competitive total compensation package that enables us to attract and retain qualified personnel.

Compensation Committee Report

This report shall not be deemed to be "soliciting material" or "filed" with the Securities and Exchange Commission or be deemed incorporated by reference into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates it by reference into a document filed under such Acts.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth in this Proxy Statement with our management. Based on such review and discussions, the 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

Compensation Committee

Paul A. Brooke
Barry M. Ariko
Julian C. Baker
Richard U. De Schutter

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Named Executive Officers

The Summary Compensation Table, Grants of Plan-Based Awards Table and the tables that follow provide compensation information for our named executive officers, including Paul A. Friedman as President and Chief Executive Officer, David C. Hastings as Executive Vice President and Chief Financial Officer, and the three most highly compensated of our executive officers who were serving as executive officers at the end of 2009, which in 2009 were Patricia S. Andrews, Brian W. Metcalf and Paula J. Swain.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Option Awards \$(1)	Non-Equity Incentive Plan Compensation \$(2)	All Other Compensation \$(3)	Total (\$)
Paul A. Friedman	2009	590,554	291,379	611,223	11,230	1,504,386
President and Chief Executive Officer	2008	587,933	1,051,308	431,842	11,189	2,082,272
David C. Hastings	2009	313,113	145,690	216,048	3,473	678,324
Executive Vice President and Chief Financial Officer	2008	311,723	525,655	152,642	3,471	993,491
Patricia S. Andrews (4) Executive Vice President and Chief Commercial Officer	2007	299,734	324,174	216,770	3,449	844,127
Brian W. Metcalf	2009	340,000	145,690	234,600	3,798	724,088
Executive Vice President and Chief Drug Discovery Scientist	2008	399,562	145,690	275,698	41,764	862,714
Paula J. Swain	2009	397,789	525,655	194,786	41,750	1,159,980
Executive Vice President, Human Resources	2008	383,325	324,174	276,620	41,638	1,025,757
	2007	310,764	145,690	214,427	3,718	674,599
	2008	309,385	525,655	151,498	3,714	990,252
	2007	297,486	324,174	215,145	3,444	840,249

(1) Amounts listed in this column represent the aggregate grant date fair value of option awards granted in each fiscal year. The grant date fair value was determined in accordance with ASC Topic 718 for financial reporting purposes.

(2) Amounts listed in this column represent bonuses paid under the annual incentive compensation plan for each of years 2009, 2008 and 2007. These amounts are not reported in the Bonus column because the award is tied to corporate performance goals.

(3) Except for Dr. Metcalf, represents payments made for group term life insurance and \$3,000 in matching contributions under our 401(k) plan. For Dr. Metcalf, represents a \$36,000 housing allowance, \$3,000 in matching contributions under our 401(k) plan and payments made for group term life insurance.

(4) Patricia S. Andrews joined the Company as Executive Vice President and Chief Commercial Officer in October 2008.

2009 Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)(2)			All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)			
Paul A. Friedman		332,186	442,915	775,102			
	1/27/2009				200,000	3.11	291,379
David C. Hastings		117,417	156,556	273,974			
	1/27/2009				100,000	3.11	145,690
Patricia S. Andrews		127,500	170,000	297,500			
	1/27/2009				100,000	3.11	145,690
Brian W. Metcalf		149,836	199,781	349,617			
	1/27/2009				100,000	3.11	145,690
Paula J. Swain		116,537	155,382	271,919			
	1/27/2009				100,000	3.11	145,690

- (1) The target incentive amounts shown in this column reflect our annual incentive plan awards originally provided under the 2009 incentive compensation plan and represent the pre-established target awards as a percentage of base salary for the 2009 fiscal year, with the potential for actual awards under the plan to either exceed or be less than such funding target depending upon corporate performance. Actual award amounts are not guaranteed and are determined at the discretion of the Compensation Committee, which may consider an individual's performance during the period. For additional information, please refer to the Compensation Discussion and Analysis section. Actual 2009 incentive compensation plan payouts are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
- (2) The threshold illustrates the smallest payout that can be made if all of the pre-established performance objectives are achieved at the minimum achievement level. Actual awards may be more or less than these amounts and are at the discretion of the Compensation Committee. The target is the payout that can be made if the pre-established performance objectives have been achieved at the target achievement level. The maximum is the greatest payout that can be made if the pre-established maximum performance objectives are achieved or exceeded at the outperform achievement levels.
- (3) Options listed in this column become exercisable as to one-third of the shares on the first anniversary of the grant date, with the remaining shares vesting ratably each month thereafter over the following two years, and have a term of seven years.

Salary

The annual salaries of the named executive officers are reflected under the Salary column of the Summary Compensation Table. The Compensation Committee reviews salaries on an annual basis, and may change each executive officer's salary based on the individual's contributions and responsibilities over the prior twelve months and any change in comparable company pay levels. In January 2009, the Compensation Committee set the 2009 base salaries for our executive officers. Salary compensation is discussed in greater detail under the heading "Compensation Discussion and Analysis."

Incentive Compensation

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All named executive officers received a bonus for the 2009 fiscal year under our discretionary 2009 incentive compensation plan. This bonus is reflected under the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table because the bonus is tied to the corporate performance of the Company. The plan established cash incentive awards for all of our eligible employees for 2009, and was designed to align incentive awards for each participant's individual performance with our corporate goals. Incentive awards for our executive officers were approved by the Compensation Committee in January 2010 and paid in March 2010 pursuant to this plan. Our executive officers each had a funding target under the plan, with the potential for actual awards under the plan to either exceed or be less than

such funding target depending upon corporate performance, as well as each executive officer's individual performance. The range of the 2009 awards at the time of establishment of the plan is set forth under the Estimated Future Payouts Under Non-Equity Incentive Plan Awards column to the Grants of Plan-Based Awards Table. Actual incentive award amounts paid to named executive officers for 2009 pursuant to this plan were based on the achievement of corporate goals that were predetermined by the Compensation Committee, as described in greater detail under the heading "Compensation Discussion and Analysis," and is disclosed in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

Stock Option Awards

In 2009, all named executive officers received grants of options to purchase Common Stock. The numbers and grant date fair values of these awards under FAS 123R are set forth in the Grant of Plan-Based Awards Table. The exercise price for options awarded in 2009 was the fair market value of our Common Stock on the grant date. These awards will generally vest and become exercisable as to one-third of the shares on the first anniversary of the grant date, with the remaining shares vesting ratably each month thereafter over the following two years.

The amounts, if any, actually realized by the named executive officers for the 2009 awards will vary depending on the vesting of the award and the price of our Common Stock in relation to the exercise price at the time of exercise. Detail regarding the number of exercisable and unexercisable options held by each named executive officer at year-end is set forth in the Outstanding Equity Awards at Fiscal Year-End Table below.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

Paul A. Friedman

In November 2001, and in connection with his appointment as Chief Executive Officer, we entered into an employment agreement with Paul A. Friedman which provides for certain payments and benefits in the event of termination of Dr. Friedman's employment with the Company. In December 2008, we amended Dr. Friedman's employment agreement to comply with Section 409A of the Internal Revenue Code of 1986, as amended, and to provide that any severance payments payable under the employment agreement will be paid in a lump sum payment.

Termination Without Good Reason Prior to a Change in Control. If Dr. Friedman terminates his employment with the Company without "good reason" (which generally includes the assignment of duties substantially and materially inconsistent with Dr. Friedman's position or other diminishment in position, requiring him to be based at any location outside of the East Coast, a reduction in salary, bonus or adverse change in benefits, or a breach by the Company of the terms of his employment arrangement) prior to a "change in control" (discussed below under the heading "Termination in Connection with a Change in Control Without Cause or for Good Reason"), we will pay Dr. Friedman, to the extent not already paid, his annual base salary through the date of termination, any deferred compensation and any accrued vacation pay.

Termination Without Good Reason in Connection with a Change in Control. If Dr. Friedman terminates his employment with the Company without "good reason" following a "change in control," we will pay Dr. Friedman, to the extent not already paid, his annual base salary through the date of termination, any deferred compensation and any accrued vacation pay, and an amount equal to a pro rata portion of his target bonus calculated according to the number of days he worked through the termination date in the current fiscal year.

Termination Without Cause or for Good Reason Not in Connection with a Change in Control. If, at any time other than the two year period following a "change in control," Dr. Friedman's employment is

terminated by the Company without cause or by him for good reason, the agreement provides that we will pay Dr. Friedman, to the extent not already paid, his annual base salary through the date of termination, any deferred compensation and any accrued vacation pay, and an amount equal to a pro rata portion of his target bonus calculated according to the number of days he worked through the termination date in the current fiscal year. In addition, we will pay him an amount equal to the sum of his annual base salary and the greater of his current target bonus or his bonus amount for the preceding fiscal year. The cash payment will be paid in a lump sum payment within 30 days following his termination. This agreement also provides that Dr. Friedman's stock options will vest as to the amount that would have vested had he continued to work for the Company for an additional twelve months. In addition, the agreement provides for the payment of COBRA premiums by the Company for Dr. Friedman and his family for up to 12 months, outplacement services for up to 12 months, as well as payment with respect to any other accrued amounts under other of the Company's benefits arrangements.

Termination in Connection with a Change in Control Without Cause or for Good Reason. In the event that Dr. Friedman's employment is terminated within 24 months following a "change in control" (a change in control generally includes a significant change in the composition of the Board of Directors, the acquisition by any person or entity of greater than 50% of the combined voting power of the Company's outstanding securities, the approval of a liquidation or dissolution of the Company, or the sale or disposition of all or substantially all of the Company's assets or similar transaction) either by the Company without cause or by Dr. Friedman for good reason (which in the case of a change in control includes requiring Dr. Friedman to be based at any location more than 35 miles from the office or location where he was based prior to the change in control), we will pay Dr. Friedman, to the extent not already paid, his annual base salary through the date of termination, any deferred compensation and any accrued vacation pay, and an amount equal to a pro rata portion of his target bonus calculated according to the number of days he worked through the termination date in the current fiscal year. In addition, we will pay him an amount equal to three times the sum of his current annual base salary and the greater of his current target bonus or his bonus amount for the preceding fiscal year. The cash payment will be paid in a lump sum payment within 30 days following his termination. The agreement also provides that in the event of such a termination, all of Dr. Friedman's unvested restricted stock units and unvested stock options will vest in full, and all stock options will be exercisable for 12 months following his termination. In addition, the agreement provides for the continuation of benefits for Dr. Friedman and his family for up to 36 months, outplacement services for up to 12 months, as well as payment with respect to any other accrued amounts under other of the Company's benefits arrangements.

Other Covenants. Under the agreement, Dr. Friedman is subject to non-solicitation/non-hiring and non-disparagement covenants that extend two years from termination of employment. Upon certain breaches of those covenants after termination of employment, Dr. Friedman must forfeit all of his unvested restricted stock units and the gain or income realized from units vesting within 24 months prior to the breach.

Agreements with other Named Executive Officers

In November 2003, our Board of Directors approved a form of employment agreement for Executive Vice Presidents. The Company entered into employment agreements with Brian W. Metcalf, David C. Hastings and Paula J. Swain, and certain of our other executive officers effective November 21, 2003, and with Patricia S. Andrews effective October 20, 2008. The form of employment agreement for the Executive Vice Presidents was amended in December 2008 to comply with Section 409A of the Internal Revenue Code of 1986, as amended.

This form of employment agreement provides that in the event of an "involuntary termination" of the executive's employment within 24 months following a change in control (which includes actual termination without cause and constructive termination by way of the assignment of duties substantially and materially inconsistent with the executive's position or other diminishment in position, requiring the executive to be

based at any location outside more than 35 miles from the office or location where he or she was based prior to a change in control, a reduction in salary, bonus or adverse change in benefits, or a breach by the Company of the terms of the executive's employment arrangement), we will pay the executive an amount equal to the sum of the executive's current annual base salary and the greater of (1) the executive's current target bonus or (2) the executive's bonus amount for the preceding fiscal year. A "change in control" generally includes a significant change in the composition of the Board of Directors, the acquisition by any person or entity of greater than 50% of the combined voting power of the Company's outstanding securities, the approval of a liquidation or dissolution of the Company, or the sale or disposition of all or substantially all of the Company's assets or similar transaction. We will also pay the executive a pro rata portion of the executive's target bonus calculated according to the number of days the executive worked through the termination date in the current fiscal year. The cash payment would be paid in a lump sum payment following the executive's termination. The agreement also provides that in the event of such a termination, all of the executive's unvested stock options will vest in full, and all stock options will be exercisable for 12 months following the executive's termination. In addition, the agreement provides for the reimbursement of COBRA premiums by the Company for the executive and eligible dependents for up to 12 months, reimbursement (or payment) by the Company for the cost of continued life and disability insurance for the executive for 12 months at the same levels in effect on the termination date, as well as payment with respect to any other accrued amounts under other of the Company's benefits arrangements.

David C. Hastings. In September 2003, in connection with his appointment as Executive Vice President and Chief Financial Officer, Mr. Hastings received an offer letter that provides that if his employment is terminated other than for cause, we will pay him an amount equal to the sum of his current annual base salary and his current target bonus, as well as amounts with respect to any other accrued amounts under other of the Company's benefits arrangements. We will also pay the cost of COBRA premiums for one year, or until he becomes eligible for medical insurance with another employer.

Patricia S. Andrews. In September 2008, in connection with her appointment as Executive Vice President and Chief Commercial Officer, Ms. Andrews received an offer letter that provides that if her employment is terminated other than for cause, we will pay her an amount equal to the sum of her current annual base salary and her current target bonus, as well as amounts with respect to any other accrued amounts under other of the Company's benefits arrangements.

Potential Payments Upon Termination without a Change in Control

The following table describes the potential payments and benefits triggered by a termination of employment of a named executive officer by the Company without cause, or by the executive for good reason, in each case prior to a change in control and assuming the employment of the named executive officer was terminated on December 31, 2009.

Termination	Cash Payment (\$)	Medical/ Insurance Benefits (\$)	Acceleration of Equity Awards (\$)(1)	Other (\$)(2)	Total (\$)
Paul A. Friedman					
Termination without cause or for good reason	1,476,384	18,225	804,318	105,648(3)	2,404,575
David C. Hastings					
Termination without cause	469,669	18,225		30,107	518,001
Patricia S. Andrews					
Termination without cause	510,000			14,385	524,385

(1) Represents the amount by which the closing price of our common stock on December 31, 2009 exceeded the exercise price for equity awards for which vesting would have accelerated as a result of termination of employment.

(2) Includes accrued amounts under other of the Company's benefits arrangements, including accrued vacation and other vested benefits the named executive officer is entitled to receive that are generally available to all salaried employees.

(3) Includes an estimated \$50,000 for outplacement services.

Potential Payments Upon Termination in Connection with a Change in Control

The following table describes the potential payments and benefits triggered by a termination of employment of a named executive officer in connection with a change in control, by the Company without cause or by the executive for good reason, in each case assuming the employment of the named executive officer was terminated on December 31, 2009.

Termination	Cash Payment (\$)	Medical/ Insurance Benefits (\$)	Acceleration of Equity Awards (\$)(2)	Other (\$)(3)	Total (\$)
Paul A. Friedman					
Termination without good reason	442,915			55,648	498,563
Termination without cause or for good reason	3,543,322	59,915	1,237,656	105,648(4)	4,946,541
David C. Hastings					
Termination without cause or for good reason(1)	626,225	20,244	618,830	30,107	1,295,406
Patricia S. Andrews					
Termination without cause or for good reason(1)	680,000	13,087	1,061,146	14,385	1,768,618
Brian W. Metcalf					
Termination without cause or for good reason(1)	799,124	13,923	618,830	28,430	1,460,307
Paula J. Swain					
Termination without cause or for good reason(1)	621,529	20,242	618,830	14,044	1,274,645

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- (1) Includes constructive termination following a change in control. See the section entitled "Agreements with other Named Executive Officers" above.
- (2) Represents the amount by which the closing price of our common stock on December 31, 2009 exceeded the exercise price for equity awards for which vesting would have accelerated as a result of termination of employment.
- (3) Includes accrued amounts under other of the Company's benefits arrangements, including accrued vacation and other vested benefits the named executive officer is entitled to receive that are generally available to all salaried employees.
- (4) Includes an estimated \$50,000 for outplacement services.

2009 Outstanding Equity Awards At Fiscal Year-End

Name	Option Awards(1)		Option Exercise Price (\$)	Option Expiration Date
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Options (#) Un-Exercisable		
Paul A. Friedman	400,000		\$ 16.19	11/26/2011
	225,000		\$ 5.97	11/7/2012
	220,000		\$ 8.64	2/27/2014
	240,000		\$ 8.99	1/18/2015
	195,833	4,167	\$ 5.46	1/13/2016
	188,888	11,112(2)	\$ 7.09	2/12/2014
	122,221	77,779(2)	\$ 11.98	2/8/2015
		200,000(2)	\$ 3.11	1/27/2016
David C. Hastings	160,000		\$ 5.12	10/14/2013
	10,000		\$ 8.19	2/13/2014
	110,000		\$ 8.99	1/18/2015
	97,916	2,084	\$ 5.46	1/13/2016
	94,444	5,556(2)	\$ 7.09	2/12/2014
	61,110	38,890(2)	\$ 11.98	2/8/2015
		100,000(2)	\$ 3.11	1/27/2016
Patricia S. Andrews	85,555	134,445(2)	\$ 5.68	10/21/2015
		100,000(2)	\$ 3.11	1/27/2016
Brian W. Metcalf	160,000		\$ 11.06	2/27/2012
	100,000		\$ 5.97	11/7/2012
	67,000		\$ 8.19	2/13/2014
	90,000		\$ 8.99	1/18/2015
	97,916	2,084	\$ 5.46	1/13/2016
	94,444	5,556(2)	\$ 7.09	2/12/2014
	61,110	38,890(2)	\$ 11.98	2/8/2015
			100,000(2)	\$ 3.11
Paula J. Swain	75,000		\$ 13.80	2/4/2012
	30,000		\$ 6.27	8/15/2012
	75,000		\$ 5.97	11/7/2012
	55,000		\$ 8.19	2/13/2014
	100,000		\$ 8.99	1/18/2015
	97,916	2,084	\$ 5.46	1/13/2016
	94,444	5,556(2)	\$ 7.09	2/12/2014
	61,110	38,890(2)	\$ 11.98	2/8/2015
		100,000(2)	\$ 3.11	1/27/2016

(1) Except as otherwise noted in note (2), all options listed in this table become exercisable as to 25% of the shares on the first anniversary of the grant date, with the remaining shares vesting ratably each month thereafter over the following three years. Except as otherwise noted, the options have a term of ten years, subject to earlier termination in certain events relating to termination of employment. Vesting of the options is subject to acceleration under the circumstances described under "Employment Contracts, Termination of Employment and Change-in-Control Arrangements."

(2) Option becomes exercisable as to one-third of the shares on the first anniversary of the date of grant, with the remaining shares vesting ratably thereafter over the following two years. Option has term of seven years, subject to earlier termination in certain events relating to termination of employment. Vesting of the option is subject to acceleration under the circumstances described under "Employment Contracts, Termination of Employment and Change-in-Control Arrangements."

Equity Compensation Plan Information

The following table gives information about our Common Stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2009, including the 1991 Stock Plan, the 1993 Directors' Stock Option Plan and the 1997 Employee Stock Purchase Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	17,980,691	\$ 7.71	4,434,510(1)
Equity compensation plans not approved by security holders			
Total	17,980,691	\$ 7.71	4,434,510

(1)

Includes 947,177 shares available for issuance under the 1997 Employee Stock Purchase Plan, 198,748 shares available for issuance under the 1993 Directors' Stock Option Plan and 3,288,585 shares available for issuance under the 1991 Stock Plan as of December 31, 2009.

As of March 22, 2010, the Company had outstanding options to purchase an aggregate of 20,232,228 shares of Common Stock under the 1991 Stock Plan and the 1993 Directors' Stock Option Plan at a weighted average exercise price of \$7.99 and with a weighted average remaining contractual term of 4.94 years, and had 725,475 shares of Common Stock available for future issuance under these plans. As of March 22, 2010, the Company had no outstanding options other than outstanding options under the 1991 Stock Plan and the 1993 Directors' Stock Option Plan. If the 2010 Stock Incentive Plan is approved by our stockholders at the Annual Meeting, any shares of Common Stock then remaining available for issuance under the 1991 Stock Plan and the 1993 Directors' Stock Option Plan will be added to the number of shares of Common Stock available for issuance under the 2010 Stock Incentive Plan, and no shares will remain available for future issuance under either the 1991 Stock Plan or the 1993 Directors' Stock Option Plan.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee of the Board of Directors is composed of three directors, each of whom qualifies as "independent" under the current listing requirements of The NASDAQ Stock Market. The current members of the Audit Committee are Barry M. Ariko, Richard U. De Schutter and Roy A. Whitfield. The Audit Committee acts pursuant to a written charter that was originally adopted by the Board of Directors in June 2000 and was most recently amended in January 2009.

In performing its functions, the Audit Committee acts in an oversight capacity and necessarily relies on the work and assurances of the Company's management, which has the primary responsibility for financial statements and reports, and of the independent registered public accounting firm, who, in their report, express an opinion on the conformity of the Company's annual financial statements with accounting principles generally accepted in the United States and the effectiveness of the Company's internal control over financial reporting. It is not the duty of the Audit Committee to plan or conduct audits, to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, or to assess or determine the effectiveness of the Company's internal control over financial reporting.

Within this framework, the Audit Committee has reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2009 and the Company's internal control over financial reporting. The Audit Committee has also discussed with the independent registered public accounting firm, Ernst & Young LLP, the matters required to be discussed by AICPA, *Professional Standards*, Vol. 1, AU Section 380, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. In addition, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm the independent registered public accounting firm's independence.

Based upon these reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

Audit Committee

Barry M. Ariko
Richard U. De Schutter
Roy A. Whitfield

PROPOSAL 2

APPROVAL OF THE 2010 STOCK INCENTIVE PLAN

In March 2010, the Board of Directors approved the Company's 2010 Stock Incentive Plan, subject to the approval of the Company's stockholders at the Annual Meeting. The following summary of the principal features of the 2010 Stock Incentive Plan is qualified by reference to the terms of the plan, a copy of which is available without charge upon stockholder request to Secretary, Incyte Corporation, Experimental Station, Route 141 & Henry Clay Road, Building E336, Wilmington, Delaware 19880. The 2010 Stock Incentive Plan has also been filed electronically with the Securities and Exchange Commission together with this Proxy Statement, and can be accessed on the SEC's web site at <http://www.sec.gov>.

2010 Stock Incentive Plan

The purpose of the 2010 Stock Incentive Plan is to assist in the recruitment, retention and motivation of employees, outside directors and consultants who are in a position to make material contributions to our long-term success and the creation of stockholder value. The 2010 Plan offers a significant incentive to encourage our employees, outside directors and consultants by enabling those individuals to acquire shares of our Common Stock, thereby increasing their proprietary interest in the growth and success of our Company. The 2010 Plan is intended to replace the 1991 Stock Plan and the 1993 Directors' Stock Option Plan. If the 2010 Plan is approved by the Company's stockholders, any shares of Common Stock then remaining available for issuance and not subject to outstanding awards under either the 1991 Stock Plan or the 1993 Directors' Stock Option Plan will be added to the shares of Common Stock authorized and available for issuance under the 2010 Plan, and no shares of Common Stock will remain available for future awards under either the 1991 Stock Plan or the 1993 Directors' Stock Option Plan. Shares that are subject to awards that expire, terminate or are cancelled under either the 1991 Stock Plan or the 1993 Directors' Stock Option Plan will not be made available for future awards.

The 2010 Stock Incentive Plan provides for the direct award or sale of shares of Common Stock (including restricted shares), the award of restricted stock units and stock appreciation rights, the award of performance shares and the grant of incentive stock options to purchase Common Stock intended to qualify for preferential tax treatment under Section 422 of the Internal Revenue Code of 1986, as amended (the Code), and nonstatutory stock options to purchase Common Stock that do not qualify for such treatment under the Code. All employees, including officers, of the Company or any subsidiary, non-employee directors of the Company and any consultant who performs services for the Company or any subsidiary are eligible to purchase shares of Common Stock and to receive awards of shares, restricted shares, performance shares, restricted stock units or stock appreciation rights or grants of nonstatutory stock options. Only employees are eligible to receive grants of incentive stock options. As of December 31, 2009, 227 employees (including officers) and non-employee directors would have been eligible to purchase Common Stock and to receive awards under the 2010 Plan.

Administration

The 2010 Stock Incentive Plan is administered by the Compensation Committee. Subject to the limitations set forth in the plan, the Compensation Committee has the authority to determine, among other things, to whom awards will be granted, the number of shares subject to awards, the term during which an option or stock appreciation right may be exercised and the rate at which the awards may vest or be earned, including any performance criteria to which they may be subject. The Compensation Committee also has the authority to determine the consideration and methodology of payment for awards. The Board has created a secondary committee, the Non-Management Stock Option Committee, which is authorized to make awards and grants under the 2010 Plan to eligible individuals other than members of the Board, the "Section 16 officers," and employees who hold the title of Senior Vice President or above.

Maximum Shares and Award Limits

Under the 2010 Stock Incentive Plan, the number of shares of Common Stock authorized and available for issuance will be 5,400,000, plus the number of shares of Common Stock previously approved by our stockholders and remaining available for issuance, and not subject to outstanding awards, under the 1991 Stock Plan and the 1993 Directors' Stock Option Plan as of the date of approval of the 2010 Plan by our stockholders. As of March 22, 2010, there were an aggregate of 725,475 shares of Common Stock authorized and available for future issuance under the 1991 Stock Plan and the 1993 Directors' Stock Option Plan. Shares that are subject to awards that expire, terminate or are cancelled under either the 1991 Stock Plan or the 1993 Directors' Stock Option Plan will not be made available for future awards. No one award recipient may receive awards under the 2010 Plan in any calendar year that relate to more than 800,000 shares of Common Stock. In addition, no more than 200,000 shares may be issued pursuant to sales or awards other than upon exercise of options or other than pursuant to sales at purchase prices at least equal to the fair market value of the shares sold.

These limitations shall be adjusted as appropriate and equitable in the event of a stock dividend, stock split, reclassification of stock or similar events. If an award made under the 2010 Plan expires without having been exercised in full, or if any restricted shares, restricted stock units or performance shares are forfeited or repurchased by Company due to failure to vest, then the corresponding shares will again become available for awards under the 2010 Plan. Upon the settlement of stock appreciation rights, all of the shares subject to any such stock appreciation right will reduce the number of shares available under the 2010 Plan, regardless of the number of shares actually issued. If any award is paid in cash rather than shares of Common Stock, the payment of cash will not reduce the number of available shares. The Company may grant awards under other plans or programs, which may be settled in shares of Common Stock issued under the 2010 Plan. Such shares shall be treated like shares issued in settlement of restricted stock units and, when issued, will reduce the number of shares of Common Stock available for issuance under the 2010 Plan.

Stock Options

The terms of any grants of stock options under the 2010 Plan will be set forth in a stock option agreement to be entered into between the Company and the recipient. The Compensation Committee will determine the terms and conditions of such option grants, which need not be identical. Stock options may provide for the accelerated exercisability in the event of the award recipient's death, disability, or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the award recipient's service. The Compensation Committee may modify, extend or assume outstanding options or may accept the cancellation of outstanding options in return for the grant of new options for the same or a different number of shares and at the same or a different exercise price, or in return for the grant of the same or a different number of shares. However, outstanding options may not be modified to lower the exercise price, nor may outstanding options be assumed or accepted for cancellation in return for the grant of new options with a lower exercise price, unless approved by the Company's stockholders. In no event will the Company purchase or assume in exchange for cash any stock option whose exercise price exceeds the fair market value of the underlying shares of Common Stock.

The exercise price of each option will be set by the Compensation Committee, subject to the following limits. The exercise price of an incentive stock option cannot be less than 100% of the fair market value of a share of Common Stock on the date the option is granted, and in the event an option recipient is deemed to be a 10% owner of our Company or one of our subsidiaries, the exercise price of an incentive stock option cannot be less than 110% of the fair market value of a share of Common Stock on the date the option is granted. The exercise price of a nonstatutory stock option cannot be less than 100% of the fair market value of a share of Common Stock on the date the option is granted. On April 1, 2010, the closing price for our common stock on The NASDAQ Global Market was \$14.30. The maximum period in which an option may be exercised will be fixed by the Compensation Committee and included in each stock

option agreement but cannot exceed ten years in the case of an incentive stock option, and in the event an option recipient is deemed to be a 10% owner of our Company or one of our subsidiaries, the maximum period for an incentive stock option granted to that person cannot exceed five years. In addition, no option recipient may be granted incentive stock options that are exercisable for the first time in any calendar year for common stock having a total fair market value (determined as of the option grant) in excess of \$100,000.

The exercise price for the exercise of a stock option may be paid in cash or, to the extent that the stock option agreement so provides, by surrendering shares of common stock, by delivery of an irrevocable direction to a securities broker to sell shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate exercise price, by delivery of an irrevocable direction to a securities broker or lender to pledge shares, as security for a loan, and to deliver all or part of the loan proceeds to the Company in payment of the aggregate exercise price, by delivering a full-recourse promissory note, or in any other form that is consistent with applicable laws, regulations and rules. Options generally will be nontransferable except in the event of the option recipient's death.

Stock options granted under 2010 Plan must be exercised by the optionee before the expiration of such option. Each stock option agreement will set forth the extent to which the option recipient will have the right to exercise the option following the termination of the recipient's service with us, and the right to exercise the option of any executors or administrators of the award recipient's estate or any person who has acquired such options directly from the award recipient by bequest or inheritance.

Automatic Option Grants to Directors

The 2010 Stock Incentive Plan provides for the automatic grant of options to purchase shares of Common Stock to directors of the Company who are not employees of the Company. Each non-employee director who first joins the Board of Directors after the effective date of the 2010 Plan will receive a nonstatutory stock option to purchase 35,000 shares of our Common Stock at an exercise price equal to the fair market value of a share of Common Stock on the date of grant. The option will vest and become exercisable as to 25% of those shares on the first anniversary of the date of grant. The balance of those shares will vest and become exercisable monthly over a three year period beginning on the day that is one month after the first anniversary of the date of grant, at a monthly rate of 1/48th of the number of shares subject to such option. On the date of each annual meeting of our stockholders, each non-employee director who will continue to serve as a member of the Board of Directors will receive an additional nonstatutory stock option to purchase 20,000 shares of Common Stock at an exercise price equal to the fair market value of a share of Common Stock on the date of grant. Each of these options will vest and become exercisable in full on the first anniversary of the date of grant or, if earlier, on the date of our next regular annual meeting of our stockholders. Each such director who is not initially elected at a regular annual meeting of our stockholders will receive an option to purchase a pro rata portion of 20,000 shares based upon the number of full months remaining from the date of the election of the director until the next regular annual meeting of our stockholders divided by twelve. This option will vest in full at the next regular annual meeting of our stockholders following the date of grant. Options granted to non-employee directors will become fully vested if a change in control occurs with respect to the Company during the director's service. The Board of Directors may from time to time increase the number of shares subject to an initial or annual grant if the Board determines that the increase is necessary to induce individuals to become or remain non-employee directors, or to address an increase in the duties or responsibilities of a non-employee director. The Board may also determine that the exercise price of such an option shall be greater than the fair market value of the Common Stock on the date of grant and that the option shall be exercisable on a different schedule than stated above.

Restricted Shares

The terms of any awards of restricted shares under the 2010 Plan will be set forth in a restricted share agreement to be entered into between the Company and the recipient. The Compensation Committee will determine the terms and conditions of the restricted share agreements, which need not be identical. A restricted share award may be subject to vesting requirements or transfer restrictions or both. Award recipients who are granted restricted shares generally have all of the rights of a stockholder with respect to those shares. Restricted shares may be issued for consideration as the Compensation Committee may determine, including cash, cash equivalents, full-recourse promissory notes, past services and future services.

Restricted Stock Units

The terms of any awards of restricted stock units under the 2010 Plan will be set forth in a restricted stock unit agreement to be entered into between the Company and the recipient. The Compensation Committee will determine the terms and conditions of the restricted stock unit agreements, which need not be identical. Restricted stock units give an award recipient the right to acquire a specified number of shares of Common Stock, or at the Compensation Committee's discretion, cash, or a combination of Common Stock and cash, at a future date upon the satisfaction of certain vesting conditions based upon a vesting schedule or performance criteria established by the Compensation Committee. Restricted stock units may be granted in consideration of a reduction in the award recipient's other compensation, but no cash consideration is required of the award recipient. Unlike restricted stock, the stock underlying restricted stock units will not be issued until the stock units have vested, and recipients of restricted stock units generally will have no voting or dividend rights prior to the time of issuance of any Common Stock upon settlement.

Stock Appreciation Rights

The terms of any awards of stock appreciation rights under the 2010 Plan will be set forth in an agreement to be entered into between the Company and the recipient. The Compensation Committee will determine the terms, conditions and restrictions of any such agreements, which need not be identical. A stock appreciation right generally entitles the award recipient to receive a payment upon exercise equal to the amount by which the fair market value of a share of Common Stock on the date of exercise exceeds the value of a share of common stock on the date of grant. The exercise price of a stock appreciation right cannot be less than 100% of the fair market value of a share of Common Stock on the date the stock appreciation right is granted. The amount payable upon the exercise of a stock appreciation right may be settled in cash or by the issuance of shares of Common Stock.

Performance Shares

The terms of any awards of performance shares under the 2010 Plan will be set forth in an agreement to be entered into between the Company and the recipient. The Compensation Committee will determine the terms, conditions and restrictions of any such agreements, which need not be identical.

Performance shares give an award recipient the right to acquire a specified number of shares of Common Stock, or at the Compensation Committee's discretion, cash, or a combination of Common Stock and cash, at a future date, based on performance criteria set forth in the performance share agreement. The actual number of performance shares eligible for settlement may be larger or smaller than the number included in the original award, based on the performance criteria. Performance shares may be granted in consideration of a reduction in the award recipient's other compensation, but no cash consideration is required of the award recipient. Recipients of performance shares generally will have no voting or dividend rights prior to the time of issuance of any Common Stock upon settlement.

Qualifying Performance Criteria

The 2010 Stock Incentive Plan sets forth performance criteria to be used in the case of performance shares and certain other awards intended to qualify as "performance-based compensation" under Section 162(m) of the Code. To qualify as a "performance-based compensation," the number of shares or other benefits granted, issued, retainable or vested under an award may be made subject to the attainment of performance goals for a specified period of time relating to one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either us as a whole or to a business unit or subsidiary, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' or quarter's results or to a designated comparison group or index, in each case as specified by the Compensation Committee in the award: (a) cash flow (including operating cash flow), (b) earnings per share, (c) earnings before any combination of interest, taxes, depreciation, or amortization, (d) return on equity, (e) total stockholder return, (f) share price performance, (g) return on capital, (h) return on assets or net assets, (i) revenue, (j) income or net income, (k) operating income or net operating income, (l) operating profit or net operating profit, (m) operating margin or profit margin (including as a percentage of revenue), (n) return on operating revenue, (o) return on invested capital, (p) market segment shares or (q) economic profit. The Compensation Committee may appropriately adjust any evaluation of performance under a qualifying performance criteria to exclude any of the following events that occur during a performance period: (i) asset write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) any extraordinary, nonrecurring items disclosed in the Company's financial statements or in managements' discussion and analysis of financial condition and results of operations appearing in our annual report to stockholders for the applicable year. If applicable, the Compensation Committee will determine the qualifying performance criteria not later than the 90th day of the performance period, and shall determine and certify the extent to which the qualifying performance criteria have been met. The Compensation Committee may not in any event increase the amount of compensation payable under the 2010 Plan upon the attainment of a qualifying performance criteria to an award recipient who is a "covered employee" within the meaning of Section 162(m) of the Code.

Amendment and Termination

No awards may be granted under the 2010 Stock Incentive Plan after March 18, 2020. The Board of Directors may amend or terminate the 2010 Plan at any time, but an amendment will not become effective without the approval of the Company's stockholders to the extent required by applicable laws, regulations or rules. No amendment or termination of the 2010 Plan will affect an award recipient's rights under outstanding awards without the award recipient's consent.

Effect of Certain Corporate Events

In the event of a subdivision of the outstanding Common Stock or a combination or consolidation of the outstanding Common Stock (by reclassification or otherwise) into a lesser number of shares, a spin-off or a similar occurrence, or declaration of a dividend payable in Common Stock or, if in an amount that has a material effect on the price of the shares, in cash, the Compensation Committee will make appropriate adjustments in the number of shares covered by outstanding awards and the exercise price of outstanding options and stock appreciation rights, and the number of shares available under the 2010 Plan.

In the event of a merger or other reorganization, subject to any acceleration provisions in the agreement relating to an award, outstanding awards will be treated in the manner provided in the agreement of merger or reorganization. That agreement may provide for the assumption of outstanding awards by the surviving corporation or its parent, for their continuation by the Company (if the Company is the surviving corporation), for the substitution by the surviving corporation or its parent of its own

awards, or for the acceleration of the exercisability of awards followed by the cancellation of those awards. The agreement of merger or reorganization may also provide for the cancellation of outstanding awards, with a payment of the value of those awards (without regard as to whether those awards have vested or are exercisable) as of the closing date of the merger or reorganization. In such an event, the payment may be in cash or securities, be paid in installments, be deferred until the underlying award would have vested, become exercisable or settled under the agreement relating to the award, and may be subject to vesting and performance criteria no less favorable to the recipient than under the agreement relating to the award, in all cases without the recipients' consent.

Certain Federal Income Tax Aspects of Awards Under the Plan

This is a brief summary of the federal income tax aspects of awards that may be made under the 2010 Stock Incentive Plan based on existing U.S. federal income tax laws. This summary provides only the basic tax rules. It does not describe a number of special tax rules, including the alternative minimum tax and various elections that may be applicable under certain circumstances. It also does not reflect provisions of the income tax laws of any municipality, state or foreign country in which a holder may reside, nor does it reflect the tax consequences of a holder's death. The tax consequences of awards under 2010 Plan depend upon the type of award and, if the award is to an executive officer, whether the award qualifies as performance-based compensation under Section 162(m) of the Code.

Incentive Stock Options

The recipient of an incentive stock option generally will not be taxed upon grant of the option. Federal income taxes are generally imposed only when the shares of Common Stock from exercised incentive stock options are disposed of, by sale or otherwise. The amount by which the fair market value of the Common Stock on the date of exercise exceeds the exercise price is, however, included in determining the option recipient's liability for the alternative minimum tax. If the incentive stock option recipient does not sell or dispose of the shares of Common Stock until more than one year after the receipt of the shares and two years after the option was granted, then, upon sale or disposition of the shares, the difference between the exercise price and the market value of the shares of Common Stock as of the date of exercise will be treated as a capital gain, and not ordinary income. If a recipient fails to hold the shares for the minimum required time the recipient will recognize ordinary income in the year of disposition generally in an amount equal to any excess of the market value of the Common Stock on the date of exercise (or, if less, the amount realized or disposition of the shares) over the exercise price paid for the shares. Any further gain (or loss) realized by the recipient generally will be taxed as short-term or long-term gain (or loss) depending on the holding period. We will generally be entitled to a tax deduction at the same time and in the same amount as ordinary income is recognized by the option recipient.

Nonstatutory Stock Options

The recipient of stock options not qualifying as incentive stock options generally will not be taxed upon the grant of the option. Federal income taxes are generally due from a recipient of nonstatutory stock options when the stock options are exercised. The excess of the fair market value of the Common Stock purchased on such date over the exercise price of the option is taxed as ordinary income. Thereafter, the tax basis for the acquired shares is equal to the amount paid for the shares plus the amount of ordinary income recognized by the recipient. We will generally be entitled to a tax deduction at the same time and in the same amount as ordinary income is recognized by the option recipient by reason of the exercise of the option.

Other Awards

Recipients who receive restricted stock unit awards will generally recognize ordinary income when they receive shares upon settlement of the awards, in an amount equal to the fair market value of the

shares at that time. Recipients who receive awards of restricted shares subject to a vesting requirement will generally recognize ordinary income at the time vesting occurs, in an amount equal to the fair market value of the shares at that time minus the amount, if any, paid for the shares. However, a recipient who receives restricted shares which are not vested may, within 30 days of the date the shares are transferred, elect in accordance with Section 83(b) of the Code to recognize ordinary compensation income at the time of transfer of the shares rather than upon the vesting dates. Recipients who receive stock appreciation rights will generally recognize ordinary income upon exercise in an amount equal to the excess of the fair market value of the underlying shares of Common Stock on the exercise date and cash received, if any, over the exercise price. Recipients who receive performance shares will generally recognize ordinary income at the time of settlement, in an amount equal to the cash received, if any, and the fair market value of any shares received. We will generally be entitled to a tax deduction at the same time and in the same amount as ordinary income is recognized by the recipient.

Code Section 162(m)

Section 162(m) of the Code would render non-deductible to us certain compensation in excess of \$1,000,000 received in any year by certain executive officers unless such excess is "performance-based compensation." The availability of the exemption for awards of performance-based compensation depends in part upon obtaining approval of the 2010 Stock Incentive Plan by our stockholders.

New Plan Benefits

Except as set forth in the table below, the Compensation Committee has not made any determination with respect to future awards under the 2010 Stock Incentive Plan, and awards and the terms of any awards under the plan for the current year or any future year are not determinable. In January 2010, our employees, including our executive officers, were granted options to purchase shares of Common Stock conditioned on either stockholder approval of an increase in the number of shares available for issuance under our 1991 Stock Plan or stockholder approval of the 2010 Plan. The table below reflects these conditional option grants, which will be effective if our stockholders approve the 2010 Plan. In addition, as described above, the 2010 Stock Incentive Plan provides for the automatic grant of options to non-employee directors, and if the 2010 Plan is approved by the Company's stockholders, each non-employee director nominee who will continue to serve as a member of the Board of Directors will receive an additional option to purchase 20,000 shares of Common Stock.

Name and Position	Number of Units(1)
Paul A. Friedman	30,000
David C. Hastings	15,000
Patricia S. Andrews	15,000
Brian W. Metcalf	15,000
Paula J. Swain	15,000
All current executive officers as a group (9 persons)	141,000
All current directors who are not executive officers, as a group	120,000(2)
All employees, including all current officers who are not executive officers, as a group	329,247

(1) Represents options to purchase the number of shares of Common Stock indicated. Except as to "all current directors who are not executive officers, as a group," represents options to purchase shares of Common Stock previously granted and conditioned on either stockholder approval of an increase in the number of shares available for issuance under our 1991 Stock Plan or stockholder approval of the 2010 Plan.

(2) Represents automatic grant of options to non-employee directors under the 2010 Plan if approved by the Company's stockholders.

Required Vote

Approval of the 2010 Stock Incentive Plan requires the affirmative vote of a majority of the shares present and entitled to vote.

The Board of Directors recommends a vote "FOR" the approval of the Company's 2010 Stock Incentive Plan.

PROPOSAL 3

PROPOSAL TO AMEND THE 1997 EMPLOYEE STOCK PURCHASE PLAN

In March 2010, the Board of Directors approved an amendment to the Company's 1997 Employee Stock Purchase Plan, subject to the approval of the Company's stockholders at the Annual Meeting. The following summary of the principal features of the Employee Stock Purchase Plan is qualified by reference to the terms of the Employee Stock Purchase Plan, a copy of which is available without charge upon stockholder request to Secretary, Incyte Corporation, Experimental Station, Route 141 & Henry Clay Road, Building E336, Wilmington, Delaware 19880. The Employee Stock Purchase Plan has also been filed electronically with the Securities and Exchange Commission together with this Proxy Statement, and can be accessed on the SEC's web site at <http://www.sec.gov>.

Description of Amendment

The amendment to the Employee Stock Purchase Plan approved by the Board of Directors and submitted for stockholder approval consists of an increase in the number of shares of Common Stock reserved for issuance under the Employee Stock Purchase Plan by 2,000,000 shares, from 5,350,000 shares to 7,350,000 shares.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan was initially adopted by the Board of Directors in February 1997, effective August 1, 1997, and first approved by the Company's stockholders in April 1997. The Employee Stock Purchase Plan was amended and restated by the Board of Directors in September 2006. It was last amended by the Board of Directors in March 2010.

The purpose of the Employee Stock Purchase Plan is to provide employees with an opportunity to acquire shares of Common Stock at a price below their market value and to pay for the purchases through payroll deductions, thereby enabling the Company to attract, retain and motivate valued employees. A total of 5,350,000 shares of Common Stock currently are reserved for issuance under the Employee Stock Purchase Plan. As of March 31, 2010, 947,177 shares of Common Stock were available for future issuance under the Employee Stock Purchase Plan (or 2,947,177 shares of Common Stock including the 2,000,000 shares subject to stockholder approval at the Annual Meeting).

Administration

The Employee Stock Purchase Plan is administered by the Compensation Committee. The Compensation Committee has the authority to construe, interpret and apply the terms of the Employee Stock Purchase Plan, to determine eligibility, to establish such limitations and procedures as it determines are consistent with the Employee Stock Purchase Plan and to adjudicate any disputed claims under the Employee Stock Purchase Plan.

Eligibility; Price of Shares

Each regular full-time and part-time employee of the Company and subsidiaries designated by the Board of Directors who customarily works at least 20 hours per week and more than five months in any calendar year, and who is employed by the Company for one month or more on an enrollment date, is eligible to participate in the Employee Stock Purchase Plan. However, no employee is eligible to participate in the Employee Stock Purchase Plan if, immediately after electing to participate, the employee would own stock of the Company (including stock such employee may purchase under outstanding options) representing 5% or more of the total combined voting power or value of all classes of stock of the Company. In addition, no employee is permitted to continue to participate under the Employee Stock Purchase Plan and all similar purchase plans of the Company or its subsidiaries, if such rights would exceed

\$25,000 of the fair market value of such stock (determined at the time the right is granted) for each calendar year. As of December 31, 2009, 219 employees were eligible to participate in the Employee Stock Purchase Plan.

Under the Employee Stock Purchase Plan, each calendar year is divided into two six-month "purchase periods" commencing May 1 and November 1 of each year. At the end of each purchase period, the Company will apply the amount contributed by the participant during that period to purchase shares of Common Stock for him or her. The purchase price will be equal to 85% of the lower of (a) the market price of Common Stock on the first day of the applicable "offering period" or (b) the market price of Common Stock on the last business day of the purchase period. In general each offering period is 24 months long, but a new offering period begins every six months. Thus, up to four overlapping offering periods may be in effect at the same time. If the market price of Common Stock is lower on the purchase date, then the subsequent offering period automatically becomes the applicable offering period. No participant may purchase more than 8,000 shares in any one purchase period.

Participation; Payroll Deductions; Purchase of Shares

Eligible employees become participants in the Employee Stock Purchase Plan by executing a subscription agreement authorizing payroll deductions and filing it with our stock administrator at least ten business days before the first day of the applicable offering period. The payroll deductions made for each participant may be not be less than 1% and not more than 10% of the participant's cash compensation, and may not exceed such percentage of the participant's cash compensation as the participant designates. Payroll deductions commence with the first paycheck issued during the offering period and are deducted from subsequent paychecks throughout the offering period unless terminated as provided in the Employee Stock Purchase Plan.

Participants are notified by statements of account as soon as practicable following the end of each purchase period as to the amount of payroll deductions, the number of shares purchased, the purchase price and the remaining cash balance of their accounts. Certificates representing the shares are delivered to a brokerage account and kept in such account pursuant to the subscription agreement.

Withdrawal From the Employee Stock Purchase Plan; Termination of Employment

Participants may withdraw from the Employee Stock Purchase Plan at any time up to two business days prior to the purchase date. As soon as practicable after withdrawal, payroll deductions cease and all amounts credited to the participant's account are refunded in cash, without interest. A participant who has withdrawn from the Employee Stock Purchase Plan cannot be a participant in future offering periods unless he or she re-enrolls pursuant to the Employee Stock Purchase Plan's guidelines.

Termination of a participant's status as an eligible employee is treated as an automatic withdrawal from the Employee Stock Purchase Plan. A participant may designate in writing a beneficiary who is to receive shares and cash in the event of the participant's death subsequent to the purchase of shares, but prior to delivery. A participant may also designate a beneficiary to receive cash in his or her account in the event of such participant's death prior to the last day of the offering period. Any other attempted assignment, except by will, and the laws of descent and distribution, may be treated as a withdrawal.

Amendment and Termination

The Employee Stock Purchase Plan may be amended or terminated at any time by the Board of Directors, subject to applicable laws.

Effect of Certain Corporate Events

In the event of an increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, the Compensation Committee will make adjustments in the number and/or purchase price of shares and/or the number of shares available under the Employee Stock Purchase Plan, as appropriate.

In the event of a sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another company, the Employee Stock Purchase Plan will terminate and any purchase periods and offering periods then in progress will be shortened to end prior to the sale or merger.

Certain Federal Income Tax Consequences of Participating in the Employee Stock Purchase Plan

The Employee Stock Purchase Plan is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code. Under Section 423, the participant does not recognize any taxable income at the time shares are purchased under the Employee Stock Purchase Plan. The participant will recognize ordinary income, capital gain or loss, or a combination, when the participant sells or otherwise disposes of the shares. The amount of ordinary income and capital gain or loss will depend on how long the participant holds the shares after purchase and the price at which the participant disposes of the shares.

The Company will not be entitled to a deduction with respect to its sale of shares under the Employee Stock Purchase Plan, except to the extent the participant recognizes ordinary income when he or she disposes of the shares.

The above description of tax consequences is based upon current federal tax laws and regulations and does not purport to be a complete description of the federal income tax aspects of the Employee Stock Purchase Plan.

Plan Benefits

Purchase rights are subject to a participant's discretion, including an employee's decision not to participate in the Employee Stock Purchase Plan, and awards under the Employee Stock Purchase Plan are not determinable. Directors who are not employees are not eligible to participate in, and will not receive any benefit under, the Employee Stock Purchase Plan.

Required Vote

Approval of the amendment to the 1997 Employee Stock Purchase Plan requires the affirmative vote of a majority of the shares present and entitled to vote.

The Board of Directors recommends a vote "FOR" the amendment to the Company's 1997 Employee Stock Purchase Plan.

PROPOSAL 4**RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed the firm of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010. Ernst & Young LLP has audited our financial statements since the Company's inception in 1991. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions.

Principal Accountant Fees and Services

The following table sets forth the aggregate fees billed or expected to be billed by Ernst & Young LLP for audit and other services rendered.

	Year Ended December 31,	
	2009	2008
	(in thousands)	
Audit Fees(1)	\$ 558	\$ 475
Audit-related Fees(2)	24	24
Tax Fees(3)		13
All Other Fees		
	\$ 582	\$ 512

- (1) Audit fees include fees billed for the audit of the Company's annual statements and reviews of the Company's quarterly financial statements, including the Company's Annual Report on Form 10-K, the audit of the Company's internal control over financial reporting, and include fees for SEC registration statements and consultation on accounting standards or transactions. Audit fees for 2009 include \$173,000 billed for services in connection with comfort letters relating to the Company's Common Stock offering and private placement of convertible notes. Audit fees for 2008 include \$100,000 billed for services in connection with comfort letters relating to the Company's Common Stock offering. Not including audit fees for services in connection with comfort letters relating to the Company's Common Stock offerings and private placement of convertible notes, audit fees for 2009 and 2008 were \$385,000 and \$375,000, respectively.
- (2) Audit-related fees include fees billed for employee benefit plan audits and consultations concerning financial and accounting matters not classified as audit services.
- (3) Tax fees consist of tax compliance and consultation services.

The Audit Committee considered whether the provision of the services other than the audit services is compatible with maintaining Ernst & Young LLP's independence.

Pre-Approval Policies and Procedures

The Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the Company's independent registered public accounting firm. All of the services provided in 2009 were pre-approved.

Required Vote

Ratification will require the affirmative vote of a majority of the shares present and entitled to vote. Stockholder ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm is not required by the Company's Bylaws or otherwise. However, the Board is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company and its stockholders.

The Board of Directors recommends a vote "FOR" ratification of Ernst & Young LLP as the Company's independent registered public accounting firm.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of April 1, 2010, as to shares of Common Stock beneficially owned by: (i) each person who is known to us to own beneficially more than 5% of the Common Stock, (ii) each of our directors, (iii) each of our executive officers named under "Executive Compensation Summary Compensation Table" and (iv) all of our directors and executive officers as a group. Ownership information is based upon information furnished by the respective individuals or entities, as the case may be. Unless otherwise indicated below, the address of each beneficial owner listed on the table is c/o Incyte Corporation, Experimental Station, Route 141 & Henry Clay Road, Building E336, Wilmington, DE 19880. The percentage of Common Stock beneficially owned is based on 121,088,606 shares outstanding as of April 1, 2010. In addition, shares issuable pursuant to options or convertible securities that may be acquired within 60 days of April 1, 2010 are deemed to be issued and outstanding and have been treated as outstanding in calculating and determining the beneficial ownership and percentage ownership of those persons possessing those securities, but not for any other individuals.

Name and Address of Beneficial Owner(1)	Shares Beneficially Owned(1)	Percentage Beneficially Owned
5% Stockholders		
Julian C. Baker and Felix J. Baker(2)	26,968,759	19.9%
T. Rowe Price Associates, Inc.(3)	17,858,318	14.7
Wellington Management Company, LLP(4)	13,369,386	11.0
SAC Capital Advisors LP(5)	6,805,100	5.6
BlackRock, Inc.(6)	6,602,776	5.5
FMR LLC(7)	6,462,538	5.3
Named Executive Officers, Directors and Nominees for Director		
Paul A. Friedman(8)	1,978,451	1.6
David C. Hastings(9)	605,942	*
Patricia S. Andrews(10)	160,553	*
Brian W. Metcalf(11)	792,028	*
Paula J. Swain(12)	672,503	*
Richard U. De Schutter(13)	262,084	*
Barry M. Ariko(14)	160,834	*
Julian C. Baker(15)	26,968,759	19.9
Paul A. Brooke(16)	272,084	*
John F. Niblack(17)	95,000	*
Roy A. Whitfield(18)	1,181,335	*
All directors and executive officers as a group (15 persons)(19)	34,885,458	24.7

*

Represents less than 1% of our Common Stock.

(1)

To our knowledge, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, subject to community property laws where applicable and the information contained in the notes to this table.

(2)

Pursuant to an agreement with the Company, entities affiliated with Julian C. Baker and Felix J. Baker and the Company agreed that any of the Company's 4.75% Convertible Senior Notes due 2015 (the "4.75% Senior Notes") held by those entities will not be convertible to the extent that those entities, together with any of their affiliates or other persons that may be deemed to form a "group" with those entities within the meaning of Section 13(d) of the Securities Exchange Act of 1934, would beneficially own, for the purposes of Section 13(d) of the Securities Exchange Act of 1934, in excess of 19.999% of the outstanding shares of Common Stock after conversion. According to an amended Schedule 13D filed October 1, 2009 and

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Forms 4 filed September 28, 2009, without any limitation on the conversion of the 4.75% Senior Notes, Julian C. Baker and Felix J. Baker may be deemed to beneficially own and share dispositive and voting power with respect to 31,430,059 shares, including 18,223,232 shares issuable upon conversion of the 4.75% Senior Notes. Baker/Tisch Investments, L.P. held 423,849 shares, including 233,940 shares issuable upon conversion of the Company's 4.75% Senior Notes; Baker Bros. Investments, L.P. held 144,314 shares; Baker Bros. Investments II, L.P. held 161,547 shares, including 21,412 shares issuable upon conversion of the Company's 4.75% Senior Notes; 667, L.P. held 6,857,501 shares, including 3,370,501 shares issuable upon conversion of the Company's 4.75% Senior Notes; Baker Brothers Life Sciences, L.P. held 23,130,957 shares, including 14,201,252 shares issuable upon conversion of the Company's 4.75% Senior Notes; 14159, L.P. held 678,481 shares, including 396,127 shares issuable upon conversion of the Company's 4.75% Senior Notes; and FBB Associates held 33,410 shares. Julian C. Baker also has sole voting and dispositive power with respect to 137,917 shares subject to options exercisable within 60 days of September 30, 2009. Julian C. Baker and Felix J. Baker may be deemed to own beneficially the shares held by Baker/Tisch Investments, L.P., Baker Bros. Investments, L.P., Baker Bros. Investments II, L.P., 667, L.P., Baker Brothers Life Sciences, L.P., 14159, L.P. and FBB Associates. The address for Julian C. Baker and Felix J. Baker is 667 Madison Avenue, 21st Floor, New York, New York 10065.

- (3) According to an amended Schedule 13G filed February 12, 2010, filed by T. Rowe Price Associates, Inc. ("T. Rowe Price"), T. Rowe Price may be deemed to beneficially own all shares listed in the table, and has sole dispositive power with respect to all shares listed in the table and sole voting power with respect to 3,730,500 shares. The shares listed in the table include 5,840,100 shares held by T. Rowe Price New Horizons Fund, Inc., over which its has sole voting power. The number of shares deemed beneficially owned by T. Rowe Price includes 713,108 shares subject to warrants and conversion privileges. The address of the principal place of business of T. Rowe Price and T. Rowe Price New Horizons Fund, Inc. is 100 E. Pratt Street, Baltimore, Maryland 21202.
- (4) According to an amended Schedule 13G filed February 12, 2010, filed by Wellington Management Company, LLP ("Wellington"), Wellington, in its capacity as investment adviser, may be deemed to beneficially own all shares listed in the table, and has shared dispositive power with respect to 13,369,386 shares and shared voting power with respect to 11,034,394 shares. The address of the principal place of business of Wellington is 75 State Street, Boston, Massachusetts 02109.
- (5) According to an amended Schedule 13G filed March 10, 2010, S.A.C. Capital Advisors L.P., S.A.C. Capital Advisors Inc., S.A.C. Capital Associates LLC, CR Intrinsic Investors, LLC and Steven A. Cohen, S.A.C. Capital Advisors L.P., S.A.C. Capital Advisors Inc. and Mr. Cohen may be deemed to beneficially own and share voting and dispositive power with respect to 6,805,100 shares, and S.A.C. Capital Associates, LLC may be deemed to beneficially own and share voting and dispositive power with respect to 6,800,000 shares. The address of the principal place of business of S.A.C. Capital Advisors L.P., S.A.C. Capital Advisors Inc., CR Intrinsic Investors, LLC and Mr. Cohen is 72 Cumming Point Road, Stamford, Connecticut 06902. The address of the principal place of business office of S.A.C. Capital Associates, LLC is Victoria House, P.O. Box 58, The Valley, Anguilla, British West Indies.
- (6) According to a Schedule 13G filed January 29, 2010, filed by BlackRock, Inc. ("BlackRock"), BlackRock, through its subsidiaries, may be deemed to beneficially own and has sole dispositive power and sole voting power with respect to all the shares listed in the table. The address of the principal place of business of BlackRock is 40 East 52nd Street, New York, New York 10022.
- (7) According to a Schedule 13G filed February 16, 2010, filed by FMR LLC ("FMR"), FMR and Edward C. Johnson 3d may be deemed to beneficially own and have sole dispositive power with respect to all shares listed in the table. FMR has sole voting power with respect to 1,261,850 shares listed in the table. The address of the principal place of business of FMR is 82 Devonshire Street, Boston, Massachusetts 02109.
- (8) Includes 1,723,886 shares subject to options exercisable within 60 days of April 1, 2010.
- (9) Includes 599,442 shares subject to options exercisable within 60 days of April 1, 2010.
- (10) Represents solely 160,553 shares subject to options exercisable within 60 days of April 1, 2010.
- (11) Includes 736,442 shares subject to options exercisable within 60 days of April 1, 2010.
- (12) Includes 654,442 shares subject to options exercisable within 60 days of April 1, 2010.
- (13) Includes 167,084 shares subject to options exercisable within 60 days of April 1, 2010.
- (14) Represents solely 160,834 shares subject to options exercisable within 60 days of April 1, 2010.
- (15)

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See note (2) above.

- (16) Includes 172,084 shares subject to options exercisable within 60 days of April 1, 2010.
- (17) Represents solely 95,000 shares subject to options exercisable within 60 days of April 1, 2010.
- (18) Includes 220,000 shares subject to options exercisable within 60 days of April 1, 2010.
- (19) Includes shares included pursuant to notes (8), (9), (10), (11), (12), (13), (14), (15), (16), (17) and (18) above and 1,667,630 shares subject to options exercisable within 60 days of April 1, 2010 held by other executive officers of the Company.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the securities laws of the United States, the Company's directors, executive officers and any persons holding more than 10% of the Company's Common Stock are required to report their initial ownership of the Company's Common Stock and any subsequent changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and the Company is required to identify in this Proxy Statement those persons who failed to timely file these reports. Based solely on our review of the copies of such forms received by us, or written representation from certain reporting persons, we believe that all of the filing requirements for such persons were satisfied for 2009.

STOCKHOLDER PROPOSALS FOR THE 2010 ANNUAL MEETING

To be considered for inclusion in the Company's proxy statement for the Company's 2011 Annual Meeting of Stockholders, stockholder proposals must be received by the Secretary of the Company no later than December 13, 2010. These proposals also must comply with the proxy proposal submission rules of the Securities and Exchange Commission under Rule 14a-8.

A stockholder proposal not included in the Company's proxy statement for the 2011 Annual Meeting will be ineligible for presentation at the meeting unless the stockholder gives timely notice of the proposal in writing to the Secretary of the Company at the principal executive offices of the Company, provides the information required by the Company's Bylaws, and otherwise complies with the provisions of the Company's Bylaws. To be timely, our Bylaws provide that the Company must have received the stockholder's notice not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting of stockholders. However, in the event that no annual meeting was held in the preceding year or the annual meeting is called for a date that is more than 30 days before or more than 60 days after the first anniversary date of the preceding year's annual meeting of stockholders, notice by the stockholder to be timely must be so received by the Secretary of the Company not later than the close of business on the later of (1) the 90th day prior to the date of the meeting and (2) the 10th day following the earlier to occur of the day on which notice of the date of the scheduled annual meeting was mailed or the day on which public announcement of the date of such scheduled annual meeting was first made.

ANNUAL REPORT

The Company will furnish without charge, upon written request of any person who was a stockholder or beneficial owner of Common Stock at the close of business on April 1, 2010, a copy of the Company's Annual Report on Form 10-K, including the financial statements, the financial statement schedules, and all exhibits. The written request should be sent to: Investor Relations Department, Incyte Corporation, Experimental Station, Route 141 & Henry Clay Road, Building E336, Wilmington, DE 19880.

Whether you intend to be present at the Annual Meeting or not, we urge you to vote by telephone, the internet, or by signing and mailing the enclosed proxy promptly.

By Order of the Board of Directors

Paul A. Friedman
*President and Chief Executive
Officer*

April 9, 2010

Appendix A

INCYTE CORPORATION

2010 STOCK INCENTIVE PLAN

(Adopted by the Board of Directors on March 19, 2010)

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