

Cara Therapeutics, Inc.  
Form DEF 14A  
April 24, 2015  
Table of Contents

**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

**CARA THERAPEUTICS, INC.**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box)

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

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:
  
3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
4. Proposed maximum aggregate value of transaction:
  
5. Total fee paid:
  
- .. Fee paid previously with preliminary materials.
  
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  
6. Amount Previously Paid:
  
7. Form, Schedule or Registration Statement No.:
  
8. Filing Party:
  
9. Date Filed:



**Table of Contents**

April 24, 2015

Dear Stockholder:

It is my pleasure to invite you to attend Cara's 2015 Annual Meeting of Stockholders on Monday, June 8, 2015, at the Trumbull Marriott, 180 Hawley Lane, Trumbull, CT 06611, at 11 A.M. Eastern Daylight Time.

This year we are using the Notice and Access method of providing proxy materials to you via the internet. We believe that this process provides you with a convenient and quick way to access your proxy materials and vote your shares, while allowing us to reduce the costs of printing and distributing the proxy materials and conserve resources. On or about the date of this letter, we are mailing to our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement and our 2014 annual report and vote via the internet. This Notice also contains instructions on how to receive a paper copy of the proxy materials and our 2014 annual report.

Both the Notice of Internet Availability of Proxy Materials that is being mailed and the Notice of Annual Meeting of Stockholders and proxy statement contained herein identify the items we plan to address at the Annual Meeting. You are encouraged to carefully review the proxy statement and attend the Annual Meeting in person. At the Annual Meeting, we will also present a brief report on the Company and our business and give you the opportunity to ask questions.

Your vote is important. Whether or not you plan to attend the Annual Meeting, you can cast your vote via the internet or by telephone, or, if you receive paper copies of the proxy materials, by completing the accompanying proxy and returning it in the prepaid envelope provided. If you attend the Annual Meeting, you may vote in person if you wish, even if you previously submitted a proxy.

I look forward to seeing you on Monday, June 8.

Very truly yours,

Derek Chalmers. Ph.D., D.Sc.

*President and Chief Executive Officer*

Table of Contents

**CARA THERAPEUTICS, INC.**

**1 Parrott Drive**

**Shelton, Connecticut 06484**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On June 8, 2015**

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Cara Therapeutics, Inc., a Delaware corporation ( Cara, we, us, our or the Company ). The meeting will be held on Monday, June 8, 2015 at 11:00 A.M. Eastern Daylight Time at the Trumbull Marriott, 180 Hawley Lane, Trumbull, CT 06611 for the following purposes:

1. To elect the Board's nominee for director to serve until the 2018 Annual Meeting of Stockholders and until his successor is duly elected and qualified.
2. To ratify the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2015.
3. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice of Annual Meeting of Stockholders.

The record date for the Annual Meeting is Friday, April 17, 2015. Only Stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to Be Held on Monday, June 8, 2015 at 11:00 A.M. Eastern Daylight Time at the Trumbull Marriott, 180 Hawley Lane, Trumbull, CT 06611.**

The proxy statement and annual report to Stockholders

are available at [www.proxyvote.com](http://www.proxyvote.com).

By Order of the Board of Directors

/s/ **MICHAEL LEWIS, PH.D.**

Secretary

Shelton, Connecticut

April 24, 2015

**You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please vote by proxy over the telephone or through the internet as instructed in these materials, or by completing, dating, signing and returning the proxy that we may elect to mail to you, as promptly as possible in order to ensure your representation at the meeting. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.**

**Table of Contents**

**TABLE OF CONTENTS**

<u>Questions and Answers About this Proxy Material and Voting</u>	1
<b><u>Proposal 1 Election of Director</u></b>	6
<u>Board of Directors and Corporate Governance</u>	7
<u>Independence of the Board of Directors</u>	7
<u>Board Leadership Structure</u>	7
<u>Role of the Board in Risk Oversight</u>	8
<u>Meetings of the Board of Directors</u>	8
<u>Information Regarding Committees of the Board of Directors</u>	8
<u>Audit Committee</u>	9
<u>Report of the Audit Committee of the Board of Directors</u>	9
<u>Compensation Committee</u>	10
<u>Nominating and Corporate Governance Committee</u>	11
<u>Stockholder Communications with the Board of Directors</u>	12
<u>Code of Ethics and Business Conduct</u>	13
<u>Corporate Governance Guidelines</u>	13
<b><u>Proposal 2 Ratification of Selection of Independent Registered Public Accounting Firm</u></b>	14
<u>Principal Accountant Fees and Services</u>	14
<u>Pre-Approval Policies and Procedures</u>	15
<u>Executive Officers</u>	16
<u>Security Ownership of Certain Beneficial Owners and Management</u>	18
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	20
<u>Executive Compensation</u>	21
<u>2014 Summary Compensation Table</u>	21
<u>Outstanding Equity Awards at December 31, 2014</u>	22
<u>Executive Employment Arrangements and Potential Payments upon Termination or Change in Control</u>	23
<u>Director Compensation</u>	26
<u>Equity Compensation Plan Information</u>	28
<u>Transactions with Related Persons</u>	29
<u>Householding of Proxy Materials</u>	30
<u>Other Matters</u>	30

**Table of Contents**

**CARA THERAPEUTICS, INC.**

**1 Parrott Drive**

**Shelton, Connecticut 06484**

**PROXY STATEMENT**

**FOR THE 2015 ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On June 8, 2015 at 11 A.M. Eastern Daylight Time**

**QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING**

**Why did I receive a notice regarding the availability of proxy materials on the internet?**

Pursuant to rules adopted by the Securities and Exchange Commission (the "SEC"), we have elected to provide access to our proxy materials over the internet. Accordingly, we have sent you a Notice of Internet Availability of Proxy Materials (the "Notice") because the Board of Directors of Cara Therapeutics, Inc. (sometimes referred to as the "Company" or "Cara") is soliciting your proxy to vote at the 2015 Annual Meeting of Stockholders of the Company (the "Annual Meeting"), including at any adjournments or postponements of the meeting. All Stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the internet or to request a printed copy may be found in the Notice.

We intend to mail the Notice on or about April 24, 2015 to all Stockholders of record entitled to vote at the Annual Meeting.

**Will I receive any other proxy materials by mail?**

We may elect to send you a proxy card, along with a second Notice of Internet Availability of Proxy Materials, on or after May 12, 2015.

**How do I attend the Annual Meeting?**

The meeting will be held on Monday, June 8, 2015 at 11 A.M. Eastern Daylight Time at the Trumbull Marriott, 180 Hawley Lane, Trumbull, CT 06611. Directions to the Annual Meeting may be found at: <http://www.marriott.com/hotels/maps/travel/bdrcr-trumbull-marriott-merritt-parkway/>. Information on how to vote in person at the Annual Meeting is discussed below.

Admission to the Annual Meeting will open at 10 A.M. Eastern Daylight Time. Seating will be limited. Each stockholder should be prepared to present:

1. Valid government issued photo identification, such as a driver's license or passport; and



2. Beneficial stockholders holding their shares through a broker, bank, trustee, or other nominee will need to bring proof of beneficial ownership as of April 17, 2015, the record date, such as their most recent account statement reflecting their stock ownership prior to April 17, 2015, a copy of the voting instruction card provided by their broker, bank, trustee or other nominee, or similar evidence of ownership.

## **Table of Contents**

Stockholders who do not present the required information set forth above, may not be admitted to the Annual Meeting.

Photography, video and the use of cameras, recording devices, computers and other electronic devices, such as smart phones and tablets, will not be permitted at the Annual Meeting.

Please allow ample time for check-in. Please note that large bags and packages will not be allowed at the Annual Meeting. Persons may be subject to search due to security reasons.

### **Who can vote at the Annual Meeting?**

Only Stockholders of record at the close of business on Friday, April 17, 2015 will be entitled to vote at the Annual Meeting. On this record date, there were 22,824,919 shares of common stock outstanding and entitled to vote.

#### *Stockholder of Record: Shares Registered in Your Name*

If on Friday, April 17, 2015 your shares were registered directly in your name with Cara's transfer agent, American Stock Transfer & Trust Company, LLC, then you are a Stockholder of record. As a Stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card to ensure your vote is counted.

#### *Beneficial Owner: Shares Registered in the Name of a Broker or Bank*

If on Friday, April 17, 2015 your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in street name and the Notice is being forwarded to you by that organization. The organization holding your account is considered to be the Stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the Stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

### **What am I voting on?**

There are two matters scheduled for a vote:

Election of one director to serve until the 2018 Annual Meeting of Stockholders and until his successor is duly elected and qualified; and

Ratification of the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent registered public accounting firm of the Company for its fiscal year ending December 31, 2015.

### **What if another matter is properly brought before the meeting?**

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on those matters in accordance with their best judgment.

**How do I vote?**

You may either vote For the nominee to the Board of Directors or you may Withhold your vote for the nominee. Regarding ratification of selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent registered public accounting firm of the Company for its fiscal year ending December 31, 2015, you may vote For or Against the proposal or Abstain from voting.

The procedures for voting are fairly simple:

## **Table of Contents**

### *Stockholder of Record: Shares Registered in Your Name*

If you are a Stockholder of record, you may vote in person at the Annual Meeting, or you may vote by proxy (1) over the telephone, (2) through the internet or (3) by using a proxy card that you may request or that we may elect to deliver at a later time as described under the question titled "Will I receive any other proxy materials by mail?" above. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the Annual Meeting and vote in person even if you have already voted by proxy.

To vote in person, come to the annual meeting and we will give you a ballot when you arrive.

To vote using the proxy card that you have requested or that we have elected to deliver, simply complete, sign and date the proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.

To vote over the telephone, dial toll-free 1-800-690-6903 using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the Notice. Your telephone vote must be received by 11:59 P.M. Eastern Daylight Time on Sunday, June 7, 2015 to be counted.

To vote through the internet, go to <http://www.proxyvote.com> to complete an electronic proxy card. You will be asked to provide the company number and control number from the Notice. Your internet vote must be received by 11:59 P.M. Eastern Daylight Time on Sunday, June 7, 2015 to be counted.

### *Beneficial Owner: Shares Registered in the Name of Broker or Bank*

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a Notice containing voting instructions from that organization rather than from Cara. Simply follow the voting instructions in the Notice to ensure that your vote is counted. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

**Internet proxy voting may be provided to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your internet access, such as usage charges from internet access providers and telephone companies.**

### **How many votes do I have?**

On each matter to be voted upon, you have one vote for each share of common stock you own as of Friday, April 17, 2015.

### **What if I return a proxy card or otherwise vote but do not make specific choices?**

If you return a signed and dated proxy card or otherwise vote without marking voting selections, your shares will be voted, as applicable, For the election of the nominee for director and For the ratification of the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent registered public accounting firm of the Company for its fiscal year ending December 31, 2015. If any other matter is properly presented at the meeting, your proxyholder (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

**Who is paying for this proxy solicitation?**

We will pay for the entire cost of soliciting proxies. In addition to these proxy materials, our directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We will also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

## **Table of Contents**

### **What does it mean if I receive more than one Notice?**

If you receive more than one Notice, your shares may be registered in more than one name or in different accounts. Please follow the voting instructions on the Notices to ensure that all of your shares are voted.

### **Can I change my vote after submitting my proxy?**

#### *Stockholder of Record: Shares Registered in Your Name*

Yes. You can revoke your proxy at any time before the final vote at the Annual Meeting. If you are the record holder of your shares, you may revoke your proxy in any one of the following ways:

You may submit another properly completed proxy card with a later date.

You may grant a subsequent proxy by telephone or through the internet.

You may send a timely written notice that you are revoking your proxy to Cara's Secretary at 1 Parrott Drive, Shelton, Connecticut 06484.

You may attend the Annual Meeting and vote in person. Simply attending the Annual Meeting will not, by itself, revoke your proxy.

Your most current proxy card or telephone or internet proxy is the one that is counted.

#### *Beneficial Owner: Shares Registered in the Name of Broker or Bank*

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

### **When are Stockholder proposals and director nominations due for next year's annual meeting?**

To be included in our Proxy Statement for the 2016 Annual Meeting of Stockholders, your proposals must comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the Exchange Act). Accordingly, your proposal must be received in writing by our Secretary at 1 Parrott Drive, Shelton, Connecticut 06484 by Thursday, December 24, 2015, which is at least 120 calendar days before the anniversary date of our Proxy Statement release to stockholders for the 2015 Annual Meeting. If you wish to bring a matter before the Stockholders that is not included in next year's proxy materials, you must notify our Secretary in writing at the address above no earlier than Tuesday, February 9, 2016 and no later than Thursday, March 10, 2016, in accordance with our Bylaws. You are advised to review our Bylaws, which contain a description of the information required to be submitted as well as additional requirements about advance notice of Stockholder proposals and director nominations.

### **How are votes counted?**

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Votes will be counted by the inspector of election appointed for the meeting, who will separately count, (1) with respect to the proposal to elect the director, votes For, Withhold and broker non-votes, and (2) with respect to Proposal 2, votes For, Against, abstentions and, if applicable, broker non-votes. Abstentions will be counted towards the vote total for Proposal 2, and will have the same effect as Against votes. Broker non-votes have no effect and will not be counted towards the vote total for any proposal.

## **Table of Contents**

### **What are broker non-votes ?**

As discussed above, when a beneficial owner of shares held in street name does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed to be non-routine, the broker or nominee cannot vote the shares. These unvoted shares are counted as broker non-votes.

### **How many votes are needed to approve each proposal?**

For the election of director, the nominee receiving the most For votes from the holders of shares present in person or represented by proxy and entitled to vote on the election of director will be elected. Only votes For or Withheld will affect the outcome.

To be approved, Proposal 2, ratification of the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as the Company's independent registered public accounting firm for its fiscal year ending December 31, 2015, must receive For votes from the holders of a majority of shares present in person or represented by proxy and entitled to vote on the matter. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect.

### **What is the quorum requirement?**

A quorum of Stockholders is necessary to hold a valid meeting. A quorum will be present if Stockholders holding at least a majority of the outstanding shares entitled to vote are present at the meeting in person or represented by proxy.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the meeting in person or represented by proxy may adjourn the meeting to another date.

### **How can I find out the results of the voting at the Annual Meeting?**

Preliminary voting results will be announced at the annual meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four business days after the Annual Meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after the Annual Meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional Form 8-K to publish the final results.

### **What are the implications of being an emerging growth company?**

Cara is an emerging growth company, as defined in Section 101(a)(19)(C) of the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). As an emerging growth company, under SEC rules, we are not required to include a Compensation Discussion and Analysis section in this Proxy Statement, have elected to comply with reduced compensation disclosure requirements, as permitted under the JOBS Act, and are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of our initial public offering, (b) in which we have total annual gross revenue of at least \$1.0 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the prior June 30th, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.





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**Table of Contents**

**PROPOSAL 1**

**ELECTION OF DIRECTOR**

Our Board of Directors is divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three-year term. Vacancies on the Board of Directors may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board of Directors to fill a vacancy in a class, including vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is duly elected and qualified.

The Board of Directors presently has five members. There is one director in the class whose term of office expires in 2015. The nominee listed below currently serves on the Company's Board of Directors. He has been recommended for nomination to the Company's Board of Directors by the Company's Nominating and Corporate Governance Committee. If elected at the annual meeting, this nominee would serve until the 2018 Annual Meeting of Stockholders and until his successor has been duly elected and qualified, or, if sooner, until the director's death, resignation or removal. The Company's directors are expected to attend the 2015 Annual Meeting of Stockholders.

Directors are elected by a plurality of the votes of the holders of shares present in person or represented by proxy and entitled to vote on the election of directors. Accordingly, the one nominee receiving the highest number of affirmative votes will be elected. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the one nominee named below. If the nominee becomes unavailable for election as a result of an unexpected occurrence, shares that would have been voted for that nominee will instead will be voted for the election of a substitute nominee proposed by Cara. The person nominated for election has agreed to serve if elected. The Company's management has no reason to believe that the nominee will be unable to serve.

**NOMINEE FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT THE 2018 ANNUAL MEETING**

***Harrison M. Bains, Jr.*** Mr. Bains, 71, has served as a member of our Board of Directors since July 2014. Mr. Bains served in multiple roles at Bristol Myers Squibb Company, including Vice President, Treasurer and acting Chief Financial Officer from 1988 through his retirement in 2004. Mr. Bains's career also includes serving as Senior Vice President of the Primary Industries group at Chase Manhattan Bank and 11 years with RJR Nabisco and two of its predecessor companies as Senior Vice President and Treasurer. He currently serves as a director of BG Medicine, Inc., as a director and former chairman of the Mercer Funds, Inc., a registered investment company, and as a director of Bank of America Funds. He has served as a member of the board of trustees of the Park Avenue Armory since October 2007 and the Civil War Trust since September 2007, and previously served as a member of the board of trustees of the University of Redlands from October 1989 to May 2013. Mr. Bains earned an M.B.A from the University of California, Berkeley and a B.A. in economics from the University of Redlands. He also completed the Advanced Management Program at Harvard Business School. His extensive experience in the biotechnology industry provides him with the qualifications to serve on our Board of Directors.

Mr. Bains was appointed by the Company's Board of Directors as a director of the Company and the chair of the Audit Committee in July 2014 to fill a vacancy on the Board of Directors. Mr. Bains was identified as a candidate for our Board of Directors by Mr. Vogelbaum. Mr. Vogelbaum is a member of our Board of Directors and a non-managing member of the general partner of Rho Ventures VI, L.P., a 5% stockholder of the Company.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF THE NAMED NOMINEE.**

**DIRECTORS CONTINUING IN OFFICE UNTIL THE 2016 ANNUAL MEETING**

**Dean Slagel.** Mr. Slagel, 45, has served as a member of our Board of Directors since February 2005. Mr. Slagel is the Managing Director of Esperante BV and Esperante AB, life sciences venture investment companies founded in September 2004 and June 2005, respectively. From September 1995 to September 2004, Mr. Slagel served as the Global Business Development Director of Ferring Pharmaceuticals, a specialty biopharmaceutical group then based principally in the UK, France and Denmark. He received an MBA from the ENPC Business School in Paris, France, in 2000. Mr. Slagel's more than 20 years of international pharmaceutical industry and life science companies' investment experience provide him with the qualifications and skills to serve on our Board of Directors.

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**Table of Contents**

***Jeffrey L. Ives, Ph.D.*** Dr. Ives, 64, has served as a member of our Board of Directors since his appointment by the Board of Directors to fill a vacancy in July 2014. Dr. Ives served as the Chief Executive Officer of Satori Pharmaceuticals, Inc., a neurodegenerative disease company focused on discovery and development of breakthrough therapies for the treatment and prevention of Alzheimer’s disease from 2008 until 2013. Prior to Satori, Dr. Ives led the CNS, pain and oncology research teams at Pfizer for over two decades and, from 2001-2007, served as a Senior Vice President leading the global Pharmacokinetics, Dynamics and Metabolism organization. Dr. Ives received his doctorate and master degrees from Yale University and received his bachelor of arts degree from Colgate University. His extensive experience leading research and drug development provides him with the qualifications to serve on our Board of Directors.

**DIRECTORS CONTINUING IN OFFICE UNTIL THE 2017 ANNUAL MEETING**

***Derek Chalmers, Ph.D., D.Sc.*** Dr. Chalmers, 51, one of our founders, has served as our President and Chief Executive Officer since September 2004 and has served as a member of our Board of Directors since July 2004. Dr. Chalmers has over 20 years’ experience in the biotechnology industry with increasing levels of corporate and business responsibilities. Prior to founding our company, Dr. Chalmers co-founded Arena Pharmaceuticals, Inc. (NASDAQ: ARNA), a drug discovery and development company, and served as its Vice President and Executive Director from June 1997 until May 2004. Dr. Chalmers holds a D.Sc. and Ph.D. in Pharmacology from the University of Glasgow. Dr. Chalmers’ qualifications to sit on our Board of Directors include his leadership, executive, managerial and business experience, historical knowledge of our company and his background and experience in the biotechnology industry, including having been a founder of a prior biotechnology company.

***Martin Vogelbaum.*** Mr. Vogelbaum, 51, has served as a member of our Board of Directors since July 2010. Mr. Vogelbaum has served as a partner of Rho Ventures since 2005 and primarily focuses on investments in biotechnology, biopharmaceuticals and medical devices. He has more than 19 years of experience investing in the life sciences sector, having been involved with companies at all stages of development, including co-founding more than a half dozen companies. Mr. Vogelbaum currently serves as a director of Inotek Pharmaceuticals Corporation. In 2014, Mr. Vogelbaum served as a member of the board of directors of Nephrogenex, Inc. and from 2007 to 2010, Mr. Vogelbaum served as a member of the board of directors of Middlebrook Pharmaceuticals, Inc. Prior to his venture capital career, he was a research associate in the bone marrow transplantation unit at Memorial-Sloan Kettering Hospital, where he conducted research in graft-versus-host-disease (GVHD). Mr. Vogelbaum received his A.B. in biology and history from Columbia University. Mr. Vogelbaum’s experience in the life sciences industry as a venture capitalist provides him with the qualifications and skills to serve on our Board of Directors.

**BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**

**INDEPENDENCE OF THE BOARD OF DIRECTORS**

As required under the NASDAQ Stock Market (NASDAQ) listing standards, a majority of the members of the Company’s Board of Directors must qualify as independent, as affirmatively determined by the Board of Directors. The Board of Directors consults with the Company’s counsel to ensure that the Board’s determinations are consistent with relevant securities and other laws and regulations regarding the definition of independent, including those set forth in pertinent listing standards of NASDAQ, as in effect from time to time.

Consistent with these considerations, after review of all relevant identified transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its independent auditors, the Board of Directors has affirmatively determined that the following four directors are independent directors within the meaning of the applicable NASDAQ listing standards: Mr. Bains, Dr. Ives, Mr. Slagel and Mr. Vogelbaum. In

making this determination, the Board of Directors found that none of these directors or nominees for director had a material or other disqualifying relationship with the Company.

**BOARD LEADERSHIP STRUCTURE**

The Board of Directors of the Company has a Lead Independent Director, Mr. Vogelbaum, instead of a Chairman. The Lead Independent Director has authority, among other things, to establish the agenda for meetings of the independent directors of the Board of Directors and to preside over meetings of the independent directors and any portions of the meetings of the Board of Directors evaluating the performance of the Board of Directors. The Company believes that having a Lead Independent Director creates an environment that is conducive to objective evaluation and independent oversight, thereby improving the effectiveness of the Board of Directors as a whole.

**Table of Contents****ROLE OF THE BOARD OF DIRECTORS IN RISK OVERSIGHT**

One of the Board of Director's key functions is informed oversight of the Company's risk management process. The Board does not have a standing risk management committee, but rather administers this oversight function directly through the Board as a whole, as well as through various standing committees of the Board that address risks inherent in their respective areas of oversight. In particular, the Board is responsible for monitoring and assessing strategic risk exposure, including a determination of the nature and level of risk appropriate for the Company. The Company's audit committee has the responsibility to consider and discuss, with management and the Company's independent auditors, its major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The audit committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the Company's internal control over financial reporting and disclosure controls and procedures. Our nominating and corporate governance committee monitors the effectiveness of our corporate governance guidelines, and periodically reviews, assess and recommends any changes deemed appropriate. Our compensation committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking.

**MEETINGS OF THE BOARD OF DIRECTORS**

The Board of Directors met seven times during the last fiscal year. Each Board member, except former director Charles Moller, Ph.D., attended 75% or more of the aggregate number of meetings of the Board and of the committees on which he served, held during the portion of the last fiscal year for which he was a director or committee member.

**INFORMATION REGARDING COMMITTEES OF THE BOARD OF DIRECTORS**

The Board has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Each of these standing committees has a written charter approved by the Board of Directors that reflects applicable standards and requirements adopted by the SEC and NASDAQ. A copy of each charter is available to Stockholders on the Company's website at [www.caratherapeutics.com](http://www.caratherapeutics.com) under the Corporate Governance section and within the News & Investors section.

The following table provides membership and meeting information for the Company's fiscal year ended December 31, 2014 for each of the Board committees:

<b>Name</b>	<b>Audit</b>	<b>Compensation</b>	<b>Nominating and Corporate Governance</b>
Harrison M. Bains, Jr. <sup>(1)</sup>	X*		
Jeffrey Ives, Ph.D. <sup>(1)</sup>	X	X	
Martin Vogelbaum	X	X*	X*
Ed Hurwitz <sup>(1)</sup>	X	X	X
Charles Moller, Ph.D. <sup>(1)</sup>	X	X	X
Total meetings during 2014	4	2	1

\* Committee Chairperson

- (1) Mr. Hurwitz and Dr. Moller resigned from the Board of Directors, and Mr. Bains and Dr. Ives joined the Board of Directors to fill the resulting vacancies, in July 2014.

## **Table of Contents**

Below is a description of each committee of the Board of Directors.

Each of the committees has authority to engage legal counsel or other experts or consultants, as it deems appropriate to carry out its responsibilities. The Board of Directors has determined that each member of each committee meets the applicable NASDAQ rules and regulations regarding independence and each member is free of any relationship that would impair his or her individual exercise of independent judgment with regard to the Company. The committees periodically review their charters and assess their own performance. In addition, the Nominating and Corporate Governance Committee periodically reviews the performance of the Board of Directors, including Board committees, and management, and makes recommendations to the Board and management, as applicable, for areas of improvement as it deems appropriate.

### **AUDIT COMMITTEE**

The Audit Committee of the Board of Directors was established by the Board in accordance with Section 3(a)(58)(A) of the Exchange Act, to oversee the Company's corporate accounting and financial reporting processes and audits of its financial statements. For this purpose, the Audit Committee performs several functions. The Audit Committee evaluates the performance of and assesses the qualifications of the independent auditors; determines and approves the engagement of the independent auditors; determines whether to retain or terminate the existing independent auditors or to appoint and engage new independent auditors; reviews and approves the retention of the independent auditors to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent auditors on the Company's audit engagement team as required by law; reviews and approves or rejects transactions between the company and any related persons; confers with management and the independent auditors regarding the effectiveness of internal controls over financial reporting, the objectivity of the Company's financial reporting and the Company's accounting policies and practices; establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and meets to review the Company's annual audited financial statements and quarterly financial statements with management and the independent auditor, including a review of the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Audit Committee is composed of three directors: Mr. Bains, Dr. Ives and Mr. Vogelbaum. Mr. Hurwitz and Dr. Moller served on the Audit Committee until their resignation from the Board of Directors in July 2014. The Audit Committee met four times during the fiscal year ended December 31, 2014.

The Board of Directors reviews the NASDAQ listing standards definition of independence for Audit Committee members on an annual basis and has determined that all members of the Company's Audit Committee are independent, as defined in Rule 5605(c)(2)(A)(i) and (ii) of the NASDAQ listing standards and Rule 10A-3 of the Exchange Act, and that each such member meets the financial literacy requirements of NASDAQ.

The Board of Directors has also determined that Mr. Bains qualifies as an audit committee financial expert, as defined in applicable SEC rules. The Board made a qualitative assessment of Mr. Bains' level of knowledge and experience based on a number of factors, including his formal education and experience as acting chief financial officer for a public reporting company.

### **REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

The Audit Committee has reviewed and discussed with management of the Company the audited financial statements of Cara for the fiscal year ended December 31, 2014. The Audit Committee has also reviewed and discussed with



Ernst & Young LLP, the Company's independent registered public accounting firm, the audited financial statements and the audit results. The Audit Committee has discussed with Ernst & Young LLP the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board (PCAOB).

The Audit Committee has also received the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the PCAOB regarding the independent accountants' communications with the audit committee concerning independence, and has discussed with Ernst & Young LLP the accounting firm's independence. Upon completing these activities, the Audit Committee concluded that Ernst & Young LLP is independent from Cara and its management.

**Table of Contents**

Based on the foregoing, the Audit Committee has recommended to the Board of Directors, and the Board of Directors approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and filed with the Securities and Exchange Commission.

Members of the Audit Committee:

Harrison M. Bains, Jr. (*Chairman*)

Martin Vogelbaum

Jeffrey L. Ives, Ph.D.

**The material in this report is not soliciting material, is not deemed filed with the Commission and is not to be incorporated by reference in any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.**

**COMPENSATION COMMITTEE**

The Compensation Committee is composed of two directors: Dr. Ives and Mr. Vogelbaum. Mr. Hurwitz and Dr. Moller served on the Compensation Committee until their resignation from the Board of Directors in July 2014. All members of the Company's Compensation Committee are independent, as defined in Rule 5605(d)(2) of the NASDAQ listing standards, are non-employee directors as defined in Rule 16b-3 under the Exchange Act and are outside directors, as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended. The Compensation Committee formally met twice during the fiscal year ended December 31, 2014.

The Compensation Committee of the Board of Directors acts on behalf of the Board to review, approve and oversee the Company's compensation strategy, policies, plans and programs, including:

establishment of corporate and individual performance objectives relevant to the compensation, including incentive-based and equity-based compensation, of the Company's Chief Executive Officer and evaluation of performance in light of these stated objectives;

review and approval of the corporate and individual performance objectives of Company's other executive officers and other senior management;

review and approval of the compensation and other terms of employment or service, including severance and change-in-control arrangements, of the Company's Chief Executive Officer;

setting the compensation of the Company's other executive officers, directors and other senior management based in part on recommendations of the chief executive officer;

administration of the Company's equity compensation plans, 401(k) plan, and other similar plans and programs;

preparing a compensation committee report on executive compensation as may be required from time to time to be included in the Company's annual proxy statements or annual reports on Form 10-K filed with the SEC; and

reviewing and discussing with management the Company's Compensation Discussion and Analysis that the Company may be required from time to time to include in proxy statements and other SEC filings and considers whether to recommend that it be included in such filings.

## **Table of Contents**

### *Compensation Committee Processes and Procedures*

Typically, the Compensation Committee meets at least annually and with greater frequency as necessary. The Compensation Committee also acts periodically by unanimous written consent in lieu of a formal meeting. The agenda for each meeting is usually developed by the Chair of the Compensation Committee, in consultation with management. The Compensation Committee meets regularly in executive session. However, from time to time, various members of management and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, to provide financial or other background information or advice or to otherwise participate in Compensation Committee meetings. The Chief Executive Officer may not participate in, or be present during, any deliberations or determinations of the Compensation Committee regarding his compensation.

The charter of the Compensation Committee grants the Compensation Committee full access to all books, records, facilities and personnel of the Company. In addition, under the charter, the Compensation Committee has the authority to obtain, at the expense of the Company, advice and assistance from compensation consultants and internal and external legal, accounting or other advisors and other external resources that the Compensation Committee considers necessary or appropriate in the performance of its duties. The Compensation Committee has direct responsibility for the oversight of the work of any consultants or advisers engaged for the purpose of advising the Committee. In particular, the Compensation Committee has the sole authority to retain, in its sole discretion, compensation consultants to assist in its evaluation of executive and director compensation, including the authority to approve the consultant's reasonable fees and other retention terms. Under the charter, the Compensation Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the compensation committee, other than in-house legal counsel and certain other types of advisers, only after taking into consideration certain factors prescribed by the SEC and NASDAQ, that bear upon the adviser's independence; however, there is no requirement that any adviser be independent.

Historically, the Compensation Committee has made most determined bonus awards and established new performance objectives at one or more meetings held during the first quarter of the year and has made significant adjustments to annual compensation and equity awards periodically, as events warrant. The Compensation Committee also considers matters related to individual compensation, such as compensation for new executive hires, as well as high-level strategic issues, such as the efficacy of the Company's compensation strategy, potential modifications to that strategy and new trends, plans or approaches to compensation, periodically throughout the year.

Generally, the Compensation Committee's process comprises two related elements: the determination of compensation levels and the establishment of performance objectives for the current year. For executives other than the Chief Executive Officer, the Compensation Committee solicits and considers evaluations and recommendations submitted to the Committee by the Chief Executive Officer. In the case of the Chief Executive Officer, the evaluation of his performance is conducted by the Compensation Committee, which determines any adjustments to his compensation as well as awards to be granted. For all executives and directors as part of its deliberations, the Compensation Committee may review and consider, as appropriate, materials such as financial reports and projections, operational data, executive and director stock ownership information, company stock performance data, analyses of historical executive compensation levels and current Company-wide compensation levels and recommendations of the Compensation Committee's compensation consultant, if any, including analyses of executive and director compensation paid at other companies identified by the consultant.

### **NOMINATING AND CORPORATE GOVERNANCE COMMITTEE**

The Nominating and Corporate Governance Committee of the Board of Directors is responsible for assessing the need for new directors, identifying, reviewing and evaluating candidates to serve as directors of the Company (consistent

with criteria approved by the Board), reviewing and evaluating incumbent directors' performance, participation and qualifications, recommending to the Board candidates for selection to the Board of Directors, making recommendations to the Board regarding the membership of the committees of the Board, monitoring the quality of the relationship between management and the board, annually assessing the performance of the Board, and developing and monitoring a set of corporate governance principles for the Company.

## **Table of Contents**

The Nominating and Corporate Governance Committee is currently composed of one director: Mr. Vogelbaum, who is independent, as defined in Rule 5605(a)(2) of the NASDAQ listing standards. Mr. Hurwitz and Dr. Moller served on the Nominating and Corporate Governance Committee until their resignation from the Board of Directors in July 2014. The Nominating and Corporate Governance Committee met once during the fiscal year ended December 31, 2014.

The Nominating and Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including the ability to read and understand basic financial statements, being over 21 years of age, having the highest professional and personal integrity and ethics. The Nominating and Corporate Governance Committee also intends to consider such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to the affairs of the Company, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of the Company's Stockholders. However, the Nominating and Corporate Governance Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the Board, the operating requirements of the Company and the long-term interests of Stockholders. In conducting this assessment, the Nominating and Corporate Governance Committee typically considers diversity, age, skills, such as an understanding of the biotechnology and pharmaceuticals industries, and such other factors as it deems appropriate, given the current needs of the Board and the Company, to maintain a balance of knowledge, experience and capability.

In the case of incumbent directors whose terms of office are set to expire, the Nominating and Corporate Governance Committee reviews these directors' overall service to the Company during their terms, including the number of meetings attended, level of participation, quality of performance and any other relationships and transactions that might impair the directors' independence. The Committee also takes into account the results of the Board's self-evaluation, conducted annually. In the case of new director candidates, the Nominating and Corporate Governance Committee also determines whether the nominee is independent for NASDAQ purposes, which determination is based upon applicable NASDAQ listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Nominating and Corporate Governance Committee uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board. The Nominating and Corporate Governance Committee meets to discuss and consider the candidates' qualifications and then selects a nominee for recommendation to the Board by majority vote.

The Nominating and Corporate Governance Committee will consider properly submitted Stockholder recommendations for director candidates. The Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether or not the candidate was recommended by a Stockholder. Stockholders who wish to recommend individuals for consideration by the Nominating and Corporate Governance Committee to become nominees for election to the Board may do so by delivering a written recommendation to the Nominating and Corporate Governance Committee at the following address: Cara Therapeutics, Inc., One Parrott Drive, Shelton, CT 06484, attention: Board of Directors, at least 120 days prior to the anniversary date of the mailing of the Company's proxy statement for the last Annual Meeting of Stockholders. Submissions must include the full name, age and address of the proposed nominee, a description of the proposed nominee's business experience for at least the previous five years, complete biographical information, a description of the proposed nominee's qualifications as a director and a representation that the nominating stockholder is a beneficial or record holder of the Company's stock and has been a holder for at least one year. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. Stockholders are also advised to review the Company's Bylaws, which

contain additional requirements with respect to advance notice of Stockholder proposals and director nominations.

**STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

The Company's Board of Directors has adopted a formal process by which Stockholders may communicate with the Board or any of its directors. This information is available on the Company's website at [www.caratherapeutics.com](http://www.caratherapeutics.com) in the News & Investors section under Corporate Governance.

**Table of Contents**

**CODE OF ETHICS AND BUSINESS CONDUCT**

The Company has adopted a Code of Business Conduct and Ethics that applies to all officers, directors and employees. The Code of Business Conduct and Ethics is available on the Company's website at [www.caratherapeutics.com](http://www.caratherapeutics.com) under the Corporate Governance section and within the News & Investors section. If the Company makes any substantive amendments to the Code of Business Conduct and Ethics or grants any waiver from a provision of the Code to any executive officer or director, the Company will promptly disclose the nature of the amendment or waiver on its website.

**CORPORATE GOVERNANCE GUIDELINES**

In January 2014, the Board of Directors documented the governance practices followed by the Company by adopting Corporate Governance Guidelines to assure that the Board will have the necessary authority and practices in place to review and evaluate the Company's business operations as needed and to make decisions that are independent of the Company's management. The guidelines are also intended to align the interests of directors and management with those of the Company's Stockholders. The Corporate Governance Guidelines set forth the practices the Board intends to follow with respect to board composition and selection, board meetings and involvement of senior management, Chief Executive Officer performance evaluation and succession planning, and board committees and compensation. The Corporate Governance Guidelines, as well as the charters for each committee of the Board, may be viewed at [www.caratherapeutics.com](http://www.caratherapeutics.com) under the Corporate Governance section and within the News & Investors section.



**Table of Contents****PROPOSAL 2****RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors has selected Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015 and has further directed that management submit the selection of its independent registered public accounting firm for ratification by the Stockholders at the Annual Meeting. Ernst & Young LLP has audited the Company's financial statements since 2004. 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 so desire and will be available to respond to appropriate questions.

Neither the Company's Bylaws nor other governing documents or law require Stockholder ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm. However, the Audit Committee of the Board is submitting the selection of Ernst & Young LLP to the Stockholders for ratification as a matter of good corporate practice. If the Stockholders fail to ratify the selection, the Audit Committee of the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee of the Board in its discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of the Company and its Stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote on the matter at the annual meeting will be required to ratify the selection of Ernst & Young LLP. Abstentions will be counted towards the vote total, and will have the same effect as "Against" votes. Broker non-votes have no effect and will not be counted towards the vote total.

**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table represents aggregate fees billed to the Company for the fiscal years ended December 31, 2014 and 2013, by Ernst & Young LLP, the Company's principal accountant:

	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>(Dollars in thousands)</b>	
Audit fees	\$ 235 (a)	\$ 1,383 (a)
Audit-related fees		
Tax fees		
All other fees		
<b>Total</b>	<b>\$ 235</b>	<b>\$ 1,383</b>

- (a) Audit fees for the year ended December 31, 2014 consist of the aggregate fees billed for professional services rendered for (i) the audit of our Annual Report on Form 10-K for that year; (ii) fees billed for review of our Quarterly Reports on Form 10-Q for each of the first three quarters of that year and (iii) accounting consultations. Audit fees for the year ended December 31, 2013 consist of the aggregate fees billed for professional services

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rendered for (i) the audit of our Annual Report on Form 10-K for that year; (ii) the filing of our Registration Statement on Form S-1 related to our initial public offering; and (iii) accounting consultations. All fees described above for the years ended December 31, 2014 and 2013 were pre-approved by the Audit Committee and by the Board of Directors, respectively.

In connection with the audit of the 2014 financial statements, the Company entered into an engagement agreement with Ernst & Young LLP that sets forth the terms by which Ernst & Young LLP performed audit services for the Company. That agreement is subject to alternative dispute resolution procedures and an exclusion of punitive damages.

**Table of Contents**

**PRE-APPROVAL POLICIES AND PROCEDURES**

The Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by the Company's independent registered public accounting firm, Ernst & Young LLP. The policy generally pre-approves specified services in the defined categories of audit services, audit-related services and tax services up to specified amounts. Pre-approval may also be given as part of the Audit Committee's approval of the scope of the engagement of the independent auditor or on an individual, explicit, case-by-case basis before the independent auditor is engaged to provide each service. The pre-approval of services may be delegated to one or more of the Audit Committee's members, but the decision must be reported to the full Audit Committee at its next scheduled meeting.

The Audit Committee has determined that the rendering of services other than audit services by Ernst & Young LLP is compatible with maintaining the principal accountant's independence.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2.**

**Table of Contents****EXECUTIVE OFFICERS**

The following table sets forth certain information with respect to our executive officers as of April 17, 2015:

Derek Chalmers, Ph.D., D.Sc	51	President, Chief Executive Officer and Director
Josef Schoell	65	Chief Financial Officer
Frederique Menzaghi, Ph.D.	48	Vice President Research and Development
Michael E. Lewis, Ph.D.	63	Chief Scientific Advisor
Joseph Stauffer, D.O., MBA	49	Chief Medical Officer

**Derek Chalmers, Ph.D., D.Sc.** Biographical information for our President, Chief Executive Officer and director, Dr. Chalmers, is included above with the director biographies under the caption Directors Continuing in Office Until the 2017 Annual Meeting.

**Josef Schoell.** Mr. Schoell has served as our Chief Financial Officer since May 2006. He joined us in May 2005 and served as our Controller between then and May 2006. Mr. Schoell has over 20 years of financial and accounting experience, including 18 years in the biotechnology industry. From 2003 until joining our company in May 2005, Mr. Schoell was a consultant with Robert Half Management Resources, a provider of accounting and financial professionals. From 1995 to 2002, he served as the Chief Financial Officer and Vice President Finance, of American Biogenetic Sciences Inc., a biotechnology company. Mr. Schoell received a B.S. in Accounting from the New York University Stern School of Business and is a Certified Public Accountant. Mr. Schoell is a member of the American Institute of Certified Public Accountants and Financial Executives International.

**Frédérique Menzaghi, Ph.D.** Dr. Menzaghi, one of our founders, has served as our Vice President Research and Development since September 2004. Dr. Menzaghi has over 20 years of drug development and management experience in biotechnology. From 1999 to 2003, Dr. Menzaghi served as the Research Director of In Vivo Pharmacology at Arena Pharmaceuticals, Inc. (NASDAQ: ARNA) and from 2003 to 2004, was the Vice President Pharmacology and Business Development, at Psychogenics Inc., a preclinical central nervous system service provider. Dr. Menzaghi received her Ph.D. in Neurosciences from the Louis Pasteur University, Strasbourg, France and a M.Sc. in Clinical Psychology from the University of Nancy.

**Michael E. Lewis, Ph.D.** Dr. Lewis, one of our founders, has served as our Chief Scientific Advisor since September 2004, during which time he has provided services to us through BioDiligence Partners, Inc., or BDP, a consulting firm controlled by Dr. Lewis. Dr. Lewis also served as a member of our Board of Directors from September 2004 to July 2010. Prior to joining us, Dr. Lewis co-founded Arena Pharmaceuticals (NASDAQ: ARNA), and served as Arena's Chief Scientific Advisor from 1997 to 2004, also serving as a director of Arena from 1997 to 2000. Prior to co-founding Arena, Dr. Lewis co-founded and served as Chief Scientific Advisor of Adolor Corporation (NASDAQ: ADLR) from 1994 to 1997. Prior to that, Dr. Lewis co-founded Cephalon, Inc. (NASDAQ: CEPH), serving as Senior Scientist, Biology from 1988 to 1989, Director of Pharmacology from 1989 to 1992 and Senior Director of Scientific Affairs from 1992 to 1993. Dr. Lewis received a Ph.D. in Psychology from Clark University and post-doctoral training at the University of Cambridge, the National Institutes of Mental Health, and the University of Michigan, with a focus on opioid receptor research.

**Joseph Stauffer, D.O., MBA.** Dr. Stauffer joined Cara Therapeutics on December 1, 2014 and serves as our Chief Medical Officer. Dr. Stauffer has over 20 years of medical practice and clinical research experience. Prior to joining Cara, he served as Chief Medical Officer at the following public and private biopharma and specialty pharma companies: Ikaria from 2012 to 2014, PharmacoFore, Inc. from 2011 to 2012 and DURECT Corporation from 2009 to

2011. From 2004-2009, he was Chief Medical Officer at Alpharma Pharmaceuticals and the architect of the clinical development program for EMBEDA, the first abuse-deterrent long-acting opioid analgesic approved by the FDA. Dr. Stauffer began his industry career as Global Medical Director at Abbott Laboratories. Prior to Abbott he worked at FDA as a Medical Review Officer in the Anti-Inflammatory & Analgesic Division of the Center for Drug Evaluation and Research. He serves as an expert clinical research reviewer for the European Commission. Dr. Stauffer maintains an appointment as part-time Assistant Professor in the Department of Anesthesiology and Critical Care Medicine at the Johns Hopkins University School of Medicine. Dr. Stauffer completed his Anesthesiology

**Table of Contents**

residency at Johns Hopkins University Hospital. He received his MBA from a joint program (TRIUM) between New York University, Stern School of Business, London School of Economics (LSE) and HEC (Hautes Etudes Commerciales) School of Management in Paris. He served as Lt. Commander in the Navy.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the ownership of the Company's common stock as of April 17, 2015 by: (i) each director; (ii) each of the individuals named in the 2014 Summary Compensation Table; (iii) all current executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than five percent of its common stock.

Name of beneficial owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
<b>5% stockholders:</b>		
FMR LLC <sup>(1)</sup>	1,159,541	5.1%
Esperante AB <sup>(2)</sup>	1,547,149	6.8%
Ascent Biomedical Ventures <sup>(3)</sup>	1,699,493	7.4%
Devon Park Bioventures L.P. <sup>(4)</sup>	1,151,894	5.0%
Rho Ventures VI, L.P. <sup>(5)</sup>	2,668,057	11.7%
<b>Directors and named executive officers:</b>		
Derek Chalmers, Ph.D. <sup>(6)</sup>	1,166,459	5.1%
Frédérique Menzaghi, Ph.D. <sup>(7)</sup>	263,333	1.1%
Josef Schoell <sup>(8)</sup>	75,042	*%
Joseph Stauffer, D.O. <sup>(9)</sup>	11,442	*%
Robert Medve, M.D. <sup>(10)</sup>		*%
Harrison M. Bains, Jr. <sup>(11)</sup>	20,000	*%
Jeffrey Ives, Ph.D.		*%
Dean Slagel <sup>(2)</sup>	1,567,149	6.9%
Martin Vogelbaum <sup>(5)</sup>		*%
<b>All current executive officers and directors as a group (9 persons)<sup>(12)</sup></b>	<b>3,460,794</b>	<b>15.0%</b>

\* Less than one percent.

This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13G filed with the SEC. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the Company believes that each of the Stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 22,824,919 shares outstanding on April 17, 2015. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we have deemed outstanding shares of common stock to be subject to options held by that person that are currently exercisable or exercisable within 60 days after April 17, 2015. We have not deemed these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Except as otherwise noted below, the address for each person or entity listed in the table is c/o Cara Therapeutics, Inc., One Parrott Drive, Shelton, Connecticut 06484.





**Table of Contents**

- (1) Based solely on Schedule 13G filed by FMR LLC on February 13, 2015. FMR LLC has sole voting power as to none of the shares reported as beneficially owned and sole dispositive power as to all of the shares reported as beneficially owned. Fidelity Management & Research Company ( Fidelity ), a wholly-owned subsidiary of FMR LLC and a registered investment adviser, beneficially owns 1,159,541 shares as a result of acting as investment adviser to various investment companies. Edward C. Johnson 3d, Chairman of FMR LLC, FMR LLC, through its control of Fidelity, and the Fidelity funds each has sole dispositive power as to 1,159,541 shares owned by the Fidelity funds. Members of the family of Edward C. Johnson 3d, including Abigail P. Johnson, through the direct or indirect ownership of voting shares and the execution of a shareholders voting agreements, may be deemed to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Edward C. Johnson 3d nor Abigail P. Johnson has the sole voting power as to the shares owned directly by the Fidelity funds, which voting power resides with the funds Boards of Trustees and is carried out by Fidelity under written guidelines established by the funds Boards of Trustees. The principal address for FMR LLC is 245 Summer Street, Boston, Massachusetts 02210.
- (2) Based on Schedule 13G filed by Esperante BV on February 17, 2015. Dean Slagel, a director of the company and Managing Director of Esperante BV, holds voting and/or dispositive power over the shares held by Esperante BV. The principal address for Esperante BV is Siriusdreef 22, 2132 WT Hoofddorp, The Netherlands. Also, consists of 20,000 shares of common stock underlying options that are exercisable within 60 days of April 17, 2015.
- (3) Based solely on Schedule 13G filed by ABV, LLC on February 13, 2015. Consists of (i) 963,896 shares held of record by Ascent Biomedical Ventures I, L.P., (ii) 131,169 shares held of record by Ascent Biomedical Ventures I Annex, L.P. and (iii) 604,428 shares held of record by Ascent Biomedical Ventures I NY, L.P. ABV, LLC is the general partner of Ascent Biomedical Ventures I, L.P., Ascent Biomedical Ventures I Annex, L.P. and Ascent Biomedical Ventures I NY, L.P. The directors of ABV, LLC, Geoffrey W. Smith and Steve Hochberg, exercise sole dispositive and voting power over the shares owned by Ascent Biomedical Ventures I, L.P., Ascent Biomedical Ventures I Annex, L.P. and Ascent Biomedical Ventures I NY, L.P. The principal address for the entities affiliated with Ascent Biomedical Ventures is 142 West 57<sup>th</sup> Street, 4A, New York, NY 10019.
- (4) Based solely on Schedule 13G filed by Devon Park Bioventures, L.P. on February 13, 2015. The shares directly held by Devon Park Bioventures, L.P. ( Dev LP ) are indirectly held by Devon Park Associates, L.P. ( Dev GP ), as general partner of Dev LP, Devon Park Associates, LLC ( Dev LLC ), as general partner of Dev GP, and each of the individual managing members of Dev LLC. The individual managing members (collectively, the Dev Managers ) of Dev LLC are Charles Moller, Ph.D, Marc Ostro, Ph.D, and Devang Kantesaria, M.D. Dev GP, Dev LLC, and the Dev Managers may share voting and dispositive power over the shares directly held by Dev LP. The principal address for the entities affiliated with the Dev GP is 1400 Liberty Ridge Drive, Suite 103, Wayne, PA 19087.
- (5) Based solely on Schedule 13G filed by of Rho Ventures VI, L.P. on January 29, 2015. The general partner of Rho Ventures VI, L.P. ( RV VI ) is RMV VI, L.L.C., a Delaware limited liability company, and the managing member of RMV VI, L.L.C. is Rho Capital Partners LLC, a Delaware limited liability company ( RCP LLC ). Each of Habib Kairouz, Mark Leschly and Joshua Ruch is a managing member of RCP LLC, and in their capacity as such may be deemed to exercise voting and investment power over the shares held by the Rho Funds. Martin Vogelbaum is a director of the company and is a non-managing member of RMV VI, L.L.C. The address of Rho Capital Partners, LLC, RMV VI, L.L.C. and RV VI is 152 West 57th Street, 23rd Floor, New York, NY 10019.
- (6) Consists of 1,099,792 shares held directly by Dr. Chalmers and 66,667 shares of common stock underlying options that are vested and exercisable within 60 days of April 17, 2015.
- (7) Consists of 180,000 shares held directly by Dr. Menzaghi and 83,333 shares of common stock underlying options that are vested and exercisable within 60 days of April 17, 2015.
- (8) Consists of 25,000 shares held directly by Mr. Schoell and 50,042 shares of common stock underlying options that are vested and exercisable within 60 days of April 17, 2015.



**Table of Contents**

- (9) Consists of 11,442 shares held directly by Dr. Stauffer.
- (10) Dr. Medve served as our Chief Medical Officer from June 2014 until the time of his death in October 2014. All stock options that had been granted to him upon his employment with us were forfeited and cancelled in October 2014.
- (11) Consists of 20,000 shares of common stock underlying options that are vested and exercisable within 60 days of April 17, 2015.
- (12) Consists of the shares listed in footnotes (2), (6), (7), (8), (9) and (11). Also includes 344,036 shares held directly by Michael E. Lewis, Ph.D., our Chief Scientific Advisor, and 13,333 shares of common stock underlying options held by Dr. Lewis that are vested and exercisable within 60 days of April 17, 2015.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent Stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2014, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with.

**Table of Contents****EXECUTIVE COMPENSATION**

Cara is an emerging growth company, as defined in Section 101(a)(19)(C) of the JOBS Act. As an emerging growth company, under SEC rules, we are not required to include a Compensation Discussion and Analysis section in this Proxy Statement and have elected to comply with reduced compensation disclosure requirements, as permitted under the JOBS Act.

**2014 SUMMARY COMPENSATION TABLE**

The following table shows for the fiscal years ended December 31, 2014 and 2013, compensation awarded to or paid to, or earned by, the Company's Chief Executive Office, its Chief Financial Officer, its two other most highly compensated executive officers at December 31, 2014 and one additional individual who had served as an executive officer of the Company during the year ended December 31, 2014 but was not serving as an executive officer of the Company at December 31, 2014 (the Named Executive Officers).

Name and Principal Position	Year	Salary	Bonus <sup>(1)</sup>	Option Awards <sup>(2)</sup>	Non-Equity Incentive	Total Compensation
					Plan Compensation	
Derek Chalmers, Ph.D., D.Sc. <sup>(4)</sup> <i>President and Chief Executive Officer</i>	2014	\$ 440,000	\$	\$ 546,694	\$ 220,000	\$ 1,206,694
	2013	400,000			40,000	440,000
Robert Medve, M.D. <sup>(5)</sup> <i>Former Chief Medical Officer</i>	2014	145,297	20,000	1,026,323	102,375	1,293,995
	2013					
Frédérique Menzaghi, Ph.D. <i>Vice President - Research and Development</i>	2014	302,500		273,347	105,875	681,722
	2013	275,000			30,000	305,000
Josef Schoell <i>Chief Financial Officer</i>	2014	209,000		341,684	73,150	623,834
	2013	190,000			15,000	205,000
Joseph Stauffer, D.O. <sup>(6)</sup> <i>Chief Medical Officer</i>	2014	33,333	30,000	992,231		1,055,564
	2013					

- (1) The amounts disclosed in this column represent a one-time bonus, payable on the first regularly scheduled payroll date following the executive officer's start date.
- (2) The amounts disclosed in this column are the fair value on the grant date of each award granted under the Company's 2014 Equity Incentive Plan (2014 Plan), computed in accordance with FASB ASC Topic 718, which we refer to as ASC 718, using the valuation methodology for equity awards set forth in Note 12 of our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014. All of the options awards reported in the table above were granted under our 2014 Plan, have a term of ten years from the date of grant and vest in accordance with the following schedule: 25% of the shares underlying the option vest on the first anniversary of the date of grant, and the remainder vest in equal monthly installments over the 36 months thereafter. All of the option awards reported in the table above that were granted to Dr. Medve upon his employment in June 2014, were forfeited and cancelled upon his death in October 2014.

- (3) The amounts disclosed in this column represent the annual cash incentive bonus earned by the named executive officer for services performed in 2014 and 2013. The annual incentive bonus was paid in January of the calendar year following the year to which the bonus relates (*i.e.*, the 2014 annual incentive bonus was paid in January 2015). The annual cash incentive bonus for each executive officer is based on the Board's assessment of each such officer's individual performance and overall Company performance against objectives determined by our Board and communicated to such officer. For the fiscal years ended December 31, 2014 and 2013, the annual cash incentive bonuses were based on our achievement of clinical, regulatory, financial and operational

**Table of Contents**

objectives. See Executive Employment Arrangements and Potential Payments upon Termination or Change in Control below for additional information regarding assigned bonus targets, expressed as a percentage of each executive officer's base salary.

- (4) Dr. Chalmers is also a member of our Board of Directors but does not receive any additional compensation in his capacity as a director.
- (5) Dr. Medve served as the Company's Chief Medical Officer from June 2014 until his death in October 2014. The salary and non-equity incentive plan compensation in this table represent amounts paid to Dr. Medve and his estate, respectively, in connection with his service to the Company during that period.
- (6) Represents Dr. Stauffer's base salary paid from December 1, 2014 (the starting date of Dr. Stauffer's employment with the Company) to December 31, 2014.

**OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2014**

The following table shows certain information regarding outstanding equity awards held by the Company's Named Executive Officers at December 31, 2014.

<b>Name</b>	<b>Number of Securities Underlying Unexercised Options Exercisable</b>	<b>Number of Securities Underlying Unexercised Options Unexercisable <sup>(1)</sup></b>	<b>Option Exercise Price (\$)</b>	<b>Option Expiration Date</b>
Derek Chalmers, Ph.D., D.Sc. <i>President and Chief Executive Officer</i>	40,000	80,000	\$ 2.48 \$ 11.00	11/7/2017 1/30/2024
Robert Medve, M.D. <i>Former Chief Medical Officer</i>			\$	
Frédérique Menzaghi, Ph.D. <i>Vice President - Research and Development</i>	20,000 20,000 10,000 40,000	40,000	\$ 0.25 \$ 2.48 \$ 2.25 \$ 2.05 \$ 11.00	7/11/2015 11/7/2017 8/14/2018 10/15/2020 1/30/2024
Josef Schoell <i>Chief Financial Officer</i>	8,000 12,000 4,000 8,125	1,875 50,000	\$ 0.78 \$ 2.48 \$ 2.25 \$ 0.85 \$ 11.00	9/29/2016 11/7/2017 8/14/2018 9/8/2021 1/30/2024
Joseph Stauffer, D.O. <i>Chief Medical Officer</i>		180,000	\$ 8.74	12/1/2024

- (1) Unless otherwise noted herein, stock options vest over a four-year period as follows: 25% of the shares underlying the option vest on the first anniversary of the date of grant, with the remainder vesting in equal monthly installments over the 36 months thereafter.



**Table of Contents****EXECUTIVE EMPLOYMENT ARRANGEMENTS AND POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

In February 2014, we entered into employment agreements with Dr. Chalmers, Dr. Menzaghi and Mr. Schoell, following the completion of our initial public offering. Each such employment agreement superseded any prior offer letter we had previously entered into with these executive officers. In June 2014, we entered into an employment agreement with Dr. Medve. In December 2014, we entered into an employment agreement with Dr. Stauffer. Under these employment agreements, the executive officers' respective annual salaries and target annual bonuses for 2014 were:

<b>Executive Officer</b>	<b>Base Salary</b>	<b>Target Bonus (as a % of Base Salary)</b>
Dr. Chalmers	\$ 440,000	50%
Dr. Medve <sup>(1)</sup>	\$ 390,000	35%
Dr. Menzaghi	\$ 302,500	35%
Mr. Schoell	\$ 209,000	35%
Dr. Stauffer <sup>(2)</sup>	\$ 400,000	40%

- (1) Dr. Medve's employment agreement also provided for a one-time bonus payment of \$20,000, payable on the first regularly scheduled payroll date following his start date.
- (2) Dr. Stauffer's employment agreement also provided for a one-time bonus payment of \$30,000, payable on the first regularly scheduled payroll date following his start date.

Under these employment agreements, each executive officer is eligible for severance benefits in specified circumstances. Under the terms of the agreements, upon execution and effectiveness of a general release of claims, each executive officer will be entitled to severance payments if we terminate his or her employment without cause, or in the case of Dr. Chalmers and Dr. Stauffer, the employee terminates employment with us for good reason. The following definitions have been adopted in these employment agreements:

**cause** means that we have determined in our sole discretion that any of the following occurred: (a) the executive officer's commission of a felony; (b) the executive officer's act or omission constituting dishonesty, fraud, immoral, or disreputable conduct that causes material harm to us; (c) the executive officer's violation of a company policy that causes material harm to us; (d) the executive officer's material breach of the employment agreement, or of any provision of any other agreement between the executive officer and us which, if curable, is not cured within 30 days after notice thereof is given to the executive officer, or (e) the executive officer's breach of fiduciary duty;

**good reason** means any of the following without the executive officer's prior written consent: (a) the assignment to the executive officer of duties or responsibilities that would result in the material diminution of the executive officer's then-current position, with the exception of certain situations involving the acquisition of the company; (b) a reduction of the executive officer's annual base salary by greater than 30%, except in a situation in which the base salaries of other similarly situated employees are accordingly reduced; or (c) any request that the executive officer relocate to a new



principal base of operations that would increase the executive officer's one-way commute distance by more than 100 miles, unless the executive officer accepts the relocation opportunity.

change in control means any of the following: (a) any person becomes the owner, directly or indirectly, of securities representing more than 50% of the combined voting power of the company other than through a merger, consolidation or similar transaction, subject to specified exceptions; (b) a merger or consolidation, unless the holders of our outstanding voting stock immediately prior to such transaction own, immediately after such transaction, securities representing more than 50% of the

**Table of Contents**

voting power of the company or other entity surviving such transaction, subject to specified exceptions; (c) a sale, lease, exclusive license or other disposition of all or substantially all of our assets, other than the transfer of our assets to an entity of which our stockholders own more than 50% of the voting power, subject to specified exceptions; or (d) the directors at the time of our initial public offering, or the incumbent board, cease to constitute at least a majority of the Board of Directors, provided, that new directors that are approved or recommended by the majority of the incumbent board will be considered to be a member of the incumbent board for this purpose.

These employment agreements also provide for the full acceleration of any then unvested equity awards held by each executive officer upon a change of control. The following table summarizes the schedule of severance payments and acceleration of unvested equity awards our executive officers would receive in the event of a qualifying termination:

Scenario and Executive	Salary and Payment of		Acceleration of Unvested Equity Awards
	Employer Health Insurance Continuation <sup>(1)</sup>	Bonus <sup>(1)</sup>	
<b>Other Than Within 12 Months Following a Change in Control:</b>			
Dr. Chalmers	12 months	Prorated Target Bonus	None
Dr. Menzaghi	6 months	Prorated Target Bonus	None
Mr. Schoell	6 months	Prorated Target Bonus	None
Dr. Stauffer	9 months <sup>(2)</sup>	Prorated Target Bonus	None
<b>Within 12 Months Following a Change in Control:</b>			
Dr. Chalmers	12 months	Prorated Target Bonus	Full Acceleration <sup>(3)</sup>
Dr. Menzaghi	6 months	Prorated Target Bonus	Full Acceleration <sup>(3)</sup>
Mr. Schoell	6 months	Prorated Target Bonus	Full Acceleration <sup>(3)</sup>
Dr. Stauffer	9 months <sup>(2)</sup>	Prorated Target Bonus	Full Acceleration <sup>(3)</sup>

- (1) Subject to the execution of a general release by the relevant executive officer, on the 60th day following termination without cause or, in the case of Dr. Chalmers and Dr. Stauffer, resignation for good reason, we will pay such payments relating to base salary, target bonus and health insurance premiums in a lump sum that the executive officer would have received on or prior to such date under the original schedule (less applicable withholdings and deductions), with the balance of such payments being paid as originally scheduled.
- (2) If the qualifying termination occurs on or before Dr. Stauffer's first year anniversary of employment, Dr. Stauffer would receive six, rather than nine, months' salary and payment of employer health insurance continuation.
- (3) The executive officer will receive accelerated vesting of all of his or her then unvested equity awards, if any, as a result of the change in control.

Dr. Medve's employment agreement did not provide for the payment of any benefits or equity acceleration in the event of his death. However, as described in footnote (5) to the 2014 Summary Compensation Table above, we paid a cash bonus of \$102,375 to Dr. Medve's estate in respect of his 2014 performance.

**401(k) PLAN**

We maintain the Cara Therapeutics Savings and Retirement Plan 401(k), or the 401(k) Plan, a tax-qualified retirement plan that provides eligible U.S. employees with an opportunity to save for retirement on a tax advantaged basis. Eligible employees are able to defer eligible compensation subject to applicable annual Internal Revenue Code limits. Pre-tax contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participant's directions. Contributions that we may make are subject to a vesting schedule; employees are immediately and fully vested in their contributions. The 401(k) Plan is intended to qualify under Sections 401(a) and 501(a) of the Code. As a tax-qualified retirement plan, contributions to the 401(k) Plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) Plan and all contributions are deductible by us when made.

**Table of Contents**

**INDEMNIFICATION AGREEMENTS WITH EXECUTIVE OFFICERS AND DIRECTORS**

Our amended and restated certificate of incorporation limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except for liability for any:

breach of their duty of loyalty to the corporation or its stockholders;

act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or

transaction from which the directors derived an improper personal benefit.

Our amended and restated certificate of incorporation does not eliminate a director's duty of care and, in appropriate circumstances, equitable remedies, such as injunctive or other forms of non-monetary relief, remain available under Delaware law. These limitations also do not affect a director's responsibilities under any other laws, such as the federal securities laws or other state or federal laws. Our amended and restated bylaws provide that we will indemnify our directors and executive officers, and may indemnify other officers, employees and other agents, to the fullest extent permitted by law. Our amended and restated bylaws also provide that we are obligated to advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding and also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in connection with their services to us, regardless of whether our amended and restated bylaws permit such indemnification. We have obtained a directors' and officers' liability insurance policy.

We have entered, and intend to continue to enter, into separate indemnification agreements with our directors and executive officers, in addition to the indemnification provided for in our amended and restated bylaws. These agreements, among other things, require us to indemnify our directors and executive officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or executive officer in any action or proceeding arising out of their services as one of our directors or executive officers, or any of our subsidiaries or any other company or enterprise to which the person provides services at our request. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A Stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

At present, there is no pending litigation or proceeding involving any of our directors or executive officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may

result in a claim for indemnification.

**Table of Contents****DIRECTOR COMPENSATION**

The following table shows certain information with respect to the compensation of all non-employee directors of the Company for the fiscal year ended December 31, 2014:

<b>Director</b>	<b>Fees paid in cash <sup>(1)</sup></b>	<b>Option awards <sup>(2)</sup></b>	<b>Total</b>
Martin Vogelbaum	\$ 56,603	\$ 136,680	\$ 193,283
Dean Slagel	\$ 32,083	\$ 136,680	\$ 168,763
Harrison M. Bains, Jr.	\$ 22,000	\$ 160,260	\$ 182,260
Jeffrey Ives, Ph.D.	\$ 21,313	\$ 160,260	\$ 181,573
Charles Moller, Ph.D.	\$ 20,833	\$ 136,680	\$ 157,513
Ed Hurwitz	\$ 20,833	\$ 136,680	\$ 157,513

- (1) This column includes the annual fees paid to all non-employee directors for their service on the Board of Directors as well as for their committee membership and chairmanship. See Board of Directors and Corporate Governance Information Regarding Committees of the Board of Directors above for more information regarding committee membership. Dr. Moller and Mr. Hurwitz resigned from the Board of Directors, and the resulting vacancies were filled by Dr. Ives and Mr. Bains, on July 16, 2014. Mr. Vogelbaum served as chairman of the Audit Committee through July 15, 2014 after which time Mr. Bains assumed that role.
- (2) The amounts disclosed in this column represent the aggregate grant date fair value of the stock options granted, computed in accordance with FASB ASC Topic 718, using the valuation methodology for equity awards set forth in Note 12 of our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014. The options granted to Mr. Vogelbaum, Mr. Slagel, Dr. Moller and Mr. Hurwitz have an exercise price per share of \$11.00 and were granted on January 30, 2014 in connection with our initial public offering. The options granted to Dr. Ives and Mr. Bains have an exercise price of \$13.16 and were granted on July 16, 2014 in connection with their appointment to the Board of Directors. The stock options granted to Dr. Moller and Mr. Hurwitz expired unexercised three months after their respective resignations from the Board of Directors. The remaining options described in the table above vest concurrently with the expiration of the initial term of office for the class in which such director serves, subject to the director's continued service as a director through such date. As of December 31, 2014, the following number of stock options were held by our non-employee directors, none of which were vested and immediately exercisable: Mr. Vogelbaum, 20,000; Mr. Slagel, 20,000; Mr. Bains, 20,000; and Dr. Ives, 20,000.

Directors who are also full-time officers or employees of Cara do not receive any additional compensation for serving as directors. Therefore, Dr. Chalmers, the Company's Chief Executive Officer and a director of the Company, does not receive any additional compensation for his service as a director. Dr. Chalmers' compensation as an executive officer is set forth above under Compensation of Named Executive Officers 2014 Summary Compensation Table.

Prior to the Company's initial public offering, which was completed in 2014, the Company did not pay cash retainers or other compensation with respect to service on the Company's Board of Directors, except for reimbursement of direct expenses incurred in connection with attending meetings of the board or committees. In January 2014, the Company's Board of Directors approved a non-employee director compensation policy which became effective upon the completion of the Company's initial public offering. In March 2015, the Board of Directors, upon recommendation

of the Compensation Committee, adjusted the compensation payable under the policy, effective as of January 1, 2015, to bring the cash and equity compensation in line with the non-employee director compensation of a peer group of companies.

**Table of Contents**

Under the Company's director compensation policy, the Company will pay each of the Company's non-employee directors a cash retainer for service on its Board of Directors and for service on each committee on which the director is a member. These retainers are payable in arrears in four equal quarterly installments on the last day of each quarter, provided that the amount of such payment will be prorated for any portion of such quarter that the director is not serving on the Company's Board of Directors. The retainers paid during 2014 to non-employee directors for service on the Company's Board of Directors and for service on each committee of its Board of Directors on which the director is a member were as follows:

	<b>Member Annual Service Retainer</b>	<b>Chairman Additional Annual Service Retainer</b>
Board of Directors	\$ 35,000	\$ 25,000 <sup>(1)</sup>
Audit Committee	\$ 6,500	\$ 6,500
Compensation Committee	\$ 5,000	\$ 5,000
Nominating and Corporate Governance Committee	\$ 3,500	\$ 3,500

- (1) During the year ended December 31, 2014, the Company's Board of Directors had a Lead Independent Director rather than a Chairman. Since the retainer for Chairman of the Board of Directors applied only to a Chairman and not to a Lead Independent Director, no retainer was paid to Mr. Vogelbaum for his service as Lead Independent Director. For the year ending December 31, 2015, the Lead Independent Director will receive a retainer of \$20,000.

The Company also reimburses its non-employee directors for reasonable travel and out-of-pocket expenses incurred in connection with attending the Company's Board of Directors and committee meetings. In addition, under the Company's director compensation policy, each non-employee director elected to the Company's Board of Directors during 2014 received an option to purchase 20,000 shares of the Company's common stock (which was increased to 25,000 shares effective as of January 1, 2015) with an exercise price equal to the fair market value of the Company's common stock on the date of grant. Such option vests concurrently with the expiration of the initial term of office for the class in which such director serves, subject to the director's continued service as a director through such date. Further, on the date of each annual meeting of stockholders, each non-employee director that continues to serve as a non-employee member on the Company's Board of Directors will receive an option to purchase 13,500 shares of the Company's common stock with an exercise price equal to the fair market value of the Company's common stock on the date of grant. Such option will vest on the first year anniversary of the date of grant, subject to the director's continued service as a director through such vesting date.

This policy is intended to provide a total compensation package that enables us to attract and retain qualified and experienced individuals to serve as directors and to align the Company's directors' interests with those of the Company's stockholders.



**Table of Contents****EQUITY COMPENSATION PLAN INFORMATION**

The following table provides certain information with respect to all of the Company's equity compensation plans in effect as of December 31, 2014.

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> <b>(a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b> <b>(b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b> <b>(c)</b>
Equity compensation plans approved by security holders <sup>(1) (2)</sup>	1,022,360	\$ 8.16	876,000
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>1,022,360</b>		<b>876,000</b>

(1) Columns (a) and (b) relate to options granted under the Company's 2014 Plan and 2004 Plan.

(2) Since the effectiveness of the 2014 Plan in January 2014, no further awards have been allowed to be granted under the 2004 Plan. The number of securities in column (c) relates only to the Company's 2014 Plan.

**2014 EQUITY INCENTIVE PLAN**

Our Board of Directors and our stockholders approved and adopted our 2014 Equity Incentive Plan, or 2014 Plan, in January 2014. The 2014 Plan provides for the grant of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights, performance stock awards and other forms of equity compensation, or collectively, stock awards. Additionally, the 2014 Plan provides for the grant of performance cash awards. Incentive stock options may be granted only to employees. All other awards may be granted to employees, including officers, non-employee directors, and consultants.

Initially, the aggregate number of shares of our common stock that may be issued pursuant to stock awards under the 2014 Plan was 1,600,000 shares. Additionally, the number of shares of our common stock reserved for issuance under the 2014 Plan will automatically increase on January 1 of each year, beginning on January 1, 2015 and continuing through and including January 1, 2024, by 3% of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our Board of Directors. The maximum number of shares that may be issued pursuant to the exercise of incentive stock options under the 2014 Plan is 30,000,000 shares. On January 1, 2015, the aggregate number of shares of common stock that may be issued pursuant to stock awards under our 2014 Equity Incentive Plan automatically increased to 2,284,061.

**2004 STOCK INCENTIVE PLAN**

Our Board of Directors adopted, and our stockholders subsequently approved, the Cara Therapeutics 2004 Stock Incentive Plan, or the 2004 Plan, in September 2004. The 2004 Plan provides for the grant to our officers, directors, employees, consultants and advisors of incentive and nonqualified stock options to purchase our common stock, and also provides for the outright issuance of our common stock through restricted share awards. Since the effectiveness of the 2014 Plan in January 2014, no further awards have been allowed to be granted under the 2004 Plan.

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**Table of Contents**

**TRANSACTIONS WITH RELATED PERSONS**

**RELATED-PERSON TRANSACTIONS POLICY AND PROCEDURES**

In 2014, the Company adopted a written Related-Person Transactions Policy that sets forth the Company's policies and procedures regarding the identification, review, consideration and approval or ratification of related-persons transactions. For purposes of the Company's policy only, a related-person transaction is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company and any related person are participants involving an amount that exceeds \$120,000. Transactions involving compensation for services provided to the Company as an employee, director, consultant or similar capacity by a related person are not covered by this policy. A related person is any executive officer, director, or more than 5% Stockholder of the Company, including any of their immediate family members, and any entity owned or controlled by such persons.

Under the policy, where a transaction has been identified as a related-person transaction, management must present information regarding the proposed related-person transaction to the Audit Committee (or, where Audit Committee approval would be inappropriate, to another independent body of the Board) for consideration and approval or ratification. The presentation must include a description of, among other things, the material facts, the interests, direct and indirect, of the related persons, the benefits to the Company of the transaction and whether any alternative transactions were available. To identify related-person transactions in advance, the Company relies on information supplied by its executive officers, directors and certain significant Stockholders. In considering related-person transactions, the Committee takes into account the relevant available facts and circumstances including, but not limited to (a) the risks, costs and benefits to the Company, (b) the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated, (c) the terms of the transaction, (d) the availability of other sources for comparable services or products and (e) the terms available to or from, as the case may be, unrelated third parties or to or from employees generally. In the event a director has an interest in the proposed transaction, the director must recuse himself or herself from the deliberations and approval. The policy requires that, in determining whether to approve, ratify or reject a related-person transaction, the Committee consider, in light of known circumstances, whether the transaction is in, or is not inconsistent with, the best interests of the Company and its Stockholders, as the Committee determines in the good faith exercise of its discretion.

**CERTAIN RELATED-PERSON TRANSACTIONS**

**Participation in Initial Public Offering**

Certain of the Company's existing principal stockholders, Ascent Biomedical Ventures and Rho Ventures VI, L.P., and prior principal stockholder, Alta BioPharma Partners, and their affiliated entities purchased an aggregate of approximately \$4.0 million in shares of the Company's common stock in the Company's initial public offering, which closed on February 5, 2014, at the initial public offering price of \$11.00 per share. Ascent Biomedical Ventures, a stockholder who holds more than 5% of the Company's capital stock, purchased 25,000 shares, for an aggregate purchase price of \$275,000. Rho Ventures VI, L.P., a stockholder who holds more than 5% of the Company's capital stock and is an entity with which one of the Company's directors, Martin Vogelbaum, is a non-managing member, purchased 225,818 shares, for an aggregate purchase price of \$2,483,998. Alta BioPharma Partners, a stockholder who held more than 5% of the Company's capital stock and was an entity with which one of the Company's former directors, Ed Hurwitz, was affiliated, purchased 112,817 shares, for an aggregate purchase price of \$1,240,987.

**Consulting Arrangement with Michael E. Lewis, Ph.D.**

Michael E. Lewis, Ph.D, one of the Company's founders and its Chief Scientific Advisor, has historically provided services to the Company through BioDiligence Partners, Inc. (BDP). BDP is a consulting firm that is wholly owned by Dr. Lewis and members of his immediate family and of which Dr. Lewis and his wife are the only employees. Under the terms of a Services Agreement between with BDP, as amended, the Company pays BDP \$99,000 per year, plus 70% of the documented cost of BDP's health insurance plan. In return, Dr. Lewis devotes 70% of his professional efforts to the Company. The Company made total payments to BDP of approximately \$169,000 for the year ended December 31, 2014, including a bonus of \$35,000.

**Table of Contents**

**HOUSEHOLDING OF PROXY MATERIALS**

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for Notices of Internet Availability of Proxy Materials or other Annual Meeting materials with respect to two or more Stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials or other Annual Meeting materials addressed to those Stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for Stockholders and cost savings for companies.

This year, a number of brokers with account holders who are Cara Stockholders will be householding the Company's proxy materials. A single Notice of Internet Availability of Proxy Materials will be delivered to multiple Stockholders sharing an address unless contrary instructions have been received from the affected Stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Notice of Internet Availability of Proxy Materials, please notify your broker or Cara. Direct your written request to Cara Therapeutics, Inc., Josef Schoell, Chief Financial Officer, One Parrott Drive, Shelton, CT 06484. Stockholders who currently receive multiple copies of the Notices of Internet Availability of Proxy Materials at their addresses and would like to request householding of their communications should contact their brokers.

**OTHER MATTERS**

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

**/s/ MICHAEL LEWIS, PH.D.**  
Secretary

April 24, 2015

**A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 2014 is available without charge upon written request to: Corporate Secretary, Cara Therapeutics, Inc., 1 Parrott Drive, Shelton, Connecticut 06484.**

**Table of Contents**

**VOTE BY INTERNET - [www.proxvvote.com](http://www.proxvvote.com)**

***CARA THERAPEUTICS, INC.***

***ONE PARROTT DRIVE***

***SHELTON, CT 06484***

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M91498-P65398

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**CARA THERAPEUTICS, INC.**

**The Board of Directors recommends you vote FOR the following:**

1. Election of Director

<b>Nominee:</b>	<b>For</b>	<b>Withhold</b>
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1a. Harrison M. Bains, Jr.	..	..
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**The Board of Directors recommends you vote FOR proposal 2.**

**For Against Abstain**

2. Ratification of the appointment of Ernst & Young LLP as the registered public accounting firm for the fiscal year ending December 31, 2015.	..	..	..
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**NOTE:** The proxies will vote the shares represented by this proxy as specified, but if no specification is made, the proxies will vote the shares **FOR** Proposals No. 1 and 2. The proxies may vote in their discretion as to any other business as may properly come before the meeting or any adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN  
WITHIN BOX]                      Date

Signature (Joint  
Owners)                              Date

**Table of Contents**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Notice and Proxy Statement and Form 10-K are available at [www.proxyvote.com](http://www.proxyvote.com).

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**CARA THERAPEUTICS, INC.**

**Annual Meeting of Stockholders**

**June 8, 2015 11:00 AM**

**This proxy is solicited by the Board of Directors**

The stockholder(s) hereby appoint(s) Derek Chalmers, Ph.D., D.Sc. and Josef Schoell, or either of them, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of common stock of CARA THERAPEUTICS, INC. that the stockholder(s) is/are entitled to vote at the Annual Meeting of Stockholders to be held at 11:00 AM EDT on June 8, 2015, at the Trumbull Marriott, 180 Hawley Lane, Trumbull, CT 06611, and any adjournment or postponement thereof.

**This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.**

**Continued and to be signed on reverse side**