

VIRAGEN INC
Form DEF 14A
January 06, 2005

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

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Viragen, 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)(4) 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.

Edgar Filing: VIRAGEN INC - Form DEF 14A

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

VIRAGEN

865 S.W. 78th Avenue, Suite 100

Plantation, Florida 33324

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on February 17, 2005

To the Stockholders of Viragen, Inc.

PLEASE TAKE NOTICE that Viragen, Inc., a Delaware corporation, will hold its 2004 annual meeting of stockholders at the Sheraton Suites Plantation located at 311 North University Drive, Plantation, Florida, on Thursday, February 17, 2005 at 3:00 P.M., local time, or at any and all adjournments for the following purposes:

1. To elect three directors to the board of directors, who will be classified as class A directors, to serve for a three-year term and until their successors have been elected and qualified;
2. To ratify the appointment of Ernst & Young LLP, as our independent registered public accounting firm; and
3. To transact other business that may properly come before the meeting or any adjournment.

A copy of our proxy statement, which is being first mailed to stockholders on or about January 14, 2005, is attached.

The board of directors has fixed the close of business on December 31, 2004, as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting. Viragen's financial statements for the fiscal year ended June 30, 2004 are contained in the accompanying annual report on Form 10-K. The annual report does not form any part of the material for the solicitation of proxies. If you do not expect to be present at the meeting, you are urged to complete, date, sign and return the enclosed proxy. No postage is required if the enclosed envelope is used and mailed in the United States. You may also vote electronically via the internet or by telephone.

By Order of the Board of Directors,

/s/ DENNIS W. HEALEY
Dennis W. Healey, Secretary

Plantation, Florida

January 4, 2005

This is an important meeting, and you are cordially invited to attend the meeting in person. If you are unable to attend in person, please execute and return the enclosed proxy card, or vote electronically via the internet or by telephone at your earliest convenience. Promptness in returning the executed proxy card will be appreciated. If you vote by proxy, you may nevertheless attend the meeting, revoke your proxy and vote your shares in person.

VIRAGEN

865 S.W. 78th Avenue, Suite 100

Plantation, Florida 33324

PROXY STATEMENT

FOR

ANNUAL MEETING OF STOCKHOLDERS

This proxy statement is being furnished to you by the board of directors of Viragen, Inc., a Delaware corporation, in connection with a solicitation of proxies for use at our 2004 annual meeting of stockholders. We will hold our annual meeting at the Sheraton Suites Plantation located at 311 North University Drive, Plantation, Florida, on Thursday, February 17, 2005 at 3:00 P.M., local time, or at any and all adjournments. Viragen will bear the cost of this solicitation. Viragen's annual report on Form 10-K for the fiscal year ended June 30, 2004 is being mailed together with this proxy statement and proxy card. The first date of mailing of this proxy statement to stockholders is approximately January 14, 2004.

OUTSTANDING STOCK AND VOTING RIGHTS

Record Date

The board of directors has fixed the close of business on December 31, 2004 as the record date for determining those stockholders entitled to notice of, and to vote at, the annual meeting. Only stockholders of record on that date will be entitled to vote at the annual meeting.

Shares Outstanding

As of the December 31, 2004 record date, 36,568,385 shares of our common stock, \$.01 par value per share, were outstanding. Each share of common stock outstanding entitles the holder to one vote on each proposal submitted to stockholders for consideration at the annual meeting.

Revocation of Proxies

If you submit your proxy card, you have the power to revoke it by notice of revocation directed to the proxy holder at any time before it is voted. Unless you withhold authority in writing, proxies that are properly executed, will be voted **FOR** each of the proposals. Even if you submit a proxy card, you may nevertheless attend the meeting, revoke your proxy and vote in person.

Quorum

A quorum is the minimum number of shares that must be present at the annual meeting, in person or represented by proxy, in order to conduct the business of the meeting. The quorum necessary to conduct business at the annual meeting of stockholders is a majority of the shares of common stock outstanding (18,284,193 shares) as of the record date. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum at the annual meeting.

Vote Required for Approval

At the annual meeting, directors will be elected by a plurality of votes cast. Only votes cast **FOR** or **AGAINST** will affect the outcome of this proposal. Therefore, the three directors who receive the greatest number of votes cast **FOR** the election of directors will be elected to serve as directors.

Ratification of the appointment of our independent registered public accounting firm requires the affirmative vote of a majority of the shares of our common stock present at the annual meeting in person or by proxy, and entitled to vote on the matter.

Abstentions

Abstentions are considered shares present at the annual meeting in person or by proxy, and will be counted for purposes of determining whether a quorum is present. Abstentions will have no effect on the election of directors, but will have the effect of a vote **AGAINST** ratification of our independent registered public accountants.

Broker Non-Votes

Broker non-votes refer to Viragen shares held in street name by a brokerage firm or nominee (such as Cede & Co.) under circumstances where the beneficial owner has not instructed the broker or nominee as to how the shares should be voted. Broker non-votes are considered present by proxy for purposes of determining whether a quorum is present at the meeting. If your shares are held in street name, the broker or nominee in whose name your shares are held is permitted to vote your shares on the matters to be voted upon at the annual meeting, even if you have not provided specific direction on how your shares should be voted.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The following table shows certain information known to us regarding Viragen's common stock beneficially owned at December 31, 2004, by:

each person who is known by us to own beneficially or exercise voting or dispositive control over 5% or more of Viragen's common stock;

each of Viragen's directors and director nominees;

each executive officer named in the Summary Compensation Table; and

all officers and directors as a group.

Under securities law, a person is considered a beneficial owner of any securities that the person owns or has the right to acquire beneficial ownership of within 60 days. We have been informed that, except as otherwise indicated, the persons identified in the table have sole voting and dispositive power with respect to their shares. This table is based upon 36,568,385 shares of common stock outstanding at December 31, 2004, and does not give effect to the issuance of up to 21,982,845 shares in the event outstanding options and warrants are exercised and convertible securities converted, except with respect to beneficial ownership of shares attributed to the named person.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class	Common Shares Beneficially Owned	
			Currently	Acquirable Within 60 days
Charles A. Rice *	120,000	**	20,000	100,000
Douglas Lind	46,762	**	21,512	25,250
Per-Erik Persson	3,250	**	500	2,750
Randolph A. Pohlman	3,862	**	1,112	2,750
Robert C. Salisbury *	39,000	**	20,500	18,500
Charles J. Simons *	21,197	**	19,447	1,750
Carl N. Singer	482,935	1.3%	447,185	35,750
C. Richard Stafford	5,819	**	3,069	2,750
Dennis W. Healey	152,565	**	102,565	50,000
Melvin Rothberg	29,030	**	1,530	27,500
Nicholas M. Burke	22,500	**		22,500
Alexandra Global Master Fund Ltd.	3,232,192	8.1		3,232,192
Palisades Master Fund L.P	3,924,775	9.7	341,600	3,583,175
Satellite Strategic Finance Associates, LLC ⁽¹⁾	4,017,999	9.9		4,017,999
Officers and Directors as a group (11 persons)	926,920	2.5	637,420	289,500

* Director nominee

** Less than 1%

Edgar Filing: VIRAGEN INC - Form DEF 14A

- (1) Does not include shares issuable upon conversion of notes and/or warrants if conversion or exercise would increase the holder's beneficial ownership to more than 9.9%.

The beneficial ownership of Carl N. Singer includes 373,635 shares of common stock held by various limited partnerships for which Fundamental Management Corporation serves as the general partner. Mr. Singer is the chairperson of Fundamental Management Corporation. Mr. Salisbury is president and a director of Fundamental Management Corporation. Mr. Salisbury and Mr. Simons are investors in a fund managed by Fundamental Management Corporation.

DIRECTORS AND EXECUTIVE OFFICERS

The following table provides information concerning Viragen's directors and officers:

Name	Age	Position with the Company	Served as	
			Officer and/or Director Since	Class
Charles A. Rice	54	Chief Executive Officer	2004	A
		President	2004	
		Director	2004	
Carl N. Singer	88	Chairman of the Board	1997	C
Dennis W. Healey	56	Chief Financial Officer	1980	
		Treasurer	1980	
		Executive Vice President	1993	
		Secretary	1994	
Douglas Lind	44	Director	2002	B
Per-Erik Persson	67	Director	2003	C
Randolph A. Pohlman	59	Director	2003	B
Melvin Rothberg	57	Executive Vice President	1999	
Robert C. Salisbury	61	Director	1998	A
Charles J. Simons	86	Director	1998	A
C. Richard Stafford	68	Director	2003	C
Nicholas M. Burke	33	Controller	2001	

In March 2004, Charles A. Rice was appointed president and chief executive officer and director of Viragen. From January 2003 to September 2003, Mr. Rice served as group president of KV Pharmaceutical Company with responsibility for commercial activities. From August 1992 to November 2002, Mr. Rice served as president and chief executive officer of Dey, Inc., a division of Germany's Merck KGaA, where he developed and implemented strategies to create a rapidly growing and profitable business. Mr. Rice has a degree in Biology from Georgia College and extensive business education and experience through training and coursework at a variety of domestic and international universities, in addition to continuous participation in industry organizations.

Carl N. Singer was elected a director in August 1997 and currently serves as chairman of the board of directors and chairman of the executive committee. Since 1981, Mr. Singer has served as chairman of Fundamental Management Corporation, a Florida-based institutional investment fund. During fiscal 2000, Active Investors Ltd. II, a fund managed by Fundamental Management Corporation, invested a total of \$2,000,000 in Viragen, in two separate transactions, receiving an aggregate of 180,002 shares of common stock. Mr. Singer has also served as a director, president and CEO of Sealy, Inc., Scripto, Inc. and the BVD Company. Mr. Singer also serves as chairman of the board, chief executive officer, president and director of Viragen International, Inc.

Dennis W. Healey is a certified public accountant. He has served as chief financial officer and treasurer since 1980 and was elected to the board of directors in 1984. In May 1993, Mr. Healey became an executive vice president and he was appointed secretary in 1994. Mr. Healey is also an executive vice president, treasurer, secretary and a director of Viragen International, Inc. In December 2003, concurrent with the appointment of Dr. Pohlman to Viragen's board of directors, Mr. Healey resigned from Viragen's board of directors.

Douglas Lind served as our senior advisor for corporate strategy from June 2002 through June 2003. From June 2003 through November 2004, Dr. Lind served as a consultant to Viragen. Dr. Lind has been a director of Viragen since June 2002. Douglas Lind formerly served as Senior Biotechnology Analyst for the brokerage firms of Morgan Stanley from 1997 through 2002 and Paine Webber from 1995 to 1997. Previously, he was Managing Director and founder of Lind & Co., a Boston-based biotechnology investment research firm serving institutional clients, which he founded in 1991. He was a practicing physician in Brookline, Massachusetts and served as an attending physician at St. Elizabeth's Hospital in Boston, a major teaching affiliate of Tufts University School of Medicine, where he completed his clinical residency in Internal Medicine. Dr. Lind has served on numerous national health policy bodies.

Per-Erik Persson was appointed to the board of directors in November 2003. Mr. Persson also serves on the compensation committee. Prior to his retirement in 1996, Mr. Persson had served since 1993 as Director of Seeds Division and Member of the Group Management of Sandoz AG and President and CEO of Sandoz Seeds Ltd., Switzerland. From 1975 through 1993, Mr. Persson served in several managerial positions with Hillehog AG including Managing Director and CEO of Hillehog AB and President Director General of Hillehog NK, France. Mr. Persson also serves as a director of Viragen International.

Randolph A. Pohlman, Ph.D., was appointed to the board of directors in December 2003. Dr. Pohlman serves as chairman of the compensation committee and as a member of the audit and finance committee and nominating and governance committee. Since 1995, Dr. Pohlman has served as the Dean of the H. Wayne Huizenga School of Business and Entrepreneurship at Nova Southeastern University. Prior to his arrival at Nova Southeastern University, Dr. Pohlman served as a senior executive at Koch Industries, the second-largest privately held company in the United States, from 1990 to 1995. Prior to his tenure at Koch Industries, Dr. Pohlman was associated with Kansas State University (KSU), where for fourteen years, he served KSU in a variety of administrative and faculty positions, including holding the L.L. McAninch Chair of Entrepreneurship and Dean of the College of Business. Dr. Pohlman also served as a Visiting Research Scholar at the University of California, Los Angeles in 1983, and was a member of the Executive Education Advisory Board of the Wharton School of the University of Pennsylvania.

Melvin Rothberg joined Viragen in April 1998. In April 1999, Mr. Rothberg assumed the position of an executive vice president. Prior to joining Viragen, Mr. Rothberg served as a vice president of Althin Medical, Inc., a U.S. subsidiary of a Swedish medical company, from 1990 to 1998. Mr. Rothberg served as a director and manager of a number of divisions of C.D. Medical, a division of the Dow Chemical Company, from 1983 to 1990. Mr. Rothberg also serves as a director of Viragen International, Inc.

In March 2004, Robert C. Salisbury resigned as chief executive officer and president of Viragen, positions he had held since January 2003. Mr. Salisbury has been a director of Viragen since December 1998 and serves as chairman of the nominating and governance committee and as a member of the executive committee. From 1974 to 1995, Mr. Salisbury was employed by the Upjohn Company serving in several financial related positions. These positions included manager of cash management, internal control and corporate finance from 1975 to 1981. He also served as a vice president from 1985 to 1990, senior vice president from 1991 to 1994, and executive vice president for finance and chief financial officer from 1994 to 1995. Following the merger of Pharmacia and Upjohn, Inc. in 1995, Mr. Salisbury served as executive vice president and chief financial officer until 1998. Mr. Salisbury also serves as president and a director of Fundamental Management Corporation.

Charles J. Simons was elected to the board of directors in July 1998. He currently serves as chairman of the audit and finance committee and serves on the executive committee of the board of directors. In addition, he is an independent management and financial consultant. From 1940 to 1981, Mr. Simons was employed by Eastern Airlines, last serving as vice chairman, executive vice president and director. Mr. Simons is the vice-chairman of the board of G.W. Plastics, Inc., a plastic manufacturer. Mr. Simons is also a director of Diasa Inc., Excalibur Corporation and Renal Care Partners. In addition, Mr. Simons is an investor in Active Investors II, a fund managed by Fundamental Management Corporation.

C. Richard Stafford was appointed to the board of directors in June 2003. He currently serves as a member of the audit and finance committee and compensation committee. From 1977 to 2001, Mr. Stafford was vice president responsible for worldwide mergers and acquisitions for Carter-Wallace, Inc., a former New York Stock Exchange listed international pharmaceutical, diagnostics and toiletries company. From 1974 to 1977, Mr. Stafford was president of Caithness Corporation, an oil, gas and mineral exploration firm. From 1971 to 1974, he served as a vice president of corporate finance at the global investment banker, Bear Stearns. Mr. Stafford also served as director of corporate development of the Bristol-Myers Company from 1966 to 1971, and as an associate at Milbank, Tweed, Hadley & McCloy from 1960 to 1965. He is a cum laude graduate of Harvard College and a graduate of Harvard Law School.

Nicholas M. Burke is a certified public accountant and joined Viragen as our controller in October 2001. He was appointed as a vice president of Viragen in March 2004. Prior to joining Viragen, Mr. Burke served as corporate controller of SmartDisk Corporation, a Florida-based computer peripherals technology company, from 1999 to 2001. From 1994 until 1999, Mr. Burke was a senior member of the audit staff of Ernst & Young LLP, concentrating his practice in the computer technology and biotechnology industries.

There is no family relationship between any of the officers and directors.

During fiscal 2004, Viragen's board of directors met on seven occasions.

Viragen has not adopted a formal policy on board members' attendance at our annual meetings of stockholders, although all board members are encouraged to attend. All board members attended our 2003 annual meeting of stockholders.

Security Holder Communications with our Board of Directors

Viragen provides an informal process for security holders to send communications to our board of directors. Security holders who wish to contact the board of directors or any of its members may do so by writing to Viragen, Inc., 865 S.W. 78th Avenue, Suite 100, Plantation, Florida 33324. Correspondence directed to an individual board member is referred, unopened, to that member. Correspondence not directed to a particular board member is referred, unopened, to the Chairman of the Board.

Committees of the Board of Directors

Our board of directors has established an executive committee, an audit and finance committee, a compensation committee and a nominating and governance committee. The following table identifies the members of our board of directors who serve on each of those committees.

Name	Executive Committee	Audit and Finance Committee	Compensation Committee	Nominating and Governance Committee
Carl N. Singer	X*			
Douglas Lind				
Per-Erik Persson			X	
Randolph A. Pohlman		X	X*	X
Robert C. Salisbury	X			X*
Charles J. Simons	X	X*		X
C. Richard Stafford		X	X	

* Chairperson

Executive Committee

The executive committee acts for the full board during intervals between board meetings, except on matters duly delegated to other committees of the board or which by law may not be delegated. All actions by the committee are reported at the next board of directors meeting. During fiscal 2004, the executive committee met on four occasions. A copy of the executive committee charter is attached to this proxy statement as Appendix C and is available on our website at www.viragen.com.

Audit and Finance Committee

The audit and finance committee was organized in February 1998, and operates under a written charter adopted by the board of directors in July 2000, which was amended in March 2004. A copy of the audit and finance committee charter is attached to this proxy statement as Appendix A and is available on our web site at www.viragen.com.

Edgar Filing: VIRAGEN INC - Form DEF 14A

The role of the audit and finance committee is to assist the board in monitoring (1) the integrity of our financial statements, (2) our compliance with legal and regulatory requirements, (3) the independent registered public accounting firm's qualifications, independence and fees and (4) the performance of our independent registered public accounting firm.

Report of the Audit and Finance Committee

The audit and finance committee reviews our financial reporting process on behalf of the board of directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. In this context, the committee has met and held discussions with management and the independent registered public accounting firm. Management represented to the committee that Viragen's consolidated financial statements for the fiscal year ended June 30, 2004 were prepared in accordance with accounting principles generally accepted in the United States, and the committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The committee discussed with the independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 61 (*Communication With Audit Committees*). In addition, the committee has discussed with the independent registered public accounting firm, the independent registered public accounting firm's independence from the company and its management, including the matters in the written disclosures required by the Independence Standards Board Standard No. 1 (*Independence Discussions With Audit Committees*).

The committee discussed with our independent registered public accounting firm the overall scope and plans for their respective audit. The committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, the evaluations of Viragen's internal controls, and the overall quality of our financial reporting.

In reliance on the reviews and discussions referred to above, the committee recommended to the board of directors, and the board of directors has approved, that the audited consolidated financial statements be included in Viragen's annual report on Form 10-K for the year ended June 30, 2004, for filing with the Securities and Exchange Commission. The committee and the board also have recommended, subject to shareholder approval, the selection of Ernst & Young, LLP, as our independent registered public accounting firm.

Charles J. Simons (Chairperson)

C. Richard Stafford

Randolph A. Pohlman

In connection with the December 2003 effective date of American Stock Exchange rules addressing the independence of audit committee members, Mr. Salisbury resigned from the audit and finance committee and was replaced in this position by Dr. Pohlman.

Each member of our audit and finance committee is independent within the meaning of Rule 10A-3 under the Securities Exchange Act of 1934 and Section 121A of the Rules of the American Stock Exchange.

During fiscal 2004, the audit and finance committee met on twelve occasions.

Audit Committee Financial Expert

Our board of directors has determined that our audit committee financial expert within the meaning of Item 401(h) of Regulation S-K is Charles J. Simons. In general, an audit committee financial expert is an individual member of the audit committee who (a) understands generally accepted accounting principles and financial statements, (b) is able to assess the general application of such principles in connection with accounting for estimates, accruals and reserves, (c) has experience preparing, auditing, analyzing or evaluating financial statements comparable to the breadth and complexity to the Company's financial statements, (d) understands internal controls over financial reporting and (e) understands audit committee functions.

An audit committee financial expert may qualify as such through: education and experience as a principal financial officer, principal accounting officer, controller, public accountant, auditor or person serving similar functions; experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person serving similar functions; experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or, other relevant experience.

Compensation Committee

The compensation committee was organized in February 2001. Prior to the adoption of the compensation committee charter in December 2003, the committee operated without a written charter. Under its charter, the compensation committee is to consist of not less than two members. Each member of the compensation committee is independent within the meaning of Section 121A of the Rules of the American Stock Exchange.

The compensation committee is responsible for recommending to the entire board of directors (1) compensation payable to our executive officers and non-employee directors, (2) incentive and equity-based compensation plans, including stock option plans in which officers or employees are eligible to participate and (3) arrangements with executive officers and other key officers relating to their employment relationship with us.

During fiscal 2004, the compensation committee met on one occasion.

Nominating and Governance Committee

The nominating and governance committee was organized in November 2003. Under its charter, the nominating and governance committee is to consist of not less than two members. Each member of the nominating and governance committee is independent within the meaning of Section 121A of the Rules of the American Stock Exchange.

The nominating and governance committee was formed (1) to assist the board of directors by identifying individuals qualified to become board members, and to recommend for selection by the board of directors the director nominees to stand for election for the next annual meeting of the our shareholders; (2) to recommend to the board of directors nominees for each committee of the board of directors; (3) to oversee the evaluation of the board of directors and management, and (4) to develop and recommend to the board of directors a set of corporate governance guidelines and code of business conduct and ethics.

The nominating and governance committee is responsible for selecting those individuals to recommend to the entire board of directors for election to the board. The committee will consider candidates for directors proposed by security holders. The nominating and governance committee has no formal procedures for submitting candidates and, until otherwise determined, accepts written submissions that include the name, address and telephone number of the proposed nominee, along with a brief statement of the candidate's qualifications to serve as a director. If the proposed nominee is not the security holder submitting the name of the candidate, a letter from the candidate agreeing to the submission of his or her name for consideration should be provided at the time of submission. If the committee believes it to be appropriate, committee members may meet with the proposed nominee before making a final determination whether to recommend the individual as a nominee to the entire board of directors to stand for election to the board.

The nominating and governance committee identifies director nominees through a combination of referrals, including by management, existing board members and security holders, and direct solicitations, where warranted. Once a candidate has been identified the nominating and governance committee reviews the individual's experience and background, and may discuss the proposed nominee with the source of the recommendation.

Among the factors that the committee considers when evaluating proposed nominees are their experience in the biopharmaceutical industry, knowledge of and experience with regulatory processes, particularly those relating to the Food and Drug Administration and its international counterparts, and knowledge of and experience in business matters, finance, capital markets and mergers and acquisitions. The committee may request references and additional information from the candidate prior to reaching a conclusion. The committee is under no obligation to formally respond to recommendations, although as a matter of practice, every effort is made to do so.

The nominating and governance committee received no security holder recommendations for nomination to the board of directors in connection with the 2004 annual meeting of stockholders. There are three director nominees for the 2004 annual meeting of stockholders. Robert C. Salisbury and Charles J. Simons are incumbent directors standing for reelection. Charles A. Rice was appointed as a director in connection with his engagement as Viragen's president and chief executive officer in March 2003.

During fiscal 2004, the nominating and governance committee met on one occasion.

Audit and Finance Committee and Compensation Committee Interlocks and Insider Participation in Compensation Decisions

Each member of the audit and finance committee, the compensation committee and the nominating and governance committee is independent within the meaning of Rule 121A of the American Stock Exchange. We are not aware of any interlocks between any member of the compensation committee and any other person associated with that member. Under Rule 805 of the American Stock Exchange, our chief executive officer may not be present during deliberations or voting by the compensation committee on his compensation.

Director Compensation

In March 2004, the board of directors approved and implemented the following modified structure for director compensation:

Attendance fee per meeting of the board of directors: \$1,500

Audit and finance committee:

Chairperson annual retainer - \$10,000

Committee member annual retainer - \$5,000

Attendance fee per meeting - \$750

Executive committee, nominating and governance committee and compensation committees:

Chairperson of the nominating and governance committee and compensation committee annual retainer - \$5,000

Committee member annual retainer - \$2,500

Attendance fee per meeting - \$750

Commencing in March 2000, Mr. Singer is receiving \$100,000 per year for his services as a director and now chairperson of the board of directors and chairperson of the executive committee. He receives no other director fees. Dr. Lind does not receive compensation for his attendance at meetings of the board of directors. All attendance fees are reduced by one-half for telephonic attendance.

The Company's amended and restated bylaws prohibit personal loans to any director or officer, for any reason.

Limitation on Director's Services on Other Boards

Section 3.3 of Viragen's amended and restated bylaws provides that directors may sit on a maximum of five boards in addition to that of Viragen. The chief executive officer may sit on a maximum of two additional boards. This limitation does not apply to board participation in recognized charitable organizations.

Code of Ethics

Edgar Filing: VIRAGEN INC - Form DEF 14A

We have adopted a Code of Ethics for Senior Finance Personnel (Code of Ethics) that applies to our chief executive officer, chief financial officer, controller, and persons performing similar functions. We have also adopted a Business Ethics and Conflict of Interest Statement (Business Ethics and Conflict of Interest Statement) that applies to directors, executive officers and employees of Viragen and its subsidiaries. The Code of Ethics and Business Ethics and Conflict of Interest Statement are available on our web site, free of charge, at www.viragen.com under the Corporate Governance section. Any amendments to, or waivers of, the Code of Ethics will be disclosed on our website or on Form 8-K promptly following the date of such amendment or waiver.

EXECUTIVE COMPENSATION AND EMPLOYMENT AGREEMENTS

The following table includes information concerning the compensation and employment agreements of the chief executive officer of Viragen and the four other most highly compensated executive officers as of June 30, 2004.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long Term Compensation		All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards	Payouts	
					Restricted Stock Awards (\$)	Securities Underlying Options/SARs (#)	
Charles A. Rice CEO, President and Director	2004 2003 2002	\$ 75,000	\$	\$	\$	150,000	\$
Robert C. Salisbury Former CEO and President	2004 2003 2002	\$				35,000	
Carl N. Singer Chairman of the Board, CEO and President of Viragen International	2004 2003 2002	\$				500	