

VIRAGEN INC  
Form DEF 14A  
December 22, 2006

## SCHEDULE 14A

(RULE 14A-101)

### INFORMATION REQUIRED IN PROXY STATEMENT

#### 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 Under Rule 14a-12

**VIRAGEN, INC.**

*(Name of Registrant As Specified in Charter)*

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*(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)*

Payment of Filing Fee (Check the appropriate box):

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

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

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

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:



865 S.W. 78th Avenue, Suite 100

Plantation, Florida 33324

954-233-8746

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To be held on January 25, 2007**

To the Stockholders of Viragen, Inc.

PLEASE TAKE NOTICE that Viragen, Inc., a Delaware corporation, will hold its 2006 annual meeting of stockholders at the Renaissance Plantation Hotel located at 1230 Pine Island Road, Plantation, Florida, on Thursday, January 25, 2007 at 2:00 P.M., local time, or at any and all adjournments, at which our stockholders will be requested:

1. To elect two directors to the Viragen board of directors, who will be classified as class C directors, to serve for a three-year term and until their successors have been elected and qualified;
2. To approve Viragen's 2006 Equity Compensation Plan;
3. To authorize amendments to Viragen's Certificate of Incorporation to increase the number of shares of common stock that Viragen is authorized to issue;
4. To ratify the appointment of Ernst & Young LLP as Viragen's independent registered public accounting firm for the fiscal year ending June 30, 2007; and
5. 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 December 29, 2006, is attached.

The board of directors has fixed the close of business on December 18, 2006, 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, 2006 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

December 29, 2006

**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.**

**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 2006 annual meeting of stockholders. We will hold our annual meeting at the Renaissance Plantation Hotel located at 1230 Pine Island Road, Plantation, Florida, on Thursday, January 25, 2007 at 2:00 P.M., local time, or at any and all adjournments. We will bear the cost of this solicitation. A copy of Viragen's annual report on Form 10-K for the fiscal year ended June 30, 2006 accompanies this proxy statement and proxy card. The date this proxy statement is first being mailed to stockholders is approximately December 29, 2006.

**OUTSTANDING STOCK AND VOTING RIGHTS**

**Record Date**

The board of directors has fixed the close of business on December 18, 2006 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 18, 2006 record date, 120,285,104 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 (60,142,553 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 two directors who receive the greatest number of votes cast **FOR** the election of directors will be elected to serve as class C directors.

Adoption of Proposal Two 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 Proposal.

Adoption of Proposal Three requires the affirmative vote of a majority of the outstanding shares of our common stock entitled to vote on the Proposal.

Adoption of Proposal Four 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 Proposal.

### **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** Proposals Two, Three and Four.

### **Broker Non-Votes**

If your Viragen shares are held in a brokerage account, in street name, and you do not instruct your broker how to vote, your broker may still be permitted to vote your shares. Under applicable rules governing brokers who represent shares held in street name, brokers have the authority to vote those shares on routine matters, but not on non-routine matters. Routine matters include the election of directors (Proposal One), increasing the number of authorized shares (Proposal Three) and ratification of the independent registered public accountants (Proposal Four). Non-routine matters include adoption of an equity compensation plan (Proposal Two). A broker non-vote occurs when shares held in street name are not voted by the broker representing those shares and the proposal is a non-routine matter on which the beneficial owner has not provided voting instructions. Broker non-votes are considered present by proxy for purposes of determining whether a quorum is present at the meeting. Broker non-votes will not affect Proposals One, Three and Four and will not be included in tabulating the results of Proposal Two.

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table shows certain information regarding Viragen voting securities beneficially owned as of the record date, 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 of Viragen's named executive officers, as such term is defined in Item 402(a)(3) of Regulation S-K; and

all officers and directors as a group.

Under federal 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. Beneficial ownership may also attribute shares owned of record by one person to another person, such as the record holder's spouse, minor children, corporation or other business entity. As of the record date, there were 120,285,104 shares of Viragen common stock, the sole outstanding class of voting securities, outstanding. Except as otherwise indicated, we have been informed that the persons identified in the table have sole voting and dispositive power with respect to their shares.

This table does not give effect to the issuance of up to 110,711,954 shares upon the exercise of outstanding options and warrants, upon the conversion of outstanding convertible notes, convertible debentures or preferred stock, and in the event the remaining shares issuable under our equity compensation plans are issued, except to the extent beneficial ownership of shares is attributable to the named person in accordance with Securities and Exchange Commission rules.

Name of Beneficial Owner	Number of Shares Beneficially Owned			Percent of Class
	Total Beneficial Ownership	Shares Currently Outstanding	Shares Acquirable Within 60 Days	
Charles A. Rice (1)	325,000	100,000	225,000	*
Randolph A. Pohlman (2)	20,612	1,112	19,500	*
Robert C. Salisbury (3)	55,250	20,500	34,750	*
Charles J. Simons (4)	37,697	19,447	18,250	*
Carl N. Singer (5)	186,519	153,185	33,334	*
Nancy A. Speck (6)	19,000		19,000	*
C. Richard Stafford (7)	119,500	100,000	19,500	*
Dennis W. Healey (8)	195,065	102,565	92,500	*
Nicholas M. Burke (9)	68,750		68,750	*
Officers and Directors as a group (9 persons) (10)	1,027,393	496,809	530,584	*

\* less than 1%

(1) Includes 225,000 shares subject to options either currently exercisable or exercisable by Mr. Rice within 60 days of December 18, 2006.

(2) Includes 19,500 shares subject to options either currently exercisable or exercisable by Dr. Pohlman within 60 days of December 18, 2006.

(3) Includes 34,750 shares subject to options either currently exercisable or exercisable by Mr. Salisbury within 60 days of December 18, 2006.



- (4) Includes 18,250 shares subject to options either currently exercisable or exercisable by Mr. Simons within 60 days of December 18, 2006.

- (5) The beneficial ownership attributed to Carl N. Singer includes 79,635 shares of common stock held by various limited partnerships for which Fundamental Management Corporation serves as the general partner. Mr. Singer serves as the chairperson of Fundamental Management Corporation. Also, includes 33,334 shares subject to options either currently exercisable or exercisable by Mr. Singer within 60 days of December 18, 2006.
- (6) Includes 19,000 shares subject to options either currently exercisable or exercisable by Dr. Speck within 60 days of December 18, 2006.
- (7) Includes 19,500 shares subject to options either currently exercisable or exercisable by Mr. Stafford within 60 days of December 18, 2006.
- (8) Includes 92,500 shares subject to options either currently exercisable or exercisable by Mr. Healey within 60 days of December 18, 2006.
- (9) Includes 68,750 shares subject to options either currently exercisable or exercisable by Mr. Burke within 60 days of December 18, 2006.
- (10) Includes 417,174 shares held directly, 79,635 shares held indirectly and 530,584 shares subject to options either currently exercisable or exercisable within 60 days of December 18, 2006.

**Lock-Up Agreements**

In connection with the closing of our secondary offering of units in November 2006, our officers and directors have agreed that they will not, prior to April 28, 2007, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock, warrants or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock or warrants, whether any of these transactions are to be settled by delivery of our common stock, warrants or other securities, in cash or otherwise, or publicly disclose, unless required by law, the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Dawson James Securities, Inc., as underwriter. These agreements are subject to several exceptions. While the underwriter has the right, in its discretion, to release securities from these lock-up agreements, it has advised us that it has no current intention of releasing any securities subject to a lock-up agreement and no agreement has been made between the underwriter and us or between the underwriter and any of our security holders pursuant to which the underwriter has agreed to waive any lock-up restrictions. We have been further advised by the underwriter that any request for the release of securities from a lock-up would be considered by the underwriter on a case-by-case basis, and, in considering any such request, the underwriter would consider circumstances of emergency and hardship.

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**DIRECTORS AND EXECUTIVE OFFICERS**

Name	Age	Position with the Company	Served as	
			Officer and/or Director Since	Class
Charles A. Rice	56	Chief Executive Officer	2004	A
		President	2004	
		Director	2004	
Dennis W. Healey	58	Chief Financial Officer	1980	
		Treasurer	1980	
			1993	
		Executive Vice President	1994	
Carl N. Singer	90	Secretary		
		Chairman of the Board	1997	
Randolph A. Pohlman	61	Director	2003	B
Robert C. Salisbury	63	Director	1998	A
Charles J. Simons	88	Director	1998	A
Nancy A. Speck	51	Director	2005	B
C. Richard Stafford	70	Director	2003	C
Nicholas M. Burke	35	Vice President	2004	
		Controller	2001	

In March 2004, Charles A. Rice was appointed our president and chief executive officer and director of our board. In March 2005, Mr. Rice was appointed president and chief executive officer and director of Viragen International, Inc. From January 2003 to September 2003, Mr. Rice served as group president of KV Pharmaceutical Company, a pharmaceutical company that develops, manufactures and markets and acquires technology-distinguished branded and generic/non-branded prescription pharmaceutical products, 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.

Dennis W. Healey is a certified public accountant. He has served as our chief financial officer and treasurer since 1980. He was appointed our executive vice president in 1993 and secretary in 1994. Mr. Healey is also executive vice president, treasurer, secretary and a director of Viragen International, Inc.

Carl N. Singer was elected a director of our board in August 1997 and currently serves as chairperson of our board of directors and chairperson of our executive committee. Since 1981, Mr. Singer has served as chairperson of Fundamental Management Corporation, a Florida-based institutional investment company. 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 chairperson of the board of Viragen International, Inc.

Randolph A. Pohlman, PhD., was appointed to our board of directors in December 2003. He currently serves as a member of our executive and audit and finance committees. 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, where he served for fourteen years 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.

In March 2004, upon the appointment of Mr. Rice as president and chief executive officer, Robert C. Salisbury resigned his positions as our president and chief executive officer, positions he had held since January 2003. Mr. Salisbury has been a director of our board since December 1998 and serves as chairperson of our nominating and governance committee and as a member of our audit and finance and compensation committees. 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 a director of Enzon Pharmaceuticals, Inc., a biopharmaceutical company, and a director of Fundamental Management Corporation, a Florida-based institutional investment company.

Charles J. Simons was elected a director of our board in July 1998. He currently serves as chairperson of our audit and finance committee and as a member of our executive and nominating and governance committees. Mr. Simons is an independent management and financial consultant. From 1940 to 1981, he was employed by Eastern Airlines, last serving as vice chairman, executive vice president and as a 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. and Renal CarePartners, Inc.

On February 7, 2005, our board of directors of Viragen appointed Professor Nancy A. Speck, Ph.D. as a director. Dr. Speck also serves as a member of our nominating and governance committee. Dr. Speck is a distinguished professor and researcher in the field of cancer at Dartmouth Medical School and holds the James J. Carroll Chair in Oncology. Dr. Speck moved to Dartmouth Medical School in 1989 as an Assistant Professor. She is currently a Professor of Biochemistry, the Associate Director for Basic Science at the Norris Cotton Cancer Center at Dartmouth and holds the prestigious James J. Carroll Chair in Oncology.

C. Richard Stafford was appointed to our board of directors in June 2003. He currently serves as a member of our audit and finance committee and chairperson of our compensation committee. Since 2001, Mr. Stafford has served on the boards of directors of several companies. He currently serves as a director of Derma Sciences, Inc., a manufacturer and supplier of wound and skin care products. 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 us as our controller in October 2001. He was appointed vice president in March 2004. Prior to joining us, Mr. Burke served as corporate controller of SmartDisk Corporation, a computer peripherals technology company, from October 1999 to October 2001. From September 1994 until September 1999, Mr. Burke was a senior member of the audit staff of Ernst & Young LLP, our independent registered public accounting firm, concentrating his practice in the computer technology and biotechnology industries.

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

During the fiscal year ended June 30, 2006, our board of directors met on ten occasions.

We have not adopted a formal policy on board members' attendance at our annual meetings of stockholders, although all board members are encouraged to attend. Randolph A. Pohlman, Robert C. Salisbury and C. Richard Stafford attended our 2005 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. 78<sup>th</sup> 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. All committees operate under a written charter adopted by the board of directors. 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*			
Randolph A. Pohlman	X	X		
Robert C. Salisbury		X	X	X*
Charles J. Simons	X	X*		X
Nancy A. Speck				X
C. Richard Stafford		X	X*	

\* Chairperson

### **Executive Committee**

The executive committee acts for the full board of directors during intervals between board of directors meetings, except on matters which by law may not be delegated or have otherwise been delegated to other committees of the board. The executive committee will meet as necessary. All actions by the committee are reported at the next board of directors meeting. During the fiscal year ended June 30, 2006, the executive committee met on four occasions.

### **Audit and Finance Committee**

Our audit and finance committee was organized as a separately designated committee of our board of directors in February 1998. 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 satisfies the independence standards of Section 121A of the Rules of the American Stock Exchange.

The role of our audit and finance committee is to assist our board of directors in monitoring (a) the integrity of our financial statements, (b) our compliance with legal and regulatory requirements, (c) the independent registered public accounting firm's qualifications, independence, and fees, (d) the development, implementation and performance of our internal control function and (e) the performance of our independent registered public accounting firm. Our audit and finance committee is also charged with selecting on an annual basis our independent registered public accounting firm.

A copy of the audit and finance committee charter was filed as Appendix A to our proxy statement for our 2004 annual meeting of stockholders and is available on our website at [www.viragen.com](http://www.viragen.com).

### **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 control 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.

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 our independent registered public accounting firm. Management represented to the committee that Viragen's consolidated financial statements were prepared in accordance with generally accepted accounting principles, 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 firm's independence from us and our 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 quarterly reviews and annual audits, 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 fiscal year ended June 30, 2006, for filing with the Securities and Exchange Commission.

/s/ Charles J. Simons (Chairperson)

/s/ Randolph A. Pohlman

/s/ Robert C. Salisbury

/s/ C. Richard Stafford

During the fiscal year ended June 30, 2006, the audit and finance committee met on seven occasions.

**Compensation Committee**

The compensation committee was organized in February 2001. Under its amended charter adopted in 2005, the compensation committee is to consist of not less than two members. Each member of the compensation committee satisfies the independence standards of Section 121A of the Rules of the American Stock Exchange.

The compensation committee was formed to advise and make recommendations to the board of directors with respect to (a) compensation payable to our executive officers and non-employee directors, (b) incentive and equity-based compensation plans, including stock option plans in which officers, non-employee directors or employees are eligible to participate and (c) arrangements with executive officers and other key officers relating to their employment relationship with us. The compensation committee is also authorized, along with the board of directors, to make awards under our equity compensation plans; provided that awards under our 2006 Equity Compensation Plan may be made to non-employee directors only the board of directors.

During the fiscal year ended June 30, 2006, the compensation committee met on two occasions.

Report of the Compensation Committee

The following report of the compensation committee of our board of directors and the performance graphs included elsewhere in this proxy statement do not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filings by us under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent we specifically incorporate this report or the performance graphs by reference therein.

**Compensation Philosophy and Objectives**

The goals of our compensation committee's policies are to attract, retain and reward executive officers who contribute to our success, to align executive officer compensation with our performance and to motivate executive officers to achieve our business objectives. We use salary, bonus compensation and equity awards, primarily consisting of option grants, to attain these goals. The compensation committee reviews compensation surveys and other data to enable the compensation committee to compare our compensation package with that of similarly-sized biopharmaceutical companies.

**Components of Executive Compensation**

The basic components of executive compensation are:

Annual cash compensation, specifically, base salary and bonus; and

Long-term incentive compensation, primarily consisting of stock options.

**Annual Cash Compensation - Base Salary and Bonus**

The purpose of base salary is to create a secure base of cash compensation for executives that is competitive with the market. Executives' salary increases do not follow a preset schedule or formula; however, the following will be considered when determining appropriate salary levels and increases: the individual's current and sustained performance results and the methods utilized to achieve such results; and non-financial performance indicators to include strategic developments for which an executive has responsibility and managerial performance.

We exercise discretion in making salary decisions taking into account, among other things, each individual's performance and our overall performance. With regard to individual performance of executive officers other than the chief executive officer, we rely to a large extent on the chief executive officer's evaluations of each individual executive officer's performance.

During our fiscal year ended June 30, 2006 the compensation committee did not make determinations as to the salary paid to our chief executive officer or other executive officers inasmuch as salary payable to such persons was previously fixed by the terms of employment agreements with those individuals.

Except as noted below, we are under no obligation to pay bonuses to our chief executive officer or other executive officers, and during our fiscal year ended June 30, 2006, the compensation committee did not exercise its discretion by awarding bonuses. Notwithstanding the foregoing, the employment agreement with our chief executive officer, which was approved by the compensation committee, provides for an incentive bonus program. The incentive bonus program, which is reevaluated annually by the compensation committee, is determined following the end of each calendar year and is based upon performance and the achievement of milestones agreed upon with the chief executive officer. The amount of incentive bonus payable to our chief executive officer for calendar year 2006 has not yet been determined, however, in April 2006, the compensation committee recommended to the board of directors the payment of an incentive bonus to our chief executive officer, subject to the attainment of targeted milestones, of not less than \$75,000.



**Long-Term Incentive Compensation    Equity Awards**

Long-term incentives comprise a portion of the total compensation package for executives. The form of long-term incentives that has been used in the past for executives is stock options, and stock options may be used going forward along with other equity awards permitted under our 2006 Equity Compensation Plan (subject to receipt of stockholder approval).

During our fiscal year ended June 30, 2006, the compensation committee approved the grant of options to purchase 843,000 shares under our 2006 Equity Compensation Plan (the exercise of which are subject to receipt of stockholder approval for the plan), of which, options to purchase 150,000 shares were granted to our chief executive officer and options to purchase 100,000 shares and 75,000 shares were granted to our executive vice president and vice president, respectively. In awarding these options, the compensation committee recognized that the value of existing options granted to these individuals was minimal in as much as the exercise prices were significantly out of the money and therefore, these individuals did not have a meaningful incentives in the form of equity in our company. The compensation committee believed that the grant of these options would provide appropriate incentives to these executive officers. Based upon its evaluation of the potential realizable value of the options granted to these executive officers, the compensation committee did not believe that the number of options granted was excessive relative to the number of our outstanding shares or when measured against the benefit to us of the incentives provided to these executives.

The amount of future awards and the terms and conditions of those awards will be determined for each executive based on individual performance and potential, history of past grants, time in current job and level of, or significant changes in, responsibility. The purpose of stock options is to provide equity compensation whose value is directly related to the creation of share-owner value. Stock options provide executives a vehicle to increase equity ownership and share in the appreciation of the value of our common stock.

*/s/ C. Richard Stafford (Chairperson)*

*/s/ Robert C. Salisbury*

### **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 satisfies the independence standards of Section 121A of the Rules of the American Stock Exchange.

The nominating and governance committee was formed to (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 our stockholders; (2) to recommend to the board of directors director 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 2006 annual meeting of stockholders. There are two director nominees for the 2006 annual meeting of stockholders. Carl N. Singer and C. Richard Stafford are incumbent directors standing for reelection.

During the fiscal year ended June 30, 2006, the nominating and governance committee met on one occasion.

**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**

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](http://www.viragen.com) under the Corporate Governance section. We will also provide a copy of this document, free of charge, upon request. 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. No waivers of the provisions of our Code of Ethics were requested or granted during the fiscal year ended June 30, 2006.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Based solely upon a review of the information described in Item 405 of Regulation S-K, no director, officer or beneficial owner of more than 10% of Viragen s common stock failed to file on a timely basis, reports required by Section 16(a) of the Exchange Act during the fiscal year ended June 30, 2006.

## EXECUTIVE COMPENSATION

The following table includes information for the last three fiscal years concerning the compensation of (a) Viragen's chief executive officer during our fiscal year ended June 30, 2006 ( CEO ); and (b) Viragen's four most highly compensated executive officers other than the CEO who were serving as executive officers as of June 30, 2006, whose total annual salary and bonus is \$100,000 or more.

### Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation		Long-Term Compensation Awards Securities
		Salary (\$)	Bonus (\$)	Underlying Options/SARs (#)
Charles A. Rice CEO, President and Director	2006	\$ 300,000	\$	150,000
	2005	300,000		
	2004	78,750		150,000
Dennis W. Healey Executive V.P., CFO, Secretary and Treasurer	2006	\$ 210,000		100,000
	2005	205,000		
	2004	200,000	35,000	
Nicholas M. Burke V.P. and Controller	2006	\$ 145,000		75,000
	2005	145,000	20,000	
	2004	120,000		20,000

#### *Employment Agreements*

Executive officers are appointed annually and, except to the extent governed by employment contracts, serve at the discretion of the board of directors.

In March 2004, Charles A. Rice was appointed president and chief executive officer. Mr. Rice entered into a three year employment agreement with Viragen. Following the initial three-year term, the agreement is automatically extended for an additional year on each anniversary unless either party provides at least ninety days notice of their intent not to extend. The agreement provides for a base salary of \$300,000 per year and an incentive bonus. The incentive bonus is based upon performance and achievement of agreed standards, including achievement of targeted *Multiferon*<sup>®</sup> sales levels, international *Multiferon*<sup>®</sup> marketing milestones, including licensing agreements, and qualitative performance evaluations. The incentive bonus program is reevaluated by the board of directors each calendar year. In calendar 2006, the board of directors recommended an annual incentive bonus, which if targeted milestones are achieved, will not be less than \$75,000. Mr. Rice also was granted options to purchase 150,000 shares of our common stock, exercisable at \$2.10 per share for a five year period from their vest date. These options vest as follows:

50,000 upon the effective date of the employment agreement;

50,000 upon the first anniversary of the effective date;

25,000 when, and if, the volume weighted average price of our common stock trades at or above \$5.00 per share for thirty consecutive trading days;

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25,000 when, and if, the volume weighted average price of our common stock trades at or above \$10.00 per share for thirty consecutive trading days; and

with regard to the 50,000 price based vesting, in their entirety upon the tenth anniversary of the effective date.

Mr. Healey serves as executive vice president, chief financial officer, secretary and treasurer of Viragen. On March 1, 2001, Mr. Healey entered into a two year employment agreement. Following the initial two year term, the agreement was and will continue to be automatically extended for one additional year on each anniversary unless either party provides at least 90 days notice of their intent not to renew. Under this agreement, Mr. Healey currently receives an annual salary of \$210,000. Mr. Healey is entitled to participate in all employee benefit programs generally available to all employees. In the event Mr. Healey's employment is terminated without cause, he is entitled to receive the greater of two years compensation and benefits or compensation and benefits through the remainder of the employment term under the agreement.

Mr. Healey's employment agreement contains a provision that in the event Viragen were to spin-off or split-off any present or future subsidiaries, he would be entitled to receive a certain number of options in the spun-off company. The number of options he would receive would be based on a formula reflecting his then current option position relative to the fully diluted common stock of Viragen then outstanding. The pricing of the new options would be based on the relationship of the exercise price of his existing options with the fair market value of Viragen's stock at the date of the transaction.

In October 2001, Mr. Burke joined Viragen as Controller. Upon his employment, Mr. Burke entered into a two year employment agreement, which currently provides for an annual salary of \$145,000. Following the initial two year term of his employment agreement, the agreement was and will continue to be automatically extended for one additional year on each anniversary unless either party provides at least 90 days notice of their intent not to extend. Mr. Burke is entitled to participate in all employee benefit programs generally available to all employees. In the event Mr. Burke's employment is terminated without cause, he is entitled to receive the greater of two years compensation and benefits or compensation and benefits through the remainder of the employment term under the agreement.

### Option/SAR Grants in Last Fiscal Year

The following table includes information as to the grant of options to purchase shares of our common stock during our fiscal year ended June 30, 2006 to each person named in the Summary Compensation Table.

Name	Individual Grants				Potential	
	Number of Securities Underlying Options/SARs	% of Total Options/SARs Granted to Employees in	Exercise or Base Price (\$/Share)	Expiration Date	Realized Value at Assumed Annual Rates of Stock Price Appreciation	for Option Term (1)
	Granted (#)	Fiscal Year			5%	10%
Charles A. Rice	75,000	8.9%	\$ 0.57	4/7/11	\$ 11,811	\$ 26,099
Charles A. Rice	75,000	8.9	0.57	4/7/12	14,539	32,894
Dennis W. Healey	50,000	5.9	0.57	4/7/11	7,874	17,400
Dennis W. Healey	50,000	5.9	0.57	4/7/12	9,693	21,989
Nicholas M. Burke	37,500	4.4	0.57	4/7/11	5,906	13,050
Nicholas M. Burke	37,500	4.4	0.57	4/7/12	7,270	16,492

- (1) This column shows the hypothetical gain or option spreads of the options granted based on assumed annual compound stock appreciation rates of 5% and 10% over the full term of the options. The 5% and 10% assumed rates of appreciation are mandated by the rules of the SEC and do not represent our estimate or projection of future common stock prices. The gains shown are net of the option exercise price, but do not include deductions for taxes or other expenses associated with the exercise of the option or the sale of the underlying shares, or reflect non-transferability, vesting or termination provisions. The actual gains, if any, on the exercise of stock options will depend on the future performance of our common stock.

**Option Exercises and Holdings**

The following table includes information as to the exercise of options to purchase shares of our common stock during our fiscal year ended June 30, 2006 by each person named in the Summary Compensation Table and the unexercised options held as of June 30, 2006.

**Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year End Option Values**

Name	Shares		Number of Securities		Value of Unexercised	
	Acquired on	Value	Underlying Unexercised		In-The-Money	
			Options at FY End (#)	Options at FY End (#)	Options at FY End (\$)	Options at FY End (\$)
Exercise (#)	Realized (\$)	Exercisable	Unexercisable	Exercisable	Unexercisable	
Charles A. Rice	\$	175,000	125,000	\$	\$	
Dennis W. Healey		92,500	50,000			
Nicholas M. Burke		70,000	37,500			

**Director Compensation**

In March 2004, the board of directors approved and implemented a modified structure for non-employee director compensation. Compensation received by individual directors may vary depending upon committee membership and participation and number of meetings attended. The approved fees provide:

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 committee:

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

All attendance fees are reduced by one-half for telephonic attendance.

Commencing in March 2000, Mr. Carl N. Singer receives \$100,000 per year for his services as chairperson of the board of directors and chairperson of the executive committee. He receives no other director fees.

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On April 7, 2006, each non-employee director received 33,000 options to purchase shares of our common stock under our 2006 Equity Compensation Plan. The exercise price of each option is \$0.57 per share, and each option vests half upon the date of issuance and the remaining half upon the first anniversary of the date of issuance. No shares issuable upon exercise of the options can be issued until the 2006 Equity Compensation Plan is approved by our stockholders (see Proposal Two).



### **1995 Amended Stock Option Plan**

On May 15, 1995 the board of directors adopted, subject to approval by the stockholders, a stock option plan, called the 1995 Stock Option Plan. The board of directors reserved 400,000 shares of common stock under the 1995 Stock Option Plan. On September 22, 1995, the board of directors amended the 1995 Stock Option Plan to define certain terms and clarify the minimum exercise price of the non-qualified options. Viragen stockholders ratified the 1995 Stock Option Plan at the annual meeting held on December 15, 1995. The 1995 Stock Option Plan expired in May 2005. This expiration did not affect the validity of outstanding stock options previously granted under the 1995 Stock Option Plan.

### **1997 Amended Stock Option Plan**

On January 27, 1997 the board of directors adopted, subject to approval by the stockholders, a stock option plan called the 1997 Stock Option Plan. Viragen stockholders ratified the 1997 Stock Option Plan at the annual meeting held on February 28, 1997. On April 24, 1998 the board of directors adopted, subject to ratification by the stockholders, an amendment to the 1997 Stock Option Plan. This amendment reserved an additional 100,000 shares of common stock for issuance under the plan. On July 31, 1998, the stockholders ratified this amendment to the 1997 Stock Option Plan. This amendment brought the total shares reserved under the 1997 Stock Option Plan to 400,000 shares. As of June 30, 2006, there were 158,676 shares available under the 1997 Stock Option Plan.

The board of directors may amend, suspend or terminate the 1997 Stock Option Plan at any time. However, no amendment can be made which changes the minimum purchase price, except in the event of adjustments due to changes in Viragen's capitalization. Unless the 1997 Stock Options Plan has been suspended or terminated by the board of directors, the plan will expire on January 27, 2007. The termination or expiration of the plan would not affect the validity of any plan options previously granted.

The compensation committee of the board of directors and the board of directors currently administer the 1997 Stock Option Plan. Administration of the plan includes determining:

the persons who will be granted plan options,

the type of plan options to be granted,

the number of shares subject to each plan options, and

the exercise price of plan options.

Stock options granted under the 1997 Stock Option Plan may qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended. In addition, the plan also includes a reload option provision. This provision permits an eligible person to pay the exercise price of the plan option with shares of common stock owned by the eligible person. The person then receives a new plan option to purchase shares of common stock equal in number to the tendered shares. Any incentive option, which is granted under the plan must provide for an exercise price of not less than 100% of the fair market value of the underlying shares, on the date of such grant. The exercise price of any incentive option granted to an eligible employee owning more than 10% of our common stock must be at least 110% of the fair market value, as determined on the date of the grant. The board of directors or the compensation committee determine the term of stock options granted under the plan and the manner in which they may be exercised. No stock options granted under the plan may be exercisable more than 10 years after the date of its grant. In the case of an incentive option granted to an eligible employee owning more than 10% of Viragen's common stock, no plan option may be exercisable more than five years after the date of the grant.

Officers, directors, key employees and consultants of Viragen and its subsidiaries are eligible to receive non-qualified options under the 1997 Stock Option Plan. Only officers, directors and employees who are employed by Viragen or by any of its subsidiaries are eligible to receive incentive options.

Incentive options are non-assignable and nontransferable, except by will or by the laws of descent and distribution during the lifetime of the optionee. Only the optionee may exercise incentive options. Under an amendment to the 1997 stock option plan, non-qualified options may be transferable under limited circumstances for estate planning, if authorized by the board of directors or the compensation committee. If an optionee's employment is terminated for any reason, other than his or her death or disability, or if an optionee is not an employee but is a member of Viragen's board of directors and his or her service as a director is terminated for any reason, other than death or disability, the plan option granted will lapse to the extent unexercised on the earlier of the expiration date or 90 days following the date of termination. If the optionee dies during the term of his or her employment, the plan option granted will lapse to the extent unexercised on the earlier of the expiration date of the plan option or the date one year following the date of the optionee's death. If the optionee is permanently and totally disabled, the plan option granted lapses to the extent unexercised on the earlier of the expiration date of the option or one year following the date of the disability.

**Compensation Committee Interlocks and Insider Participation**

No member of our compensation committee during the last completed fiscal year (a) was an officer or employee of Viragen or any of its subsidiaries, (b) was formerly an officer or employee of Viragen or any of its subsidiaries, or, (c) had any relationship requiring disclosure by Viragen under any paragraph of Item 404 of Regulation S-K.

**Stock Price Performance Graph**

The following graph compares the percentage change in the cumulative total stockholder return on our common stock during the period from June 30, 2001 through June 30, 2006, with the cumulative total return on the AMEX Market Value Index and the NASDAQ Biotechnology Index.

**COMPARISION OF 5 YEAR CUMULATIVE TOTAL RETURN\***

AMONG VIRAGEN, INC., THE AMEX MARKET VALUE (U.S. & FOREIGN) INDEX

AND THE NASDAQ BIOTECHNOLOGY INDEX

**Certain Relationships and Related Transactions**

None.

**PROPOSAL ONE:**

**ELECTION OF DIRECTORS**

On February 28, 1997, we amended our certificate of incorporation and established a classified board of directors commencing with the 1997 annual meeting of stockholders. Accordingly, at each annual meeting, only directors of a particular class are elected. Each director holds office for a three-year term expiring immediately following the annual meeting of stockholders held three years following the annual meeting of stockholders at which he or she was elected. At each annual meeting of stockholders, a slate of directors selected by the board of directors will stand for election to serve as a director of the respective class whose term has expired.

At the 2006 annual meeting of stockholders, stockholders will be asked to elect two class C directors, to hold office until their successors are elected at the 2009 annual meeting of stockholders.

The following table identifies the two class C director nominees, their current positions with Viragen, the year, if applicable, in which they became directors and other related information.

**Nominees For Election**

Name	Age	Position with the Company	Served as	
			Director Since	Class
Carl N. Singer	90	Chairman of the Board	1997	C
C. Richard Stafford	70	Director	2003	C

**Board Recommendation and Vote Required for Approval**

**The board of directors recommends that stockholders vote FOR the election of the nominees for the class C directors. Directors are elected by a plurality of votes cast at the annual meeting in person or by proxy. Only votes cast FOR or AGAINST director nominees will be counted.**

**PROPOSAL TWO:****APPROVAL OF VIRAGEN S 2006 EQUITY COMPENSATION PLAN**

On April 7, 2006 the board of directors adopted, subject to the approval of the stockholders, the 2006 Equity Compensation Plan, or the 2006 Plan. The board of directors reserved 4 million shares of common stock under the 2006 Plan. As of December 18, 2006, 292,533 shares were subject to options under Viragen s existing or expired stock option plans and 162,926 shares remained available for grant under those plans.

The board of directors believes that appropriate equity incentives are critical to attracting and retaining qualified employees in its industry. The approval of this proposal will enable us to continue to provide such incentives. The 2006 Plan is administered by our compensation committee and our board of directors, although awards to non-employee directors may be made only by our board of directors.

**Equity Compensation Plan Information**

The following table reflects certain information about our common stock that may be issued upon the exercise of options, warrants and rights under our existing equity compensation plans as of June 30, 2006. The table does not include our 2006 Equity Compensation Plan that is the subject of Proposal Two.

	(a)	(b)	(c)
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	296,783	\$ 4.46	158,676
Equity compensation plans not approved by security holders (2)	7,500	38.70	0
<b>Total</b>	<b>304,283</b>	<b>\$ 4.96</b>	<b>158,676</b>

(1) Consists of our 1995 and 1997 Stock Option Plans.

(2) Includes (a) 2,500 warrants issued to a strategic partner exercisable at \$110 per share, which expired in August 2006 and (b) 5,000 warrants issued to a consultant, exercisable at \$5.00 per share (as to 2,500 warrants) and \$1.10 per share (as to 2,500 warrants), expiring on various dates from August 2007 through February 2009.

**Key Features of the 2006 Equity Compensation Plan**

Our compensation committee and our board of directors administer the 2006 Plan;

Persons eligible to participate in the 2006 Plan are our employees, officers, directors and consultants, as well as those of our subsidiaries;

4 million shares are authorized for grant under the 2006 Plan;

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Awards may not be granted later than 10 years from the effective date of the 2006 Plan;

Awards may be stock options, stock appreciation rights, restricted stock, and other stock-based awards;

Stock options granted under the 2006 Plan may be either incentive stock options or nonqualified stock options. Incentive stock options may be granted only to our employees or those of a subsidiary and must qualify with the provisions of Section 422 of the Internal Revenue Code of 1986, as amended;

The 2006 Plan permits awards of stock appreciation rights as a means to allow the participants to exercise their stock options without the need to pay the exercise price in cash, receiving upon exercise of their options, a number of shares of common stock equal to the stock appreciation value divided by the fair market value of the common stock on the date exercised;

Awards may include the grant of restricted stock awards above or in addition to other awards under the 2006 Plan;

The compensation committee or the board of directors determine the material terms of each award under the 2006 Plan, including the number of shares subject to the award, the exercise price of options, the consideration to be received by us for awards under the plan; however, awards to non-employee directors and the terms thereof may be made only by the board of directors;

Unless otherwise terminated by the board of directors, the 2006 Plan will continue to remain effective until the earlier of ten years or until no further awards may be granted and all awards granted under the 2006 Plan are no longer outstanding.

#### **Summary of the 2006 Plan**

The following is a summary of the material terms of the 2006 Plan. It is qualified in its entirety by the specific language of the 2006 Plan, which is included as an appendix to this proxy statement and which is available to any stockholder upon request.

On April 7, 2006 the board of directors adopted, subject to the approval of our stockholders, the 2006 Plan, and reserved 4 million shares of common stock for issuance under the 2006 Plan. The 2006 Plan is administered by the compensation committee and the board of directors. Administration of the 2006 Plan includes determining:

those eligible participants who will receive awards,

the type of plan awards to be made,

the number of shares subject to each plan award, whether options will be incentive stock options or non-qualified stock options and the exercise price of plan options,

the material terms and conditions of awards, and

the consideration to be received by us in connection with awards under the plan.

The 2006 Plan provides for the grant of (a) stock options, (b) stock appreciation rights, (c) restricted stock awards and (d) other stock based awards. No formulae have been adopted for determining the number of shares covered by the 2006 Plan that may be awarded to any particular eligible participant and the administrators of the 2006 Plan have complete discretion to determine the number of shares that may be awarded to each eligible participant.

Stock options granted under the 2006 Plan may be either incentive stock options or nonqualified stock options. Any incentive stock option granted under the 2006 Plan must qualify with the provisions of Section 422 of the Internal Revenue Code of 1986, as amended. No stock option granted under the 2006 Plan may be granted at less than 100% of the fair market value of our common stock on the date of grant; provided, however, that the exercise price of an incentive stock option grant to a 10% or larger stockholder can not be less than 110% of the fair market value on the grant date. All incentive stock options must be exercised within ten years of the date of grant or within five years in the case of a 10% or larger stockholder.

Stock options granted under the 2006 Plan may be exercised in whole or in part any time during the term of the stock option following written notice to us accompanied by payment in full of the purchase price, which shall be in cash or, if provided in an individuals grant agreement, either in shares of common stock (including restricted stock or other contingent awards under the 2006 Plan) or partly in cash and partly in common

stock, or other means the board of directors or its designee may determine that is consistent with the 2006 Plan's purpose and applicable law.



Except as may be provided in an individual grant agreement, no stock option granted may be transferred by the holder other than by will or by the laws of distribution, and all stock options granted must be exercised by the option holder during his or her lifetime or, to the extent of legal incapacity or incompetence, by the holders legal guardian or legal representative. If a holder terminates by reason of disability, unless otherwise provided on the holders agreement, the stock option shall automatically terminate, except any vested portion of the grant shall be exercisable for a period of one year or expiration of the stated term of the grant, whichever is shorter. If the holders employment is terminated for any reason other than death of disability, the stock option will automatically terminate unless employment was terminated by us without cause or due to normal retirement, then the vested portion of the grant at the date of termination may be exercised for the lesser of three months from termination or the balance of the stock option term.

The board of directors or its designee may grant stock appreciation rights to 2006 Plan participants who have been or are being granted stock options as a means to allow the participants to exercise their stock options without the need to pay the exercise price in cash. In the case of an incentive stock option, the stock appreciation right must be granted at the time of the stock option grant. Stock appreciation rights may be exercised only if provided in an individuals grant agreement and by surrendering the applicable portion of their related stock option. Upon the exercise and surrender, the holder shall be entitled to receive a number of shares of common stock equal to the stock appreciation value divided by the fair market value of the common stock on the date exercised.

The 2006 Plan provides for the grant of restricted stock awards either above or in addition to other awards under the plan. Restricted stock granted under the 2006 Plan shall constitute issued and outstanding common stock for corporate purposes. The holders of the restricted stock have the right to vote their shares and retain cash dividends, if any, and exercise all rights and privileges of a holder of the common stock with the exception that:

the holder is not entitled to physical delivery of the stock certificates until the restriction period has expired and all other vesting requirements have been fulfilled;

we shall retain custody of the stock certificates during the restriction period;

other than regular cash dividends, we will retain custody of all distributions;

a breach of any restrictions, terms or conditions contained in the 2006 Plan or established by the board of directors will cause forfeiture of the restricted stock and any related retained distributions.

Unless otherwise terminated by the board of directors, the 2006 Plan shall continue to remain effective until the earlier of ten years or until no further awards may be granted and all awards granted under the 2006 Plan are no longer outstanding.

**Options Granted**

On April 7, 2006, our board of director awarded options to purchase an aggregate of 843,000 shares to the following directors, officers and/or employees, in the amounts indicated:

Name and Position	Potential Realizable Dollar Value (1)		Number of Shares Subject to Options
	5%	10%	
Charles A. Rice, President and CEO	\$ 26,350	\$ 59,084	150,000
Dennis W. Healey, Executive Vice President and CFO	17,567	39,389	100,000
Nicholas M. Burke, Vice President and Controller	13,175	29,542	75,000
Executive Group	57,092	128,014	325,000
Non-Executive Director Group	34,782	77,990	198,000
Non-Executive Officer Employee Group	56,214	126,045	320,000

- (1) This column shows the hypothetical gain or option spreads of the options granted based on assumed annual compound stock appreciation rates of 5% and 10% over the full term of the options. The 5% and 10% assumed rates of appreciation are mandated by the rules of the SEC and do not represent our estimate or projection of future common stock prices. The gains shown are net of the option exercise price, but do not include deductions for taxes or other expenses associated with the exercise of the option or the sale of the underlying shares, or reflect non-transferability, vesting or termination provisions. The actual gains, if any, on the exercise of stock options will depend on the future performance of our common stock.

The exercise price of each option is \$0.57 per share, and each option vests half upon the date of grant and the remaining half upon the first anniversary of the date of grant. No shares issuable upon exercise of the options can be issued unless and until the 2006 Equity Compensation Plan is approved by our stockholders. This Proposal seeks stockholder approval of our 2006 Equity Compensation Plan. As of December 18, 2006, there were 3,157,000 shares of common stock available under the 2006 Plan.

Inasmuch as awards under the 2006 Plan have been and may be made to our executive officers and members of our board of directors, including director nominees, such individuals may be deemed to have an interest in the outcome of Proposal Two.

**Federal Income Tax Consequences*****Incentive Stock Options***

An optionee recognizes no taxable income for regular income tax purposes as the result of the grant or exercise of an incentive stock option. Optionees who do not dispose of their shares for two years following the date the incentive stock option was granted or within one year following the exercise of the option will normally recognize a long-term capital gain or loss equal to the difference, if any, between the sale price and the purchase price of the shares. If an optionee satisfies both such holding periods upon a sale of the shares, we will not be entitled to any deduction for federal income tax purposes. If an optionee disposes of shares either within two years after the date of grant or within one year from the date of exercise (referred to as a *disqualifying disposition*), the difference between the fair market value of the shares on the exercise date and the option exercise price (not to exceed the gain realized on the sale if the disposition is a transaction with respect to which a loss, if sustained, would be recognized) will be taxed as ordinary income at the time of disposition. Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. A capital gain or loss will be long-term if the optionee's holding period is more than 12 months. Any ordinary income recognized by the optionee upon the disqualifying disposition of the shares generally should be deductible by us for federal income tax purposes, except to the extent such deduction is limited by applicable provisions of the Code.

or the regulations thereunder. The difference between the option exercise price and the fair market value of the shares on the exercise date of an incentive stock option is an adjustment in computing the optionee's alternative minimum taxable income and may be subject to an alternative minimum tax which is paid if such tax exceeds the regular tax for the year. Special rules may apply with respect to certain subsequent sales of the shares in a disqualifying disposition, certain basis adjustments for purposes of computing the alternative minimum taxable income on a subsequent sale of the shares and certain tax credits which may arise with respect to optionees subject to the alternative minimum tax.

#### ***Nonqualified Stock Options and Stock Appreciation Rights***

Nonqualified stock options and stock appreciation rights have no special tax status. A holder of these awards generally does not recognize taxable income as the result of the grant of such award. Upon exercise of a nonqualified stock option or stock appreciation right, the holder normally recognizes ordinary income in an amount equal to the difference between the exercise price and the fair market value of the shares on the exercise date. If the holder is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of stock acquired by the exercise of a nonqualified stock option or stock appreciation right, any gain or loss, based on the difference between the sale price and the fair market value on the exercise date, will be taxed as capital gain or loss. A capital gain or loss will be long-term if the holding period of the shares is more than 12 months. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the optionee as a result of the exercise of a nonqualified stock option or stock appreciation right, except to the extent such deduction is limited by applicable provisions of the Code or the regulations thereunder. No tax deduction is available to us with respect to the grant of a nonqualified stock option or stock appreciation right or the sale of the stock acquired pursuant to such grant.

#### ***Restricted Stock***

A participant acquiring restricted stock generally will recognize ordinary income equal to the fair market value of the shares on the determination date. The determination date is the date on which the participant acquires the shares unless the shares are subject to a substantial risk of forfeiture and are not transferable, in which case the determination date is the earlier of (i) the date on which the shares become transferable or (ii) the date on which the shares are no longer subject to a substantial risk of forfeiture. If the determination date is after the date on which the participant acquires the shares, the participant may elect, pursuant to Section 83(b) of the Code, to have the date of acquisition be the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date on which the shares are acquired. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value on the determination date, will be taxed as capital gain or loss. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

#### ***Other Tax Consequences***

The foregoing discussion is intended to be a general summary only of the federal income tax aspects of awards granted under the 2006 Plan; tax consequences may vary depending on the particular circumstances at hand. In addition, administrative and judicial interpretations of the application of the federal income tax laws are subject to change. Furthermore, no information is given with respect to state or local taxes that may be applicable. Participants in the 2006 Plan who are residents of or are employed in a country other than the United States may be subject to taxation in accordance with the tax laws of that particular country in addition to or in lieu of United States federal income taxes.

**Board Recommendation and Vote Required for Approval**

**The board of directors recommends that stockholders vote FOR Proposal Two. The approval of Proposal Two requires the affirmative vote of a majority of the shares of Viragen common stock present at the annual meeting in person or by proxy and entitled to vote on the Proposal. Abstentions will have the effect of a vote AGAINST Proposal Two. Broker non-votes will not be considered in tabulating the results of Proposal Two.**

**PROPOSAL THREE:****PROPOSAL TO AUTHORIZE AN AMENDMENT TO VIRAGEN S CERTIFICATE OF  
INCORPORATION TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK****WE ARE AUTHORIZED TO ISSUE**

The board of directors has voted to authorize and recommend that our stockholders approve an amendment (the Amendment) to Viragen s Certificate of Incorporation (the Certificate of Amendment) to increase the number of shares of common stock we are authorized to issue from 250,000,000 shares, \$.01 par value per share, to 500,000,000 shares, \$.01 par value per share (the Increase in Authorized Shares).

**The Increase in Authorized Shares**

Viragen is currently authorized to issue 250,000,000 shares of common stock, \$.01 par value per share, of which, 120,285,105 shares are issued and outstanding as of the December 18, 2006 record date. The following table reflects the number of authorized, outstanding, reserved and unreserved shares of common stock before the Increase in Authorized Shares:

	<b>Prior to the Increase in Authorized Shares</b>
Authorized shares	250,000,000
Less:	
Outstanding shares of common stock	120,285,105
Shares reserved for future issuance, as follows:	
Debt and equity offering warrants	87,984,385
Underwriter purchase option (1)	8,040,000
Convertible notes (2)	10,047,622
Convertible debentures (3)	178,572
1997 Stock Option Plan	162,926
2006 Equity Compensation Plan (4)	3,157,000
Employee and director stock options (5)	1,135,533
Consultant warrants	5,000
Series A cumulative preferred stock	916
Unreserved shares available for issuance	19,002,941

- (1) Includes shares reserved for issuance upon exercise of option granted to Dawson James Securities, Inc. to purchase 4,020,000 units identical to those offered in Viragen s underwritten secondary offering completed in November 2006, except that the exercise price per unit is \$.29 per share, and exercise price per warrant underlying such unit is \$.39.
- (2) Assuming conversion of the notes at \$1.05.
- (3) Assuming the debentures are converted at \$1.05, and that no shares are issued in payment of debenture amortization.
- (4) See Proposal Two.
- (5) Inclusive of outstanding options described in Proposal Two.



The purpose of Increase in Authorized Shares is to provide for (a) a sufficient number of otherwise unreserved shares in the event that the underwriter purchase option, convertible notes, convertible debentures, warrants and stock options are exercised and/or converted by their holders and (b) authorized but unissued shares for future issuance for valid corporate purposes.

As disclosed in our public filings, Viragen's cash and cash equivalents are sufficient to meet our operating requirements through approximately February 2007, and additional financing will be required in order to fund operations subsequent to February 2007. To date, our success in attracting funding has been limited to equity and convertible debt transactions, and we believe that the continued use of our equity for these purposes may be necessary if Viragen is to sustain operations.

Except as discussed above, we have not identified any third parties or particular transactions for issuing the additional shares, we are not a party to any commitment, understanding or agreement to do so and no issuance of the newly authorized shares is presently contemplated.

Our board of directors also believes that if the Increase in Authorized Shares is approved by our stockholders, the excess of authorized shares over those issued and outstanding and reserved for issuance will provide us with increased flexibility to conclude transactions in which we can issue additional shares without the expense and delay of a special stockholders' meeting. Future transactions in which the additional shares may be issued include business expansion, strategic acquisitions or partnerships and other legitimate business transactions. Viragen has not identified any such transactions in which newly authorized shares will be issued, has not entered into any commitments, understandings or agreements to do so and no such transactions are presently contemplated.

If the Increase in Authorized Shares is approved by the stockholders, the board of directors will be empowered, without the necessity of further action or approval of our stockholders, to issue up to 500 million shares of common stock. However, rules of the American Stock Exchange may require us to submit for approval of our stockholders, any issuance of our common stock at below fair market value, in a single transaction or in a series of related transactions, that could exceed 19.9% of our outstanding common stock. In addition, Delaware law may require stockholder approval for certain corporate transactions such as a merger or sale of all or substantially all of our assets.

Following the Increase in Authorized Shares, each share of authorized common stock will have the same rights and privileges as each share of existing common stock. The issuance of additional common stock, whether before or after the Increase in Authorized Shares, will decrease the percentage ownership of us by our existing stockholders and, depending upon the price at which such shares are issued, could be dilutive to existing stockholders.

#### **Board Recommendation and Vote Required for Approval**

**The board of directors recommends that stockholders vote FOR Proposal Three. The approval of Proposal Three requires the affirmative vote of a majority of the outstanding shares of Viragen common stock entitled to vote on the Proposal. Abstentions will have the effect of a vote AGAINST Proposal Three. Broker non-votes will not affect Proposal Three.**

**PROPOSAL FOUR:**

**RATIFICATION OF APPOINTMENT OF VIRAGEN S INDEPENDENT REGISTERED PUBLIC**

**ACCOUNTING FIRM**

The appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2007, will be submitted for ratification by the stockholders.

**Services and Fees of Ernst & Young**

The following table presents fees for professional services rendered by Ernst & Young LLP for the fiscal years ended June 30, 2006 and 2005.

	June 30,	
	2006	2005
Audit fees	\$ 447,000	\$ 596,000
Audit-related fees		
Tax fees	56,000	82,000
All other fees		
<b>Total</b>	<b>\$ 503,000</b>	<b>\$ 678,000</b>

Audit fees includes the audit of our annual financial statements included in our annual report on Form 10-K, including Sarbanes-Oxley Section 404 attest services for our fiscal year ended June 30, 2005, review of interim financial statements included in our quarterly reports on Form 10-Q and services that are normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings and consents and other services related to SEC matters. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit of the annual financial statements or the review of interim financial statements.

Audit-related fees consist of services provided by Ernst & Young LLP that are reasonably related to the performance of the audit or review of our financial statements and not included under audit fees.

Tax fees consist of the aggregate fees billed for professional services rendered by Ernst & Young LLP for tax compliance, tax advice, and tax planning.

**Pre-Approval Policy**

In April 2004, we implemented an Audit and Non-Audit Services Pre-Approval Policy. This policy conforms to guidelines established under the Sarbanes-Oxley Act of 2002 and is administered by the audit and finance committee. The policy provides that the audit and finance committee is required to pre-approve the audit and non-audit services performed by our independent registered public accounting firm in order to assure that they do not impair their independence. Our policy provides for both general pre-approval and specific pre-approval guidelines. The policy states that unless a type of service has received general pre-approval, it will require specific pre-approval by the audit and finance committee if it is to be provided by our independent registered public accounting firm. For our fiscal years ended June 30, 2006 and 2005, all of the services under the category Tax fees described above were pre-approved by the audit and finance committee.



**Board Recommendation and Vote Required for Approval**

**The board of directors recommends that stockholders vote FOR Proposal Four. The approval of Proposal Four requires the affirmative vote of a majority of the shares of Viragen common stock present at the annual meeting in person or by proxy and entitled to vote on the Proposal. Abstentions will have the effect of a vote AGAINST Proposal Four. Broker non-votes will not affect Proposal Four.**

**NO RIGHTS OF APPRAISAL**

Under the laws of the State of Delaware, no appraisal rights are available with respect to the matters to be acted upon at the annual meeting, and we will not independently provide our stockholders with any such right.

**INTEREST OF CERTAIN PERSONS IN OPPOSITION**

**TO MATTERS TO BE ACTED UPON**

Management is not aware of any substantial interest, direct or indirect, by securities holdings or otherwise of any officer, director, or associate of the foregoing persons in any matter to be acted on, as described herein, other than elections to the board.

**OTHER MATTERS**

Management is not aware of any other business which may come before the meeting. However, if additional matters properly come before the meeting, proxies will be voted at the discretion of the proxy holders.

**STOCKHOLDER PROPOSALS**

**Stockholder Proposals under Rule 14a-8**

Rule 14a-8 under the Securities Exchange Act of 1934 provides a means by which stockholder proposals may be included in the proxy statement for our 2007 annual meeting of stockholders. Stockholder proposals under Rule 14a-8 intended to be included in our proxy statement for the 2007 annual meeting of stockholders must be received by us, in writing, at our principal executive offices, not later than August 29, 2007, or if the date of the 2007 annual meeting of stockholders differs by more than 30 days from the date of the 2006 annual meeting of stockholders, then a reasonable time before we print and mail the proxy materials for the 2007 annual meeting of stockholders. We are not required to include in our proxy statement any stockholder proposal not timely received by us, or that is not otherwise in compliance with our by-laws and Rule 14a-8.

**Other Stockholder Proposals**

Stockholders may also submit proposals for consideration at our 2007 annual meeting of stockholders that are not covered by Rule 14a-8, and are not to be included in our 2007 proxy statement. In order to do so, we must receive the stockholder proposal not more than 120 nor less than 90 days prior to the anniversary of the date the proxy statement for the 2006 annual meeting of stockholders was first mailed to stockholders, unless the date of the 2007 annual meeting of stockholders differs by more than 30 days from the date of the 2006 annual meeting of stockholders, in which event the proposal must be received by us prior to the close of business on the later of the 10th day following the day we publicly announce the date of the 2007 annual meeting of stockholders or the 90<sup>th</sup> day before the 2007 annual meeting of stockholders (the Notice Period ). We may elect to provide a description of the proposal in our 2007 proxy statement, as well as our response to, and a recommendation to vote for or against, the stockholder proposal. A stockholder proposal may not exceed 500 words, must relate to a single matter, must state in reasonable detail the nature of the proposal and the grounds upon which the proposal is believed to be in Viragen's best interests, must be sent to Viragen's Secretary, 865 S.W. 7<sup>th</sup> Avenue, Suite 100, Plantation, Florida 33324 and must comply with the requirements of Viragen's by-laws.

Viragen's proxy for the 2007 annual meeting of stockholders will have discretionary authority to vote on (a) any stockholder proposal as to which Viragen did not receive notice at least 45 days prior to the anniversary of the date the proxy statement for the 2006 annual meeting of stockholders was first mailed to stockholders, or if the date of the 2007 annual meeting of stockholders differs by more than 30 days from the date of the 2006 annual meeting of stockholders, then a reasonable time before we print and mail the proxy materials for the 2007 annual meeting of stockholders, and (b) most stockholder proposals received by us during the period described in (a), if we disclose in our proxy statement the nature of the stockholder proposal and how our proxy intends to exercise his or her discretionary authority.

#### **HOUSEHOLDING OF ANNUAL MEETING MATERIALS**

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of Viragen's proxy statement may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document to you if you write us c/o Dennis W. Healey, Chief Financial Officer, 865 S.W. 78<sup>th</sup> Avenue, Suite 100, Plantation, Florida 33324. If you want to receive separate copies of the proxy statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the above address.

#### **AVAILABILITY OF FORM 10-K ANNUAL REPORT**

A copy of Viragen's annual report on Form 10-K for the fiscal year ended June 30, 2006, exclusive of certain exhibits filed with the Securities and Exchange Commission, accompanies this proxy statement. These exhibits, as well as our interim quarterly reports on Form 10-Q, are available without charge to stockholders on our website at [www.viragen.com](http://www.viragen.com), by calling our offices at (954) 233-8746 or upon written request to Dennis W. Healey, Chief Financial Officer, 865 S.W. 78<sup>th</sup> Avenue, Suite 100, Plantation, Florida 33324. The information on our website is not a part of this proxy statement. Copies of our filings are also available at the Securities and Exchange Commission website at <http://www.sec.gov>.

VIRAGEN, INC.

2006 EQUITY COMPENSATION PLAN

A-1

**Viragen, Inc.**

**2006 Equity Compensation Plan**

**1. Purpose.**

1.1 Purpose. The purpose of the Viragen, Inc. 2006 Equity Compensation Plan is to enable the Company to offer to its employees, officers, directors and consultants whose past, present and/or potential contributions to the Company and its Subsidiaries have been, are or will be important to the success of the Company, an opportunity to acquire a proprietary interest in the Company. The types of long-term incentive Awards that may be provided under the Plan will enable the Company to respond to changes in compensation practices, tax laws, accounting regulations and the size and diversity of its businesses.

**2. Definitions.**

2.1 Definitions. For purposes of the Plan, the following terms shall be defined as set forth below:

- (a) Agreement means the agreement between the Company and the Holder setting forth the terms and conditions of an Award under the Plan. Agreements shall be in the form(s) attached hereto.
- (b) Award means Stock Options, Restricted Stock and/or other Stock Based Awards Awarded under the Plan.
- (c) Board means the Board of Directors of the Company.
- (d) Code means the Internal Revenue Code of 1986, as amended from time to time.
- (e) Committee means the Compensation Committee of the Board or any other committee of the Board that the Board may designate to administer the Plan or any portion thereof. If no Committee is so designated, then all references in this Plan to Committee shall mean the Board.
- (f) Common Stock means the common stock of the Company, \$.01 par value per share.
- (g) Company means Viragen, Inc., a corporation organized under the laws of the State of Delaware.
- (h) Disability means physical or mental impairment as determined under procedures established by the Committee for purposes of the Plan.
- (i) Effective Date means the date set forth in Section 12.1, below.
- (j) Fair Market Value, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, means, as of any given date: (i) if the Common Stock is listed on a national securities exchange, the closing price of the Common Stock in the principal trading market for the Common Stock on such date, as reported by the exchange (or on the last preceding trading date if such security was not traded on such date); (ii) if the Common Stock is not listed on a national securities exchange, but is traded in the over-the-counter market, the closing bid price for the Common Stock on such date, as reported by the OTC Bulletin Board or the National Quotation Bureau, Incorporated or similar publisher of such quotations; and (iii) if the fair market value of the Common Stock cannot be determined pursuant to clause (i) or (ii) above, such price as the Committee shall determine, in good faith.

(k) **Holder** means a person who has received an Award under the Plan.

(l) **Incentive Stock Option** means any Stock Option intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code.

(m) **Nonqualified Stock Option** means any Stock Option that is not an Incentive Stock Optio