

VIRAGEN INC
Form PRE 14A
January 09, 2004

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**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 x

Filed by a Party other than the Registrant o

Check the appropriate box:

- | | |
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| <input checked="" type="checkbox"/> x Preliminary Proxy Statement | <input type="checkbox"/> o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> o Definitive Proxy Statement | |
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Viragen, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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

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VIRAGEN

865 S.W. 78th Avenue, Suite 100
Plantation, Florida 33324

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To be held on February 11, 2004**

To the Stockholders of Viragen, Inc.

PLEASE TAKE NOTICE that Viragen, Inc., a Delaware corporation, will hold its 2003 annual meeting of stockholders at the Renaissance Plantation Hotel located at 1230 Pine Island Road, Plantation, Florida, on Wednesday, February 11, 2004 at 3:00 P.M., local time, or at any and all adjournments for the following purposes:

1. To elect four directors to the board of directors, one who will be classified as a class B director and three who will be classified as class C directors, to serve for the term of their designated class and until their successors have been elected and qualified;
2. To authorize the possible issuance of more than 19.9% of our common stock in a June 2003 financing transaction in which Viragen received gross proceeds of \$5,554,122 through the sale of its convertible debentures and common stock purchase warrants to five institutional investors;
3. To authorize the issuance of more than 19.9% of our common stock in a September 2003 financing transaction in which Viragen received gross proceeds of \$4,775,000 through the sale of its common stock and common stock purchase warrants to eight institutional investors;
4. To authorize the issuance of more than 19.9% of our common stock in a December 2003 financing transaction in which Viragen received gross proceeds of \$4,550,000 through the sale of its common stock and common stock purchase warrants to six institutional investors;
5. To ratify the appointment of Ernst & Young LLP, as our independent auditors; and
6. To transact other business that may properly come before the meeting or any adjournment.

A copy of our proxy statement, which is being first mailed to stockholders on or about January 19, 2004, is attached.

The board of directors has fixed the close of business on December 31, 2003, 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, 2003 are contained in the accompanying annual report on Form 10-K. Viragen's financial statements for the quarterly period ended September 30, 2003 are contained in the accompanying quarterly report on Form 10-Q. Neither the annual report nor the quarterly report form any part of the material for the solicitation of proxies. If you do not expect to be present at the meeting, you are urged to complete, date, sign and return the enclosed proxy. No postage is required if the enclosed envelope is used and mailed in the United States. You may also vote electronically via the internet or by telephone.

By Order of the Board of Directors,

/s/ Dennis W. Healey

Dennis W. Healey, Secretary

Plantation, Florida
January 8, 2004

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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.

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VIRAGEN

865 S.W. 78th Avenue, Suite 100
Plantation, Florida 33324

**PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS**

This proxy statement is being furnished to you by the board of directors of Viragen, Inc., a Delaware corporation, in connection with a solicitation of proxies for use at our 2003 annual meeting of stockholders. We will hold our annual meeting at the Renaissance Plantation Hotel located at 1230 Pine Island Road, Plantation, Florida, on Wednesday, February 11, 2004 at 3:00 P.M., local time, or at any and all adjournments. Viragen will bear the cost of this solicitation. Viragen's annual report on Form 10-K for the fiscal year ended June 30, 2003 and our quarterly report for the quarterly period ended September 30, 2003 are being mailed together with this proxy statement and form of proxy. The date of mailing of this proxy statement and form of proxy is approximately January 19, 2004.

OUTSTANDING STOCK AND VOTING RIGHTS

The board of directors has fixed the close of business on December 31, 2003 as the record date for determining the stockholders entitled to notice of, and to vote at, the annual meeting. Only stockholders of record on that date will be entitled to vote. If you submit your proxy on the accompanying form, 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, which are properly executed, will be voted for the proposals. Although you may have given your proxy, you may nevertheless attend the meeting, revoke your proxy and vote in person. The election of the directors nominated requires the affirmative vote of a plurality of the shares of Viragen's common stock voting at the annual meeting in person or by proxy.

As of December 31, 2003, the record date for determining our stockholders entitled to notice of, and to vote at, the annual meeting, 358,566,420 shares of our common stock, \$.01 par value, were outstanding. Each share of common stock outstanding entitles the holder to one vote on all matters brought before the annual meeting. The quorum necessary to conduct business at the annual meeting consists of a majority of the shares of common stock outstanding (179,283,211 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.

Directors are elected by a plurality of votes cast. The adoption of each of Proposals Two, Three, Four and Five requires the affirmative vote of a majority of the shares of our common stock voting at the annual meeting in person or by proxy. Broker non-votes have no effect on the election of directors or on the adoption of Proposals Two, Three, Four or Five. Abstentions have no effect on the election of directors but have the effect of a vote against Proposals Two, Three, Four and Five.

Table of Contents**DIRECTORS AND EXECUTIVE OFFICERS**

On February 28, 1997, we amended our certificate of incorporation and set up a classified board of directors commencing with the 1997 annual meeting. Following that meeting, we divided directors into three subclasses consisting of class A, class B and class C. The initial term of the class A directors expired after the 1998 annual meeting of stockholders and their second term expired after the 2001 annual meeting; the term of the class B directors initially expired after the 1999 annual meeting and their second term expired after the 2002 annual meeting; and the term of the class C directors initially expired after the 2000 annual meeting.

At each annual meeting of stockholders, directors of the respective class whose term has expired will be elected. The directors chosen to succeed those whose terms have expired will be elected to hold office for a term to expire at the third ensuing annual meeting of stockholders after their election, and until their respective successors are elected and qualified. At the 2003 annual meeting, stockholders will be asked to elect one class B director and three class C directors, to hold office until their successors are elected at the 2006 annual meeting of stockholders.

The following table lists Viragen's directors and officers:

<u>Name</u>	<u>Age</u>	<u>Position with the Company</u>	<u>Served as Officer and/or Director Since</u>	<u>Class</u>
Carl N. Singer	87	Chairman of the Board	1997	C
Robert C. Salisbury	60	Chief Executive Officer	1998	A
		President	2003	
		Director	2003	
Dennis W. Healey	55	Chief Financial Officer	1980	
		Treasurer	1980	
		Executive Vice President	1993	
		Secretary	1994	
Douglas Lind	43	Director	2002	B
Per-Erik Persson	67	Director	2003	C
Randolph A. Pohlman	59	Director	2003	B
Melvin Rothberg	57	Executive Vice President	1999	
Charles J. Simons	85	Director	1998	A
C. Richard Stafford	68	Director	2003	C
Nicholas M. Burke	32	Controller	2001	

Carl N. Singer was elected a director in August 1997 and currently serves as chairman of the board of directors and chairman of the executive committee. From January 2003 to December 2003, Mr. Singer served on our nominating and governance committee. Since 1981, Mr. Singer has served as chairman of Fundamental Management Corporation, a Florida-based institutional investment fund. During fiscal 2000, a fund managed by Fundamental Management Corporation invested a total of \$2,000,000 in Viragen, in two separate transactions, receiving 1,800,016 shares of common stock. Mr. Singer has also served as a director, president and CEO of Sealy, Inc., Scripto, Inc. and the BVD Company. Mr. Singer also serves as chairman of the board, chief executive officer, president and director of Viragen International, Inc.

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Robert C. Salisbury was appointed chief executive officer and president of Viragen in January 2003. Mr. Salisbury has been a director of Viragen since December 1998 and serves on the executive committee. Mr. Salisbury served on the audit and finance committee and compensation committee from January 1999 to December 2003 and on our nominating and governance committee from January 2003 to December 2003. From 1974 to 1995, Mr. Salisbury was employed by the Upjohn Company serving in several financial related positions. These positions included manager of cash management, internal control and corporate finance from 1975 to 1981. He also served as a vice president from 1985 to 1990, senior vice president from 1991 to 1994, and executive vice president for finance and chief financial officer from 1994 to 1995. Following the merger of Pharmacia and Upjohn, Inc. in 1995, Mr. Salisbury served as executive vice president and chief financial officer until 1998. Mr. Salisbury also serves as president and a director of Fundamental Management Corporation, a Florida-based institutional investment fund. During fiscal 2000, a fund managed by Fundamental Management Corporation invested a total of \$2,000,000 in Viragen, in two separate transactions, receiving 1,800,016 shares of common stock.

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

Douglas Lind served as our senior advisor for corporate strategy from June 2002 through June 2003. On, June 15, 2003, Dr. Lind entered into a consulting agreement with Viragen. Dr. Lind has been a director of Viragen since June 2002. Douglas Lind formerly served as Senior Biotechnology Analyst for the brokerage firms of Morgan Stanley from 1997 through 2002 and Paine Webber from 1995 to 1997. Previously, he was Managing Director and founder of Lind & Co., a Boston-based biotechnology investment research firm serving institutional clients, which he founded in 1991. He was a practicing physician in Brookline, Massachusetts and served as an attending physician at St. Elizabeth's Hospital in Boston, a major teaching affiliate of Tufts University School of Medicine, where he completed his clinical residency in Internal Medicine. Dr. Lind has served on numerous national health policy bodies.

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

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

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

Charles J. Simons was elected to the board of directors in July 1998. He currently serves as chairman of the audit and finance, nominating and compensation committee, and serves on the executive committee of the board of directors. In addition, he is an independent management and financial consultant. From 1940 to 1981, 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., Excalibur Corporation and Preferred Care Partners. In addition, Mr. Simons is an investor in Active Investors II, a fund managed by Fundamental Management Corporation. During fiscal 2000, Active Investors II invested a total of \$2,000,000 in Viragen in two separate transactions, in exchange for 1,800,016 shares of our common stock.

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

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

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

In December 2003, concurrent with the appointment of Dr. Pohlman, Mr. Healey resigned from the board of directors. Mr. Smith resigned from the board of directors in October 2003 following the appointment of Mr. Persson. In June 2003, Brian King resigned his position as director of Viragen and a member of the audit and finance committee due to personal reasons. In September 2002, Peter D. Fischbein resigned his position as a director of Viragen due to a potential of a conflict of interest as a result of his directorship with Medicare, Inc., the Company's former parent. Viragen had entered into litigation with Medicare over a disputed royalty agreement. This litigation was settled in July 2003. In September 2002, D. Magnus Nicolson resigned his positions as Chief Operating Officer of Viragen and Viragen International, director of Viragen International and managing director of Viragen (Scotland).

During fiscal 2003, Viragen's board of directors met on six occasions. During fiscal 2003, all of the directors attended at least 75% of the board meetings and meetings of board committees of which they were members.

Viragen has not adopted a formal policy on board members' attendance at our annual meeting of stockholders, although all board members are invited to attend. All board members attended our 2002 annual meeting of stockholders.

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

Committees of the Board of Directors

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

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

* Chairperson

Executive Committee

The executive committee acts for the full board during intervals between board meetings, except on matters which by law may not be delegated. The executive committee will meet as necessary. All actions by the committee are reported at the next board of directors meeting. During fiscal 2003, the executive committee met on nine occasions.

Audit and Finance Committee

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

The role of the audit and finance committee is to assist the board in monitoring (1) the integrity of our financial statements, (2) our compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, (4) the development, implementation and performance of our internal audit function and (5) the performance of our independent auditors. The audit and finance committee also prepares the report required by the rules of the Securities and Exchange Commission to be included in our annual proxy or information statement.

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In December 2003, following the adoption of new American Stock Exchange rules issued that same month, Mr. Salisbury resigned from the audit and finance committee and was replaced in this position by Dr. Pohlman.

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

Report of the Audit and Finance Committee

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

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

In reliance on the reviews and discussions referred to above, the committee recommended to the board of directors, and the board has approved, that the audited consolidated financial statements be included in Viragen's annual report on Form 10-K for the year ended June 30, 2003, for filing with the Securities and Exchange Commission. The committee and the board also have recommended, subject to shareholder approval, the selection of Ernst & Young, LLP, as our independent auditors.

Submitted by the audit and finance committee of the board of directors:

Charles J. Simons

Robert C. Salisbury

C. Richard Stafford

Compensation Committee

The compensation committee was organized in February 2001. Prior to the adoption of the compensation committee charter in December 2003, the committee operated without a written charter. A copy of the charter of the compensation committee is attached to this proxy statement as Appendix B and is available on our web site at www.viragen.com

Under its charter, 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.

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The compensation committee was formed to discharge the board of director's responsibilities relating to (1) compensation payable to our executive officers and non-employee directors, (2) incentive and equity-based compensation plans, including stock option plans in which officers or employees are eligible to participate and (3) arrangements with executive officers and other key officers relating to their employment relationship with us.

During fiscal 2003, the compensation committee met on one occasion.

Nominating and Governance Committee

The nominating and governance committee was organized in January 2003. Prior to the adoption of the nominating and governance committee charter in December 2003, the committee operated without a written charter. A copy of the charter of the nominating and governance committee is attached to the proxy statement as Appendix C and is available on our web site at www.viragen.com.

Under its charter, the nominating and governance committee is to consist of not less than two members. Each member of the nominating committee satisfies the independence standards of Section 121A of the Rules of the American Stock Exchange. The executive committee with common members, met on behalf of the nominating and governance committee met on three occasions during fiscal 2003.

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.

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. 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.

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

The nominating and governance committee received no security holder recommendations for nomination to the board of directors in connection with the 2004 annual meeting of stockholders. There are three director nominees for the 2004 annual meeting of stockholders who are neither incumbent directors standing for reelection nor executive officers. Per-Erik Persson was known to the nominating and governance committee based upon his serving as a director of Viragen International, Inc. our

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majority-owned subsidiary. The nominating and governance committee identified C. Richard Stafford and Randolph A. Pohlman as a result of a referral by an existing board member.

Compensation of Directors

Commencing in March 2000, Mr. Singer is receiving \$100,000 per year for his services as a director and now chairperson of the board of directors and executive committee. He receives no other director fees. In addition, for these services on March 14, 2000, Mr. Singer was granted an option to acquire 100,000 shares of Viragen common stock at a price of \$3.75 per share. The option vested: 33,333 shares exercisable on the grant date; 33,333 shares on the first anniversary of the grant date and 33,334 shares on the second anniversary of the grant date and are exercisable for 5 years from the vest dates.

Mr. Salisbury and Dr. Lind do not receive compensation for their attendance at meetings of the board of directors. All others receive \$2,000 (half if attendance is telephonic) for each meeting they attend. Beginning January 31, 2003, 60% of this fee was paid with shares of Viragen common stock valued at the closing price of the stock on the date of the meeting.

As chairperson of the audit and finance committee, Mr. Simons receives a monthly fee of \$3,000. For the 2003, 2002 and 2001 fiscal years, Mr. Simons received \$36,000 per year as compensation for serving as chairman of the audit and finance committee. Mr. Stafford receives a fee of \$1,000 (half if attendance is telephonic) for each meeting he attends. Beginning January 31, 2003, 60% of these fees are paid with shares of Viragen common stock valued at the closing price of the stock on the date of the meeting. Mr. Salisbury does not receive compensation for his attendance at meetings of the audit and finance committee.

Members of the executive, compensation and nominating committees do not receive compensation specific to their attendance at the meetings of those committees.

Directors receive a stock option grant to purchase 25,000 shares of Viragen common stock exercisable at the closing price of our common stock on the day they are appointed to the board of directors. At each subsequent annual meeting, directors receive an annual stock option grant to purchase 5,000 shares of Viragen common stock exercisable at the closing price of our common stock on the day of the annual meeting. These options vest half on the grant date and half on the anniversary of the grant date and are exercisable for 5 years from the vest dates.

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

Currently, there are three members of the audit and finance committee and three members of the compensation committee. All members of the audit and finance committee and compensation committee are independent within the meaning of Rule 10A-3 under the Securities Exchange Act of 1934 and satisfy the independence standards of Section 121A of the Rules of the American Stock Exchange. Accordingly, insiders do not participate in compensation decisions.

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EXECUTIVE COMPENSATION AND EMPLOYMENT AGREEMENTS

Compensation Committee Report on Executive Compensation. Under the rules established by the Securities and Exchange Commission, management is required to provide certain data and information in regard to the compensation and benefits provided to the chief executive officer and other executive officers. The disclosure requirements for the chief executive officer and executive officers include the use of tables and a report explaining the rationale and considerations that led to the fundamental compensation decision affecting those individuals.

Compensation Report. The compensation committee of the board of directors is responsible for establishing compensation levels and benefits for the executive officers of the company. The compensation committee is also responsible for reviewing recommendations made by management regarding compensation, including stock options, and benefits for other employees.

Executive Compensation Policy. For the last fiscal year, the goals established by the compensation committee for executive compensation are as follows:

to provide a compensation package which would attract and retain experienced, scientific pharmaceutical and administrative personnel;

to maintain reasonable yet competitive base salaries while conserving the liquid assets of the company;

to provide an environment where innovation, dedication and success are rewarded; and

to provide participation in stock appreciation as part of an incentive based compensation package.

The performance of executive officers is evaluated routinely by the compensation committee as well as by the board of directors as a whole. The compensation committee considers each employee's total compensation package, including base salary, stock options and other benefits as provided in their respective employment agreements.

Chairman of the Board and Chief Executive Officer. Robert C. Salisbury was appointed chief executive officer and president of Viragen on January 31, 2003. Mr. Salisbury has been a director of Viragen since December 1998. Mr. Salisbury has not entered into an employment agreement with Viragen nor does he receive a salary from the Company. On February 7, 2003, Mr. Salisbury was granted an option to purchase 350,000 shares of Viragen common stock at \$0.11 per share. The option vests one-half upon grant and one-half upon the first anniversary of the grant date. The option is exercisable for five years from vest date.

Other Executive Officers. As with the compensation of the chief executive officer, the compensation committee evaluates and establishes the compensation packages for other executive officers of the company. These executives are evaluated routinely based on the effectiveness of their efforts in their respective areas of responsibility as well as their contribution to achieving our overall goals. The compensation committee has structured compensation packages so that the base salaries are conservative by pharmaceutical industry standards. The emphasis is on compensation through the issuance of stock options. As a consequence, the executive officers may maximize their total compensation through the attainment of corporate goals as reflected in appreciated stock values.

Table of Contents**Executive Compensation and Employment Agreements**

The following table includes information concerning the compensation and employment agreements of the chief executive officer of Viragen and the four other most highly compensated executive officers as of June 30, 2003.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Compensation			Long Term Compensation		All Other Compensation (\$)
		Salary (\$)	Bonus Compensation (\$)	Other Annual Compensation (\$)	Awards	Payouts	
					Stock Awards (\$)	Securities Restricted Underlying Options/ SARs (#)	LTIP Payouts (\$)
Robert Salisbury CEO and President	2003	\$	\$	\$	\$	350,000	\$
	2002						
	2001						
Dennis W. Healey Executive V.P., Treasurer and CFO	2003	\$252,000					
	2002	252,000				350,000	
	2001	252,000				150,000	
Melvin Rothberg Executive V.P.	2003	\$181,500					
	2002	175,373				50,000	
	2001	172,500					
Gerald Smith Former CEO and President	2003	\$189,583					
	2002	325,000				1,050,000	
	2001	296,333				850,000	
D. Magnus Nicolson Former COO	2003	\$ 31,000					
	2002	172,500					
	2001	170,000					

Employment Agreements

On March 1, 1999 Mr. Healey entered into a two-year employment agreement with Viragen. The agreement provided for:

an annual salary \$252,000,

health and life insurance,

similar employee benefits generally available to other employees, and

reimbursement of automobile and business related expenses.

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On March 1, 2001, Mr. Healey renewed his two year employment agreement with Viragen. Under the new agreement, Mr. Healey is to receive an annual salary of \$252,000. He also received options to purchase 150,000 shares of Viragen common stock at \$1.35 per share. The options vested one-half on the date of grant and one-half on the first year anniversary. The options are exercisable over five years from the vest dates. 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. All other terms are similar to his previous agreements.

In February 2002, 300,000 options granted to Mr. Healey in conjunction with his 1997 employment agreement and 50,000 options granted to Mr. Healey in 1997 for serving as a director expired. In March 2002, Viragen granted Mr. Healey options to purchase 350,000 shares of Viragen common stock at \$1.04 per share. The options vested one-half on the date of grant and one-half on the first year anniversary. The options are exercisable over five years from the vest dates.

On February 14, 2003, Mr. Healey executed an addendum to his employment agreement which provided for the payment of 20% of his salary in the form of shares of Viragen common stock. On March 1, 2003, Mr. Healey again executed an amendment to his employment agreement which provided for the payment of 75% of his salary in the form of shares of Viragen common stock.

On March 1, 2003, Mr. Healey's employment agreement was automatically renewed for one year pursuant to the provisions in his March 1, 2001 agreement.

On June 30, 2003, Mr. Healey executed an addendum to his employment agreement whereby his annual salary of \$252,000 was reduced to \$200,000.

Mr. Healey continues to serve as executive vice president, chief financial officer, secretary and director of Viragen International, Inc.

On July 1, 1999, Mr. Rothberg entered into a two year employment agreement with Viragen. This agreement supercedes all previous agreements. The agreement provided for:

an annual salary of \$160,000 and \$172,500 for the first and second years, respectively,

the grant of an option to acquire 250,000 shares of Viragen common stock at \$0.625 per share, vesting one-half on the date of grant and one-half on the first year anniversary,

health insurance,

similar employee benefits generally available to executive employees,

\$400 per month auto allowance, and

reimbursement of business related expenses.

On July 1, 2001, Mr. Rothberg renewed his two year employment agreement with Viragen. Under the new agreement, Mr. Rothberg is to receive an annual salary of \$172,500. He also received options to purchase 50,000 shares of Viragen common stock at \$1.25 per share. The options vested one-half on the date of grant and one-half on the first year anniversary. The options are exercisable over five years from the vest dates. Mr. Rothberg's auto allowance was increased to \$600 per month. All other terms are similar to his previous agreements. Effective February 28, 2002 Mr. Rothberg's annual salary was increased to \$181,500.

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On February 14, 2003, Mr. Rothberg executed an addendum to his employment agreement which provided for the payment of 20% of his salary in the form of shares of Viragen common stock which continued through June 30, 2003.

On July 1, 2003, Mr. Rothberg's employment agreement was automatically renewed for one year pursuant to the provisions in his July 1, 2001 agreement.

On March 1, 1999, Mr. Smith entered into a two-year employment agreement with Viragen. This agreement provided for:

an annual salary of \$282,000,

health and life insurance,

similar employee benefits generally available to other employees,

use of an automobile and related maintenance, and

reimbursement of business related expenses.

On March 1, 2001, Mr. Smith renewed his two year employment agreement with Viragen. Under the new agreement, Mr. Smith received an annual salary of \$325,000. He also received options to purchase 850,000 shares of Viragen common stock at \$1.35 per share. The options vested one-half on the date of grant and one-half on the first year anniversary. The options were exercisable over five years from the vest dates. Mr. Smith's employment agreement contained 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. All other terms are similar to his previous agreements.

In January 2003, Mr. Smith resigned his positions as chairman, president and chief executive officer of Viragen, Inc. and Viragen International. Upon his resignation, Mr. Smith received a one time payment of \$170,000. Mr. Smith also entered into a one-year consulting agreement related to our avian transgenics program. This agreement provides for annual compensation of \$155,000, health insurance and automobile related expenses. Mr. Smith remained a director of Viragen, Inc. and Viragen International until October 2003, at which time he resigned as a director of Viragen, Inc. and Viragen International to pursue outside business interests.

In February 2002, 1,000,000 options granted to Mr. Smith in conjunction with his 1997 employment agreement and 50,000 options granted to Mr. Smith in 1997 for serving as Chairman of the Board expired. In March 2002, Viragen granted Mr. Smith options to purchase 1,050,000 shares of Viragen common stock at \$1.04 per share. The options vested one-half on the date of grant and one-half on the first year anniversary. The options were exercisable over five years from the vest dates. However, as a result of his resignation as president and chief executive officer in January 2003, these 1,050,000 options and the 850,000 option granted to him in connection with his March 1, 2001 employment agreement will expire on January 31, 2004.

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On July 1, 1999, Dr. Nicolson entered into a two year employment agreement with Viragen. This agreement superceded all previous agreements. The agreement provided for an annual salary of \$170,000, employee benefits generally available to executive officers, use of an automobile and reimbursement of business related expenses. The agreement also provided for the grant of an option to acquire 200,000 shares of Viragen common stock at \$0.625, vesting one-third on the date of grant, one-third on the first anniversary of the grant date and one-third on the second anniversary.

On July 1, 2001, Dr. Nicolson renewed his two year employment agreement with Viragen. Under the agreement, Dr. Nicolson received an annual salary of \$172,500

Tranquil Star Corporation British Virgin Islands MAP Thailand (BVI) Limited British Virgin Islands BVR Holding Company Limited Thailand (28.18% Tranquil Star Corporation; 71.82% Third parties) Bayview Beach Resort Co., Ltd. Thailand (12.13% Tranquil Star Corporation; 51% BVR Holding Company Limited; 36.87% Third parties) MAP Balagarh (BVI) Limited British Virgin Islands Mirant Balagarh Investments Limited Mauritius Balagarh Power Company Limited India (26.32% Mirant Balagarh Investments Limited; 73.68% Third parties) MAP Hirma (BVI) Limited British Virgin Islands Mirant Hirma Investments Limited Mauritius Mirant Asia-Pacific Operations (Hong Kong) Limited Hong Kong Mirant (Philippines) Operations Corporation Philippines MAP Project Management and Engineering (BVI) Limited British Virgin Islands Mirant Asia-Pacific Singapore Pte Limited Singapore China Johnston Southern, Limited Mauritius CEPA Energy Investment (Mauritius) Limited Mauritius CEPA Development (Mauritius) Company Limited Mauritius Mirant Holdings Germany, Inc. Delaware Mirant Investments Germany, Inc. Delaware Mirant Investments Europe, Inc. Delaware Mirant Development UK Limited England & Wales Mirant Europe England & Wales (99.996% Mirant Investments Europe, Inc.; 0.004% Mirant Corporation) Mirant Holdings Netherlands, Inc. Delaware Mirant Asset Development and Procurement B.V Netherlands Mirant Investments Europe UK, Inc. Delaware Southern Electric International Netherlands B.V Netherlands Mirant Beteiligungs GmbH Germany P.T. Tarahan Power Company Indonesia (55% Mirant Beteiligungs GmbH; 45% Third party) Mirant Holdings Europe UK, Inc. Delaware Mirant Investments UK Limited England & Wales (50% Mirant Holdings Europe UK, Inc.; 50% Mirant Investments Europe UK, Inc.) Mirant Holdings Immingham Limited England & Wales Mirant Generation and Trading ICHP Ltd. England & Wales Mirant Investments Europe B.V Netherlands (50% Mirant Holdings Netherlands, Inc.; 50% Mirant Holdings Europe UK, Inc.)

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Name of Company	Jurisdiction of Organization
Mirant Europe B.V (45% Mirant Investments Europe B.V.; 55% Mirant Holdings Netherlands, Inc.)	Netherlands
Mirant Energy Marketing Nordic A.B	Sweden
Mirant Deutschland GmbH	Germany
Mirant Energy Marketing Switzerland GmbH (95% Mirant Europe B.V.; 5% Mirant Investments Europe B.V.)	Switzerland
Mirant Generation Italia S.r.l (90% Mirant Europe B.V.; 10% Mirant Investments Europe B.V.)	Italy
Mirant Generation Europe B.V	Netherlands
Mirant Italia S.r.l (5% Mirant Generation Europe B.V.; 95% Third party)	Italy
SEI Brazil Holdings, Inc.	Delaware
SEI South America, Inc.	Delaware
Southern Energy Brazil Holdings, Inc. (50% SEI South America, Inc.; 50% SEI Brazil Holdings, Inc.)	Cayman Islands
T&S Participacoes Ltda. (99% Southern Energy Brazil Holdings, Inc.; 1% Third party)	Brazil
Mirant Caribe, Inc.	Delaware
Mirant Caribbean Services, LLC	Delaware
Mirant JPSCO Development Services, LLC	Delaware
Mirant Caribbean, Ltd.	British Virgin Islands
Mirant Virgin Islands, L.L.C	US Virgin Islands
Mirant Caribbean, Inc.	Delaware
Mirant Bahamas Investments Limited	Bahamas
Mirant Grand Bahama Limited ICD Utilities Limited (10.776% Mirant Grand Bahama Limited; 89.224% Third party)	Bahamas
Grand Bahama Power Company Limited (50% Mirant Grand Bahama Limited; 50% ICD Utilities Limited)	Bahamas
Mirant South America and Caribbean Finance, Ltd. (99% Mirant Caribbean, Inc.; 1% Mirant Caribe, Inc.)	British Virgin Islands
Puerto Rico Power Investments, Ltd. (99% Mirant South America and Caribbean Finance, Ltd.; 1% Mirant Caribe, Inc.)	British Virgin Islands
Mirant EcoElectrica Investments V, Ltd. (99% Mirant Caribe, Inc.; 1% Mirant Caribbean, Inc.)	British Virgin Islands
Mirant EcoElectrica Investments IV, Ltd. (99% Mirant EcoElectrica Investments V, Ltd.; 1% Mirant Caribbean, Inc.)	British Virgin Islands
Mirant EcoElectrica Investments III, Ltd.	British Virgin Islands
Mirant EcoElectrica Investments II, Ltd.	British Virgin Islands
Mirant EcoElectrica Investments I, Ltd.	British Virgin Islands
Mirant EcoElectrica Services, Ltd	British Virgin Islands
Mirant EcoElectrica O&M, Ltd.	British Virgin Islands
	British Virgin Islands

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Mirant EcoElectrica LNG Investments,
Ltd.

Mirant EcoElectrica LNG Marketing,
Ltd.

British Virgin Islands

Mirant EcoElectrica LNG Finance,
Ltd.

British Virgin Islands

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Name of Company	Jurisdiction of Organization
LNG Power, Ltd.	British Virgin Islands
Mirant (British Virgin Islands) III Investments, Ltd. (90% Mirant Caribe, Inc.; 10% Mirant Caribbean, Inc.)	British Virgin Islands
Mirant West Indies Investments, Ltd.	British Virgin Islands
Mirant (British Virgin Islands) II Investments, Ltd.	British Virgin Islands
Mirant JPSCO II Investments, Limited	Jamaica
Mirant JPSCO I Investments, Limited	Jamaica
Mirant (British Virgin Islands) I Investments, Ltd.	British Virgin Islands
Mirant JPSCO (Barbados) SRL	Barbados
Jamaica Public Service Company Limited (80% Mirant JPSCO (Barbados) SRL; 20% Third party)	Jamaica
Mirant Curacao Investments II, Ltd.	British Virgin Islands
Mirant Curacao Investments, Ltd.	British Virgin Islands
Curacao Utilities Operating Company N.V	Netherlands Antilles
Curacao Energy Company, Ltd. (50% Mirant Curacao Investments, Ltd.; 50% Third party)	Cayman Islands
CUC Holdings, N.V (51% Curacao Energy Company, Ltd.; 49% Third party)	Netherlands Antilles
Curacao Utilities Company, N.V	Netherlands Antilles
Integrated Utility Holdings Company, N.V (33.3% Mirant Curacao Investments, Ltd.; 66.6% Third party)	Netherlands Antilles
CEMIG Investments, LLC (51% Mirant International Investments, Inc.; 49% Third party)	Delaware
Cayman Energy Traders Cayman Islands (51% CEMIG Investments, LLC; 49% Third party)	Cayman Islands
Southern Electric do Brasil Participacoes, Ltda. (90.6% Cayman Energy Traders; 9.4% Third parties)	Brazil
SET Associados, S/ A	Brazil
Mirant Trinidad Investments, Inc.	Delaware
Power Generation Company Trinidad and Tobago Limited (39% Mirant Trinidad Investments, Inc.; 61% Third parties)	Trinidad and Tobago

MANAGEMENT AND CONTROL

4. Directors and Executive Officers

The following table lists the names and offices held by all directors and executive officers of the Corporation as of April 30, 2003. The mailing address for each of the individuals listed in the following table is:

c/o Mirant Corporation

1155 Perimeter Center West
Suite 100
Atlanta, Georgia

Name	Office
S. Marce Fuller	Director, President and Chief Executive Officer
David J. Lesar	Director
Ray M. Robinson	Director
A. W. Dahlberg	Director and Chairman of the Board of Directors
Stuart E. Eizenstat	Director
Robert F. McCullough	Director
A. D. Correll	Director
James F. McDoland	Director
Harvey A. Wagner	Executive Vice President and Chief Financial Officer
R. J. Pershing	Executive Vice President
Douglas L. Miller	Senior Vice President and General Counsel
Edwin H. Adams	Senior Vice President
J. William Holden III	Senior Vice President and Treasurer
Vance N. Booker	Senior Vice President
Roy McAllister	Senior Vice President
Frederick D. Kuester	Senior Vice President
Dan Streek	Vice President and Controller

5. Principal Owners of Voting Securities

As of May 30, 2003 no persons owned 10% or more of the voting securities of the Corporation.

UNDERWRITERS

6. Underwriters

(a) Attached hereto as Annex A is a chart containing the name and complete mailing address of each person who within three years prior to the date hereof acted as an underwriter of any securities of the Corporation which are outstanding on the date hereof, and the title of each class of securities underwritten.

(b) No person is acting, or proposed to be acting, as principal underwriter of the New Secured Notes proposed to be offered pursuant to the Indenture.

CAPITAL SECURITIES

7. Capitalization

(a) As of May 30, 2003

Title of Class	Amount Authorized	Amount Outstanding
Common Stock, par value \$0.01 per share	2,000,000,000	405,468,084
Company obligated mandatorily redeemable Preferred securities, \$27.50 liquidation amount	6,900,000	6,900,000
7.4% Senior Notes due 2004	\$ 200,000,000	\$ 200,000,000
7.9% Senior Notes due 2009	\$ 500,000,000	\$ 500,000,000
5.75% Convertible Senior Notes due 2007	\$ 370,000,000	\$ 370,000,000
2.5% Convertible Senior Debentures, due 2021	\$ 750,000,000	\$ 750,000,000

(b) Each holder of common stock entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power upon the matter in question.

INDENTURE SECURITIES

8. Analysis of Indenture Provisions

The New Secured Notes will be issued under an indenture (the "Indenture") to be dated as of the consummation of the Exchange Offers and entered into between the Corporation and Wells Fargo Bank N.A. as trustee (the "Trustee"). The following analysis is not a complete description of the Indenture provisions discussed and is qualified in its entirety by reference to the terms of the Indenture, a form of which is attached as Exhibit T3C hereto and incorporated by reference herein. The Corporation has not entered into the Indenture as of the date of this filing, and the terms of the Indenture are subject to change prior to its execution. Capitalized terms used below but not defined herein have the meanings assigned to them in the Indenture.

(a) Events of Default; Withholding of Notice

An Event of Default with respect to the New Secured Notes is defined in the Indenture as being:

- (i) default in the payment of all or any part of the principal of, or premium, if any, on, any of the New Secured Notes of that series as and when the same shall become due and payable either at Maturity, upon any redemption, by declaration of acceleration or otherwise;
- (ii) default in the payment of any installment of interest upon any of the New Secured Notes of that series as and when the same shall become due and payable, and continuance of such default for period of 30 days;
- (iii) default in the payment of the principal of any bond, debenture, note or other evidence of indebtedness, in each case for money borrowed or in the payment of principal under any mortgage, indenture, fiscal agency agreement or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed, of the Corporation which default for payment of principal is in an aggregate principal amount exceeding \$50,000,000 (or its equivalent in any other currency or currencies) when such indebtedness becomes due and payable (whether at maturity, upon redemption or acceleration or otherwise), if such default shall continue unremedied or unwaived for more than 30 Business Days and the time for payment of such amount has not been expressly extended; provided, that if such default under such evidence of indebtedness shall be remedied or cured by the Corporation or waived by the holders of such indebtedness, then the Event of Default

hereunder by reason thereof shall be deemed likewise to have been remedied, cured or waived without further action upon the part of the Trustee or any of the holders;

- (iv) material default in the performance, or material breach, of any of the Corporation's covenants or agreements contained in any provision of the Indenture or otherwise established with respect to that series of New Secured Notes pursuant to Section 301 of the Indenture (other than a covenant or agreement that has been expressly included in the Indenture solely for the benefit of one or more series of New Secured Notes other than such series) and such failure shall continue uncured for more than 60 days after written notice is given to the Corporation by the Trustee or to the Corporation and the Trustee by the Holders of at least 66 2/3% in aggregate principal amount of the Outstanding New Secured Notes of that series;
- (v) the failure of the Corporation generally to pay its debts as they become due, or the admission in writing of its inability to pay its debts generally, or the making of a general assignment for the benefit of its creditors, or the institution of any proceeding by or against the Corporation (other than any such proceeding brought against the Corporation that is dismissed within 180 days from the commencement thereof) seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition (in each case, other than a solvent liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition) of it or its debts under any law relating to bankruptcy, insolvency, reorganization, moratorium or relief of debtors, or seeking the entry of an order for relief or appointment of an administrator, receiver, fiscal agent, intervenor or other similar official for it or for any substantial part of its property, or the taking of any action by the Company to authorize any of the actions set forth in this subparagraph (v); or
- (vi) any other Event of Default provided with respect to New Secured Notes of that series in the supplemental indenture authorizing such series.

If an Event of Default with respect to the New Secured Notes shall occur and be continuing, either the Trustee or the Holders of at least 33 1/3% in aggregate principal amount of the New Secured Notes may declare the principal amount of the New Secured Notes, and any interest accrued thereon, to be due and payable immediately. At any time after such declaration of acceleration has been made, but before a judgment or decree for payment of money has been obtained, if all Events of Default have been cured (other than the nonpayment of principal of the New Secured Notes which has become due solely by reason of such declaration of acceleration) then such declaration of acceleration shall be automatically annulled and rescinded.

No Holder of the New Secured Notes shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or Trustee, or for any other remedy thereunder, unless (a) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the New Secured Notes; (b) the Holders of not less than a majority in principal amount of the New Secured Notes shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee; (c) such Holder or Holders have offered the Trustee indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee, for 60 days after its receipt of such notice, request and offer of indemnity, has failed to institute any such proceeding; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Holders of a majority in principal amount of the outstanding New Secured Notes.

(b) Authentication and Delivery of New Secured Notes; Use of Proceeds

As set forth in Section 302 of the Indenture, the Senior Secured Notes to be issued under the Indenture may from time to time be executed on behalf of the Corporation by its Chairman of the Board, its President or one of its Vice Presidents and delivered to the Indenture Trustee for authentication and delivery in accordance with the Indenture. Each Senior Secured Note shall be dated the date of its delivery, and no Senior Secured

Note shall be valid unless it bears a certificate of authentication, as provided in the Indenture, executed by the Trustee by manual signature of an authorized officer, and such certificate shall be conclusive evidence that such Senior Secured Note has been duly authenticated and delivered under the Indenture.

Because the New Secured Notes are being issued in exchange for the Exchange Offer Securities, there will be no proceeds from the issuance of the New Secured Notes.

(c) Release and Substitution of Property Subject to the Lien of the Indenture

To secure the due and punctual payment of the obligations of the Company under this Indenture and the Senior Secured Notes of any series, the Company and the Trustee may enter into such collateral documents as may be specified in the terms of the particular series of Senior Secured Notes established as contemplated by Section 301 of the Indenture, to create the security interests and related matters referred to therein (the Collateral Documents).

Collateral may be released from the security interest created by the applicable Collateral Documents at any time or from time to time, and the applicable Collateral Documents may be terminated, in accordance with the provisions of the applicable Collateral Documents. The release of any collateral from the terms of the Indenture and of the applicable Collateral Documents or the release of, in whole or in part, the liens created by the applicable Collateral Documents, or the termination of the applicable Collateral Documents, will not be deemed to impair the lien on the collateral in contravention of the provisions of the Indenture if and to the extent the collateral or liens are released, or the applicable Collateral Documents are terminated, pursuant to the applicable Collateral Documents. To the extent applicable, the Corporation and each obligor on any series of New Secured Notes shall cause Section 314(d) of the Trust Indenture Act relating to the release of property or securities from the lien related to the Indenture and of the applicable Collateral Documents to be complied with. Any certificate or opinion required by 314(d) of the Trust Indenture Act may be made by an officer of the Corporation, except in cases which 314(d) of the Trust Indenture Act requires that such certificate or opinion be made by an independent person.

(d) Satisfaction and Discharge of the Indenture

The Corporation, at its option, (a) will be discharged from any and all obligations in respect of the New Secured Notes (except in each case for the obligations to register the transfer or exchange of such New Secured Notes, replace stolen, lost or mutilated New Secured Notes, maintain paying agencies and hold moneys for payment in trust) or (b) need not comply with certain covenants of the Indenture with respect to the New Secured Notes in each case, if the Corporation irrevocably deposits with the Trustee, in trust, (i) money or (ii) (A) U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount, or (B) a combination thereof, in each case sufficient to pay and discharge the principal and interest on the outstanding New Secured Notes on the dates such payments are due in accordance with the terms of such New Secured Notes (or if the Corporation has designated a redemption date pursuant to the final sentence of this paragraph, to and including the redemption date so designated by the Corporation), and no Event of Default or event which with notice or lapse of time would become an Event of Default (including by reason of such deposit) with respect to the New Secured Notes shall have occurred and be continuing on the date of such deposit. To exercise any such option, the Corporation is required to deliver to the Trustee (x) an opinion of counsel (who may be counsel to the Corporation) to the effect that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge, which in the case of (a) must be based on a change in law or a ruling by the U.S. Internal Revenue Service, and (y) an Officers Certificate as to compliance with all conditions precedent provided for in the Indenture relating to the satisfaction and discharge of the New Secured Notes. If the Corporation shall wish to deposit or cause to be deposited money or U.S. Government Obligations to pay or discharge the principal of and interest, if any, on the outstanding New Secured Notes to and including the Redemption Date on which all of the outstanding New Secured Notes are to be redeemed, such Redemption Date shall be irrevocably designated by a Board Resolution delivered to the Trustee on or prior to the date of deposit of such money or U.S. Government Obligations, and such Board Resolution shall be accompanied by an irrevocable Company Request that the Trustee give notice

of such redemption in the name and at the expense of the Corporation not less than 15 nor more than 30 days prior to such Redemption Date in accordance with the Indenture.

(e) Evidence Required to be Furnished by the Corporation to the Trustee as to Compliance with the Conditions and Covenants Provided for in the Indenture.

The Corporation shall comply with Section 314(a)(4) of the Trust Indenture Act without regard to any period of grace or requirement of notice and, if so, specifying each such default of which such signer has knowledge and the nature thereof.

9. Other Obligors

None.

Content of Application for Qualification. This application for qualification comprises:

(a) Pages number 1 to 16 consecutively.

(b) The statement of eligibility and qualification on Form T-1 of Wells Fargo Bank N.A., as Trustee under the Indenture to be qualified (included as Exhibit 25.1 hereto).

(c) The following exhibits in addition to those filed as part of the statement of eligibility and qualification of each trustee.

List of Exhibits

Exhibit T3A	Certificate of Incorporation of Mirant Corporation (filed as Exhibit 3.1 of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and incorporated by reference herein)
Exhibit T3B	Bylaws of Mirant Corporation (filed as Exhibit 3.2 of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and incorporated by reference herein)
Exhibit T3C	Indenture between Mirant Corporation and Wells Fargo Corporate Trust, as Trustee (filed herewith).
Exhibit T3D	Not Applicable
Exhibit T3E	Offering Circular (filed as Exhibit (a)(1)(A) of the Corporation's Schedule TO dated June 2, 2003 and incorporated by reference herein)
Exhibit T3F	A cross reference sheet showing the location in the Indenture of the provisions inserted therein pursuant to Section 310 through 318(a), inclusive, of the Trust Indenture Act (included as part of Exhibit T3C herewith).
Exhibit 25.1	Form T-1 qualifying Wells Fargo Bank, N.A. as Trustee under the Indenture to be qualified (filed herewith).

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the applicant, Mirant Corporation, a corporation organized and existing under the laws of the State of Delaware, has duly caused this application to be signed on its behalf by the undersigned, thereunto duly authorized, and its seal to be hereunto affixed and attested, all in the City of Atlanta, and State of Georgia, on the 2nd day of June, 2003.

(Seal)

MIRANT CORPORATION

By: /s/ J. WILLIAM HOLDEN III

Name: J. William Holden III

Title: Senior Vice President and Treasurer

Attest:

By: /s/ ELIZABETH B. CHANDLER

Name: Elizabeth B. Chandler

Title: Vice President and Corporate Secretary

Schedule of Underwriters for Securities of the Corporation

within the Previous Three Years

A. MIRANT CORPORATION

Securities	Underwriters
1. 60,000,000 Shares of Common Stock, dated as of July 31, 2001.	<p>Credit Suisse First Boston Corporation Eleven Madison Avenue New York, NY 10010</p>
2. 2.5% Convertible Senior Debentures due 2021, dated as of May 31, 2001.	<p>Salomon Smith Barney, Inc. 388 Greenwich Street New York, New York 10003</p>
3. 5.75% Convertible Senior Notes due 2007, dated as of July 8, 2002.	<p>Banc of America Securities LLC 600 Montgomery Street San Francisco, California;</p> <p>Credit Suisse First Boston Corporation Eleven Madison Avenue New York, NY 10010;</p> <p>Salomon Smith Barney, Inc. 388 Greenwich Street New York, New York 10003;</p> <p>Commerzbank Capital Markets Corp. Two World Financial Center New York, NY 10281-1050;</p> <p>Dresdner Kleinwort Wasserstein Securities LLC 75 Wall Street New York, NY 10005;</p> <p>Westdeutsche Landesbank Girozentrale, London Branch 1211 Avenue of the Americas New York, NY 10036</p>

Securities

4. 6,000,000 Preferred Securities 6 1/4% Convertible Trust Preferred Securities, Series A, dated as of October 2, 2000.

Underwriters

Goldman, Sachs & Co.

85 Broad Street
New York, NY 10004;

Morgan Stanley & Co. Incorporated

1585 Broadway
New York, NY 10036;

UBS Warburg LLC

677 Washington Boulevard
Stamford, CT 06901;

ABN AMRO Incorporated

55 East 52 Street
New York, NY 10055;

Donaldson, Lufkin & Jenrette Securities Corporation

11 Madison Avenue
New York, New York 10010;

Merrill Lynch, Pierre, Fenner & Smith Incorporated

4 World Financial Center
250 Vesey Street
New York, NY 10080

Securities

5. 58,000,000 Shares of Common Stock, dated as of October 2, 2000.

Underwriters

Goldman, Sachs & Co.

85 Broad Street
New York, NY 10004;

Morgan Stanley & Co. Incorporated

1585 Broadway
New York, NY 10036;

Banc of America Securities LLC

600 Montgomery Street
San Francisco, California;

Credit Suisse First Boston Corporation

Eleven Madison Avenue
New York, NY 10010;
JP Morgan Securities Inc.;

Lehman Brothers Inc.

399 Park Avenue
New York, NY 10022;

Salomon Smith Barney, Inc.

388 Greenwich Street
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