

Emergent BioSolutions Inc.
Form PRE 14A
April 04, 2008
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

EMERGENT BIOSOLUTIONS INC.

(Name of Registrant as Specified In Its Charter)

Not applicable

(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) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

PRELIMINARY COPY.

SUBJECT TO COMPLETION, APRIL 4, 2008.

April , 2008

Dear Fellow Stockholders:

You are cordially invited to attend the Emergent BioSolutions Inc. 2008 Annual Meeting of Stockholders to be held on May 21, 2008 at 10:00 a.m., Eastern time, at the Crowne Plaza Hotel, 3 Research Court, Rockville, Maryland 20850. Details about the meeting, nominees for the Board of Directors and other matters to be acted on are included in the Notice of 2008 Annual Meeting of Stockholders and Proxy Statement that follow.

We hope you plan to attend the Annual Meeting. Please vote your shares by completing, dating, signing and returning the enclosed proxy card as described in the Proxy Statement, whether or not you plan to attend the meeting. Your proxy may be revoked at any time before it is exercised as explained in the Proxy Statement.

If you plan to attend the meeting, please bring photo identification for admission. Also, if your shares are held in the name of a broker, bank or other nominee, please bring with you a proxy, letter or account statement (or copy thereof) from your broker, bank or nominee confirming your ownership of Emergent BioSolutions stock so that you can be admitted to the meeting. Also, if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a broker's proxy card issued in your name.

On behalf of the Board of Directors and management, it is my pleasure to express our appreciation for your continued support.

Sincerely,

Fuad El-Hibri

Chairman and Chief Executive Officer

YOUR VOTE IS IMPORTANT.

PLEASE TAKE TIME TO VOTE AS SOON AS POSSIBLE.

PRELIMINARY COPY.

SUBJECT TO COMPLETION, APRIL 4, 2008.

EMERGENT BIOSOLUTIONS INC.

2273 RESEARCH BOULEVARD, SUITE 400

ROCKVILLE, MARYLAND 20850

NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS

To Be Held On May 21, 2008

To Our Stockholders:

NOTICE IS HEREBY GIVEN that the 2008 Annual Meeting of Stockholders of Emergent BioSolutions Inc. will be held on May 21, 2008 at 10:00 a.m., Eastern time, at the Crowne Plaza Hotel, 3 Research Court, Rockville, Maryland 20850. At the annual meeting, stockholders will consider and vote on the following matters:

1. the election of Zsolt Harsanyi, Ph.D. and Louis W. Sullivan, M.D. to serve as Class II directors, each for a term of three years;
2. the ratification of the approval of the rights agreement that we entered into with American Stock Transfer & Trust Company, as rights agent, on November 14, 2006; and
3. the ratification of the selection by the audit committee of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008.

Stockholders also will consider and vote on any other matters as may properly come before the annual meeting or any adjournment or postponement thereof. Our board of directors has no knowledge of any other matters that may come before the meeting.

Stockholders of record at the close of business on March 31, 2008 are entitled to notice of, and to vote at, the annual meeting or any adjournment or postponement thereof. Your vote is important regardless of the number of shares you own.

We hope that all stockholders will be able to attend the annual meeting in person. **However, in order to ensure that a quorum is present at the meeting, please complete, date, sign and promptly return the enclosed proxy card, whether or not you plan to attend the annual meeting.** A return envelope, which is postage-paid if mailed in the United States, addressed to American Stock Transfer & Trust Company, our transfer agent and registrar, has been enclosed for your convenience. If you return a proxy, you may cancel it by voting in person at the annual meeting. Please note, however, if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a broker's proxy card issued in your name.

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All stockholders are cordially invited to attend the meeting.

By Order of the Board of Directors,

Denise Esposito

Senior Vice President, Legal Affairs,

General Counsel and Secretary

Rockville, Maryland

April , 2008

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOUR VOTE IS IMPORTANT.

IN ORDER TO ASSURE THE REPRESENTATION OF YOUR SHARES AT THE ANNUAL MEETING, PLEASE VOTE YOUR PROXY AS SOON AS POSSIBLE.

PRELIMINARY COPY.

SUBJECT TO COMPLETION, APRIL 4, 2008.

EMERGENT BIOSOLUTIONS INC.

2273 RESEARCH BOULEVARD, SUITE 400

ROCKVILLE, MARYLAND 20850

PROXY STATEMENT

For the 2008 Annual Meeting of Stockholders

To Be Held On May 21, 2008

This proxy statement and the enclosed proxy card are being furnished in connection with the solicitation of proxies by the board of directors of Emergent BioSolutions Inc. for use at the 2008 Annual Meeting of Stockholders to be held on May 21, 2008 at 10:00 a.m., Eastern time, at the Crowne Plaza Hotel, 3 Research Court, Rockville, Maryland 20850, and of any adjournment or postponement thereof.

All proxies will be voted in accordance with your instructions. If no choice is specified, the proxies will be voted as recommended by our board of directors. A stockholder who signs a proxy may revoke or revise that proxy at any time before the annual meeting.

This proxy statement is being mailed on or about April _____, 2008 to stockholders of record as of March 31, 2008.

A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 as filed with the Securities and Exchange Commission, or SEC, will be furnished without charge to any stockholder upon written or oral request to Emergent BioSolutions Inc., Attn: Investor Relations, 2273 Research Boulevard, Suite 400, Rockville, Maryland 20850; telephone: (301) 795-1800. This proxy statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 also are available on our website at www.emergentbiosolutions.com and the SEC's website at www.sec.gov.

Voting Securities and Votes Required

Stockholders of record at the close of business on March 31, 2008 will be entitled to notice of and to vote at the annual meeting. On that date, 29,750,237 shares of our common stock were issued and outstanding. Each share of common stock entitles the holder to one vote with respect to all matters submitted to stockholders at the meeting. Stockholders are not entitled to cumulative voting rights. We have no other securities entitled to vote at the meeting.

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The representation in person or by proxy of at least a majority of the shares of common stock issued, outstanding and entitled to vote at the annual meeting is necessary to establish a quorum for the transaction of business. If a quorum is not present, the meeting will be adjourned until a quorum is obtained.

Directors are elected by a plurality of votes cast by stockholders entitled to vote at the meeting. To be approved, any other matter submitted to our stockholders, including the ratification of the approval of the rights agreement that we entered into with American Stock Transfer & Trust Company, as rights agent, on November 14, 2006 and the ratification of Ernst & Young LLP as our independent registered public accounting firm, requires the affirmative vote of the majority of shares present in person or represented by proxy and voting on such matter at the annual meeting. A representative of American Stock Transfer & Trust Company will serve as the inspector of elections at the annual meeting.

Shares that abstain from voting as to a particular matter and shares held in street name by brokers, banks or other nominees who indicate on their proxy cards that they do not have discretionary authority to vote such shares as to a particular matter, which we refer to as broker non-votes, will be counted for the purpose of determining whether a quorum exists but will not have any effect upon the outcome of voting with respect to such matters. Brokers holding shares for clients who have not given specific voting instructions are permitted to vote in their discretion with respect to Proposal One Election of Directors and Proposal Three Ratification of Selection of Independent Registered Public Accounting Firm.

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Stockholders may vote in person or by proxy. Voting by proxy will not in any way affect a stockholder's right to attend the meeting and vote in person. Any stockholder voting by proxy has the right to revoke the proxy at any time before the polls close at the annual meeting by giving our Secretary a duly executed proxy card bearing a later date than the proxy being revoked at any time before that proxy is voted or by appearing at the meeting and voting in person. The shares represented by all properly executed proxies received in time for the meeting will be voted as specified. If the shares you own are held in your name and you do not specify in the proxy card how your shares are to be voted, they will be voted in favor of the election as directors of those persons named as nominees in this proxy statement, in favor of the ratification of the rights agreement and in favor of the ratification of Ernst & Young LLP as our independent registered public accounting firm. If any other matters properly come before the meeting, the persons named in the accompanying proxy intend to vote, or otherwise act, in accordance with their judgment. If the shares you own are held in street name, the broker, bank or other nominee, as the record holder of your shares, is required to vote your shares in accordance with your instructions. In order to vote your shares held in street name, you will need to follow the directions that your broker, bank or other nominee provides to you.

If your shares are registered directly in your name, you may vote:

By Mail. Complete, date and sign the enclosed proxy card and mail it in the enclosed postage-paid envelope to American Stock Transfer & Trust Company. Your proxy will be voted according to your instructions. If you do not specify how you want your shares voted, they will be voted as recommended by our board of directors.

In Person at the Meeting. If you attend the annual meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

If your shares are held in street name for your account by a broker, bank or other nominee, you will receive instructions from your broker, bank or other nominee explaining how to vote. If you plan to vote in person at the annual meeting, you should contact the broker, bank or other nominee that holds your shares to obtain a broker's proxy card and bring it with you to the meeting. A broker's proxy is *not* the form of proxy enclosed with this proxy statement. You will not be able to vote shares you hold in street name at the annual meeting unless you have a proxy from your broker issued in your name giving you the right to vote the shares.

Stockholders Sharing the Same Address

The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, commonly referred to as householding, potentially provides extra convenience for stockholders and cost savings for companies. Because we utilize the householding rules for proxy materials, stockholders who share the same address will receive only one copy of the annual report and proxy statement, unless we receive contrary instructions from any stockholder at that address. We will continue to mail a proxy card to each stockholder of record. If you prefer to receive multiple copies of the proxy statement and annual report at the same address, additional copies will be provided to you promptly upon request. If you are a stockholder of record, you may obtain additional copies upon written request to Emergent BioSolutions Inc., Attn: Investor Relations, 2273 Research Boulevard, Suite 400, Rockville, Maryland 20850; telephone: (301) 795-1800. Eligible stockholders of record receiving multiple copies of the annual report and proxy statement can request householding by contacting us in the same manner.

If you are a beneficial owner and hold your shares in a brokerage or custody account, you can request additional copies of the proxy statement and annual report or you can request householding by notifying your broker, bank or other nominee.

STOCK OWNERSHIP INFORMATION

The following table sets forth information regarding the beneficial ownership of our common stock as of March 31, 2008 by each of our named executive officers, each of our directors, all of our executive officers and directors as a group and each person, entity or group of affiliated persons or entities known by us to beneficially own more than 5% of our common stock. There were 29,750,237 shares of our common stock outstanding on March 31, 2008.

<u>Name of Beneficial Owner</u>	<u>Outstanding Shares Beneficially Owned⁽¹⁾</u>	<u>Right to Acquire Beneficial Ownership⁽²⁾</u>	<u>Total Shares Beneficially Owned</u>	<u>Percentage of Shares Beneficially Owned</u>
Named executive officers and directors				
Fuad El-Hibri ⁽³⁾	16,159,688	156,470	16,316,158	54.6%
Daniel J. Abdun-Nabi	40,850	24,000	64,850	*
Robert G. Kramer, Sr.	162,111	129,083	291,194	1.0%
R. Don Elsey	300	53,156	53,456	*
Kyle W. Keese	7,316	10,000	17,316	*
Steven N. Chatfield	38,362		38,362	*
Joseph M. Allbaugh		14,386	14,386	*
Dr. Sue Bailey				
Zsolt Harsanyi, Ph.D.		43,156	43,156	*
Jerome M. Hauer		43,156	43,156	*
Ronald B. Richard		28,770	28,770	*
Louis W. Sullivan, M.D.		14,386	14,386	*
All executive officers and directors				
as a group (11 persons)	16,208,654	411,865	16,620,519	55.1%
5% stockholders				
Intervac, L.L.C.	8,314,819		8,314,819	27.9%
BioPharm, L.L.C. ⁽⁴⁾	5,440,127		5,440,127	18.3%
Biovac, L.L.C.	1,599,155		1,599,155	5.4%

* Represents beneficial ownership of less than one percent of common stock.

- (1) Beneficial ownership is determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to shares of our common stock. The information set forth is not necessarily indicative of beneficial ownership for any other purpose, and the inclusion of any shares deemed beneficially owned in this table does not constitute an admission of beneficial ownership of those shares. Except as otherwise noted, to our knowledge, the persons and entities named in the table have sole voting and investment power with respect to all of the shares of common stock beneficially owned by them, subject to community property laws, where applicable. Except as otherwise set forth, the address of the beneficial owner is c/o Emergent BioSolutions Inc., 2273 Research Boulevard, Suite 400, Rockville, Maryland 20850.
- (2) Consists of shares of common stock subject to stock options currently exercisable or exercisable within 60 days of March 31, 2008. Shares of common stock subject to stock options that are currently exercisable or exercisable within 60 days of March 31, 2008 are deemed to be outstanding and beneficially owned by the person holding the option for the purpose of calculating the percentage ownership of that person, but are not deemed outstanding for the purpose of calculating the percentage ownership of any other person.
- (3) Mr. El-Hibri has a pecuniary ownership interest in 6,404,751 shares of our common stock, which represents approximately 21.5% of our outstanding common stock and 156,470 shares of common stock subject to stock options that are currently exercisable or exercisable within 60 days of March 31, 2008 that are deemed to be outstanding and beneficially owned. In accordance with the rules and regulations of the SEC, Mr. El-Hibri's beneficial ownership is deemed to consist of the following shares of our common stock:

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8,314,819 shares held by Intervac, L.L.C.;

4,065,043 shares held by BioPharm, L.L.C.;
1,599,155 shares held by Biovac, L.L.C.;
1,375,084 shares held by Biologika, L.L.C.;
719,275 shares held by Intervac Management, L.L.C.; and
86,312 shares held directly by Mr. El-Hibri.

Mauro and Yasmine Gibellini, as tenants by the entirety, have the power to dispose of all shares of our capital stock held by Biologika.

For more information regarding the beneficial ownership and voting of these shares, see [Stockholder Arrangements](#) below.

(4) Consists of the following shares of our common stock:

4,065,043 shares held by BioPharm, L.L.C.; and
1,375,084 shares held by Biologika, L.L.C.

BioPharm and Biologika are parties to a voting agreement dated June 30, 2004. Mauro and Yasmine Gibellini, as tenants by the entirety, have the power to dispose of all shares of our capital stock held by Biologika.

For more information regarding the beneficial ownership and voting of these shares, see [Stockholder Arrangements](#) below.

Stockholder Arrangements

Additional information regarding the beneficial ownership of the shares held by our principal stockholders, including the voting agreement between BioPharm and Biologika dated June 30, 2004, is set forth below.

Intervac, L.L.C.

Mr. El-Hibri is the general manager of Intervac and in that capacity has the power to vote and dispose of all shares of our capital stock held by Intervac. The board of executive directors of Intervac, consisting of Mr. El-Hibri and Nancy El-Hibri, supervises the management of the company and has the power to remove the general manager. Nancy El-Hibri is the wife of Mr. El-Hibri. A majority of the executive directors of Intervac is required to decide any matter on which the board of executive directors may take action, including the removal of the general manager. Any member of the board of executive directors may be removed by members of Intervac holding more than 50% of the aggregate ownership interests in Intervac. Mr. El-Hibri and his wife, as tenants by the entirety, hold 36.5% of the ownership interests in Intervac. Under a voting agreement with the Shirley G. Crowe Revocable Trust, Mr. El-Hibri has the power to vote an additional 18.0% of the ownership interests in Intervac on any matter. As a result, Mr. El-Hibri has the power to direct the voting of more than 50% of the aggregate ownership interests in Intervac. The voting agreement between Mr. El-Hibri and the Shirley G. Crowe Revocable Trust automatically terminates on October 21, 2010.

BioPharm, L.L.C.

Mr. El-Hibri is the holder of more than 50% of the class B ownership units of BioPharm and in that capacity has the power to direct the voting and disposition of all shares of our capital stock held by BioPharm.

Biovac, L.L.C.

Mr. El-Hibri and his wife, as tenants by the entirety, hold 89.2% of the ownership interests in Biovac and have the power to vote and dispose of all shares of our capital stock held by Biovac.

Intervac Management, L.L.C.

Mr. El-Hibri is the general manager of Intervac Management and in that capacity has the power to vote and dispose of all shares of our capital stock held by Intervac Management. Mr. El-Hibri is appointed as general manager pursuant to the terms of the operating agreement of Intervac Management, which may only be amended with the unanimous consent of the

members of Intervac Management. Mr. El-Hibri and his wife, as tenants by the entirety, hold 31.1% of the ownership interests in Intervac Management.

Voting Agreement between BioPharm, L.L.C. and Biologika, L.L.C.

Biologika has agreed to vote all shares of our capital stock owned by it for and against and abstain from voting with respect to any matter in the same manner and to the same extent as BioPharm. As a result, Mr. El-Hibri has the power to direct the voting of all shares of our capital stock held by Biologika. The voting agreement automatically terminates on June 30, 2014. Under the voting agreement, any person to whom Biologika transfers any shares of our capital stock must agree to be bound by the terms of the voting agreement, other than as a result of a transfer in a brokers' transaction or directly with a market maker, subject to BioPharm's right to purchase at fair market value the shares that Biologika proposes to sell. Mauro Gibellini and Yasmine Gibellini, as tenants by the entirety, hold 100% of the ownership interests in Biologika and have the power to dispose of all shares of our capital stock held by Biologika. Mr. Gibellini is our senior vice president corporate affairs and the brother-in-law of Mr. El-Hibri. Ms. Gibellini is the sister of Mr. El-Hibri.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers, directors and the holders of more than 10% of our common stock to file with the SEC initial reports of ownership of our common stock and other equity securities on a Form 3 and reports of changes in such ownership on a Form 4 or Form 5. Officers, directors and 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely upon a review of the copies of such forms furnished to us for the year ended December 31, 2007, and the information provided to us by those persons required to file such reports, no such person failed to file the forms required by Section 16(a) of the Exchange Act on a timely basis.

CORPORATE GOVERNANCE

General

Our board of directors is currently authorized to have, and currently has, seven members and is divided into three classes, with one class being elected each year and members of each class serving for staggered three-year terms. Fuad El-Hibri, Jerome M. Hauer and Ronald B. Richard are Class I directors with terms expiring at the 2010 annual meeting of stockholders. Zsolt Harsanyi, Ph.D. and Louis W. Sullivan, M.D. are Class II directors with terms expiring at the 2008 annual meeting. Joseph M. Allbaugh and Dr. Sue Bailey are Class III directors with terms expiring at the 2009 annual meeting. Mr. El-Hibri is the chairman of our board of directors. For more information regarding the members of our board of directors, see Proposal One Election of Directors below.

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Our board of directors believes that good corporate governance is important to ensure that Emergent BioSolutions is managed for the long-term benefit of our stockholders. This section describes key corporate governance guidelines and practices that our board has adopted. Complete copies of our corporate governance guidelines, committee charters and code of conduct are available on our website at www.emergentbiosolutions.com under Investors Corporate Governance. Alternatively, you can request a copy of any of these documents by writing to Emergent BioSolutions Inc., Attn: Investor Relations, 2273 Research Blvd, Suite 400, Rockville, Maryland 20850.

Corporate Governance Guidelines

Our board of directors has adopted corporate governance guidelines to assist in the exercise of its duties and responsibilities and to serve the best interests of Emergent BioSolutions and our stockholders. These guidelines provide a framework for the conduct of the board's business, including:

- the board of director's principal responsibility is to oversee the management of Emergent BioSolutions;
- a majority of the members of the board of directors shall be independent directors;
- the independent directors meet regularly in executive session;
- directors have full and free access to management and, as necessary and appropriate, independent advisors;
- new directors participate in an orientation program and all directors are expected to participate in continuing director education on an ongoing basis; and
- at least annually, the board of directors and its committees will conduct a self-evaluation to determine whether they are functioning effectively.

Board Determination of Independence

Under applicable rules of the New York Stock Exchange, or NYSE, a director will only qualify as independent if our board of directors affirmatively determines that he or she has no material relationship with us, either directly or as a partner, shareholder or officer of an organization that has a relationship with us. Our board of directors has established guidelines to assist it in determining whether a director has such a material relationship. Under these guidelines, a director is not considered to have a material relationship with us if he or she is independent under Section 303A.02(b) of the NYSE Listed Company Manual, even if he:

- is an executive officer of another company which is indebted to us, or to which we are indebted, unless the total amount of either company's indebtedness to the other is more than one percent of the total consolidated assets of the company he or she serves as an executive officer; or
- serves as an officer, director or trustee of a tax exempt organization to which we make contributions, unless our discretionary charitable contributions to the organization are more than the greater of \$1 million or 2% of that organization's consolidated gross revenues. Our matching of employee charitable contributions would not be included in the amount of our contributions for this purpose.

In addition, ownership of a significant amount of our stock, by itself, does not constitute a material relationship.

For relationships not covered by the guidelines set forth above, the determination of whether a material relationship exists is made by the other members of our board of directors who are independent.

Our board of directors has determined that Mr. Allbaugh, Dr. Bailey, Dr. Harsanyi, Mr. Richard and Dr. Sullivan meet the categorical standards described above, that none of these directors has a material relationship with us and that each of these directors is independent as determined under Section 303A.02(b) of the NYSE Listed Company Manual.

Board of Directors Meetings and Attendance

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Our board of directors met six times during the fiscal year ended December 31, 2007, either in person or by teleconference. During 2007, each of our directors attended at least 75% of the aggregate of the number of board meetings held during the period for which he or she has been a director and of meetings held by all committees on which he or she then served.

Our corporate governance guidelines provide that directors are expected to attend the annual meeting of stockholders. Mr. Allbaugh, Dr. Bailey, Mr. El-Hibri, Dr. Harsanyi, and Mr. Hauer attended the 2007 annual meeting of stockholders.

Lead Director

Our corporate governance guidelines provide that in the event the chairman of our board of directors is not an independent director, a majority of the board's independent directors may appoint an independent director, who has been nominated by the nominating and corporate governance committee, to serve as lead director. Because Fuad El-Hibri, the chairman of our board of directors, is not an independent director, our independent directors, based on the recommendation of the nominating and corporate governance committee, have appointed Dr. Harsanyi as the lead director. As lead director, Dr. Harsanyi serves as the presiding director at all executive sessions of our non-management or independent directors, facilitates communications between other members of the board of directors and Mr. El-Hibri, determines the need for special meetings of the board of directors and consults with Mr. El-Hibri on matters relating to corporate governance and board performance.

Board Committees

Our board of directors has established three standing committees – audit, compensation, and nominating and corporate governance – each of which operates under a charter that has been approved by our board of directors. Current copies of each committee's charter are available on our website at www.emergentbiosolutions.com under Investors Corporate Governance.

Our board of directors has determined that all of the members of each of the board's three standing committees are independent as defined under the rules of the NYSE, including, in the case of all members of the audit committee, the independence requirements contemplated by Rule 10A-3 under the Securities Exchange Act of 1934.

Audit Committee

The audit committee's responsibilities include:

- appointing, approving the compensation of and assessing the independence of our independent registered public accounting firm;
- overseeing the work of our independent registered public accounting firm, including through the receipt and consideration of reports from our independent registered public accounting firm;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;
- overseeing our internal audit function;
- discussing our risk management policies;
- establishing policies regarding hiring employees from the independent registered public accounting firm and procedures for the receipt and retention of accounting related complaints and concerns;
- meeting independently with our internal auditing staff, independent registered public accounting firm and management;
- reviewing and approving or ratifying any related person transactions; and
- preparing the audit committee report required by SEC rules, which is included on page 10 of this proxy statement.

The members of our audit committee are Dr. Harsanyi, Mr. Richard and Dr. Sullivan. Dr. Harsanyi chairs the committee. Our board of directors has determined that Dr. Harsanyi qualifies as an audit committee financial expert as defined by applicable SEC rules. Our audit committee met six times during 2007.

Compensation Committee

The compensation committee's responsibilities include:

annually reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer;
determining the compensation of our chief executive officer;

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reviewing and approving, or making recommendations to our board of directors with respect to, the compensation of our other executive officers;
overseeing an evaluation of our senior executives;
overseeing and administering our cash and equity incentive plans;
reviewing and making recommendations to our board of directors with respect to director compensation;
reviewing and discussing annually with management our Compensation Discussion and Analysis, which is included beginning on page 14 of this proxy statement; and
preparing the compensation committee report required by SEC rules, which is included on page 19 of this proxy statement.

The processes and procedures followed by our compensation committee in considering and determining executive and director compensation are described below under Executive and Director Compensation Processes.

The members of our compensation committee are Mr. Richard, Mr. Allbaugh and Dr. Harsanyi. Mr. Richard chairs the committee. Our compensation committee met four times during 2007.

Nominating and Corporate Governance Committee