

ANTARES PHARMA INC
Form DEFR14A
October 10, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A
(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. 1)

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-11(c) of § 240.14a-12.

Antares Pharma, Inc.

(Name of Registrant as Specified in its Charter)

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

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

ANTARES PHARMA, INC.

707 Eagleview Boulevard, Suite 414

Exton, Pennsylvania 19341

ph. (610) 458-6200

October 8, 2003

Dear Shareholder:

You are cordially invited to attend a the annual meeting of shareholders of Antares Pharma, Inc. to be held at 9:00 a.m., local time, on Friday, October 31, 2003, at the Hotel Monaco, 15 West 200 South, Salt Lake City, Utah.

The Secretary's Notice of Annual Meeting and the Proxy Statement that appear on the following pages describe the matters scheduled to come before the meeting. At the meeting, I will report on our company's performance during the past year, as well as other current items of interest to our shareholders. In addition, certain members of our board, as well as representatives of KPMG LLP, our independent auditors, will be available to answer your questions.

I hope you will join us at the annual meeting, but I know that every shareholder may not be able to do so. **Whether or not you plan to attend, please complete and return your signed proxy card as soon as possible. If you attend the meeting, you may withdraw any proxy previously given and vote your shares in person.**

On behalf of our board and our employees, thank you for your continued support of and interest in Antares Pharma, Inc.

Sincerely,

/s/ Roger G Harrison, Ph D
Roger G. Harrison, Ph.D.

Chief Executive Officer

ANTARES PHARMA, INC.

707 Eagleview Boulevard, Suite 414

Exton, Pennsylvania 19341

ph. (610) 458-6200

NOTICE IS HEREBY GIVEN of the annual meeting of shareholders of Antares Pharma, Inc., a Minnesota corporation.

Date & Time: Friday, October 31, 2003 at 9:00 a.m. local time

Place: The Hotel Monaco
15 West 200 South
Salt Lake City, Utah 84101

- Items of Business:**
1. To elect two persons to our board of directors.
 2. To amend our 2001 Incentive Stock Option Plan for Employees to increase the number of shares authorized thereunder from 600,000 to 2,000,000.
 3. To amend our 2001 Stock Option Plan for Non-Employee Directors and Consultants to increase the number of shares authorized thereunder from 200,000 to 600,000.
 4. To ratify and approve the appointment of KPMG LLP as our independent auditors for our fiscal year ending December 31, 2003.
 5. To transact other business that may properly come before the meeting.

Record Date: All shareholders of record as of the close of business on Wednesday, October 1, 2003, will be entitled to vote at the special meeting.

Your attention is directed to the enclosed proxy statement. Whether or not you intend to attend the special meeting, please complete, sign and return the proxy card in the enclosed, postage prepaid and addressed envelope.

By order of the Board of Directors,

/s/ Lawrence M Christian
Lawrence M. Christian

Secretary

October 8, 2003

PROXY STATEMENT OF

ANTARES PHARMA, INC.

707 Eagleview Boulevard, Suite 414

Exton, Pennsylvania 19341

ph. (610) 458-6200

Annual Meeting of Shareholders to be held

October 31, 2003

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Antares Pharma, Inc. to be used at our Annual Meeting of Shareholders to be held on Friday, October 31, 2003. This proxy statement is first being sent to shareholders on or about October 13, 2003. **The Board recommends that shareholders vote in favor of Items 1, 2, 3 and 4.** Each shareholder who signs and returns a proxy card in the form enclosed with this proxy statement may revoke the same at any time prior to use by giving notice of such revocation to us in writing prior to the meeting or in person at the annual meeting. Unless so revoked, the shares represented by such proxy will be voted at the annual meeting and at any adjournment thereof in the manner specified. Presence at the meeting of a shareholder who has signed a proxy does not alone revoke the proxy. If no direction is made, the proxy will be voted in favor of Items 1, 2, 3 and 4, each of which are discussed below. Only shareholders of record at the close of business on Wednesday, October 1, 2003, will be entitled to vote at the annual meeting or any adjournment thereof. As of that date, there were 19,786,296 shares of our common stock issued and outstanding.

Each item of business to be presented at the annual meeting must be approved by the affirmative vote of the holders of a majority of the shares present, in person or by proxy, and entitled to vote on that item of business. Votes cast by proxy or in person at the annual meeting will be tabulated by the election inspector appointed for the special meeting, and such inspector will determine whether a quorum is present. The election inspector will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum and in tabulating votes cast on proposals presented to shareholders for a vote, but as unvoted for purposes of determining the approval of the matter from which the shareholder abstains. Consequently, an abstention will have the same effect as a negative vote. If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to such matter.

ELECTION OF DIRECTORS

(Item 1 on proxy card)

Our Amended and Restated Bylaws provide that the number of directors that constitute our board shall be fixed from time to time by the board of directors and that directors shall be divided into three classes of as nearly equal size as possible. Our board has set the number of directors at seven. The members of each class are elected to serve a three-year term, and the terms of each class are staggered. The term of Roger G. Harrison, Ph.D. will expire at the 2003 Annual Meeting; the terms of Dr. Jacques Gonella and Thomas Garrity will expire at the 2004 Annual Meeting; and the terms of James Clark and Dr. Philippe Dro will expire at the 2005 Annual Meeting. Our board nominates the two persons named below for election as directors. **Our board recommends a vote for the election of both nominees.**

The accompanying proxy will be voted in favor of the election of the following nominees as directors, unless the shareholder giving the proxy indicates to the contrary on the proxy. All nominees have agreed to stand for election at the annual meeting. If any nominee is not available as a candidate for director at the time of the annual meeting, the proxies will be voted for another nominee designated by our board to fill such vacancy, unless the shareholder giving the proxy indicates to the contrary on the proxy.

The affirmative vote of the holders of a majority of the voting power of the outstanding shares of our common stock entitled to vote on the election of directors and present, in person or by proxy, at the annual meeting is required to elect each of the two nominees named below.

**Nominees to be elected at the 2003 Annual Meeting of Shareholders and to serve until the
2006 Annual Meeting of Shareholders**

Roger G. Harrison, Ph.D. Age 55

Dr. Harrison joined us as Chief Executive Officer and a member of our Board of Directors in March 2001. Since 1984, Dr. Harrison held various positions at Eli Lilly and Company. His most recent role there was Director of Alliance Management from May 1999 until March 2001. Other positions he held at Eli Lilly and Company include Global Product Team Leader from March 1997 to May 1999, and Director, Development Projects Management and Technology Development and Planning from September 1993 to May 1997. He is the author of twelve publications, has contributed to four books and holds nine patents. Dr. Harrison earned a Ph.D. in organic chemistry and a B.Sc. in chemistry from Leeds University in the United Kingdom and conducted postdoctoral research work at Zurich University in Switzerland.

Anton Gueth Age 46

Our board has nominated Mr. Gueth to fill the vacancy resulting from the resignation of Ubaldo Conte. Mr. Gueth's career includes nearly 19 years with Eli Lilly and Company, most recently as Director of Alliance Management. He also served as General Manager of Lilly's African and Middle Eastern operations; Vice President of Financial Planning and Treasury of PCS Health

Systems; Managing Director of Lilly's Saudi Arabia, Gulf and Yemen operations, as well as other sales, marketing and financial positions. Mr. Gueth earned a master's degree in agricultural economics from the Justus Liebig University in Giessen, Germany, as well as a master's degree in public affairs from Indiana University. Currently, Mr. Gueth is an independent consultant focusing on business development and alliance management in the pharmaceutical industry.

Directors Whose Terms Continue Until the 2004 Annual Meeting of Shareholders

Dr. Jacques Gonella Age 62

Dr. Gonella has served as the Chairman of our Board of Directors since January 2001. He is the founder of Permateg and has served as the Chairman of the Board of Directors of Permateg since its founding in June 1997. Prior to founding Permateg, Dr. Gonella founded JAGO Pharma AG in 1983 and served as its President and Chief Executive Officer until its acquisition in May 1996 by SkyePharma, a United Kingdom company listed on the London Stock Exchange. Dr. Gonella was formerly a non-executive member of the Board of Directors of SkyePharma. Prior to the founding of JAGO, Dr. Gonella occupied various positions with F. Hoffman-La Roche Ltd. and Pfizer Inc. between 1968 and 1979. Dr. Gonella currently also sits on the boards of directors of several private pharmaceutical companies and pharmaceutical investment funds. He holds a doctorate in analytical chemistry from the Polytechnic Institute of Lausanne, Switzerland.

Thomas J. Garrity Age 54

On September 30, 2003, our board appointed Mr. Garrity to, effective October 31, 2003, fill the vacancy resulting from the resignation of John Gogol. Mr. Garrity was Executive Vice President and Chief Financial Officer for PCS Health Systems, a provider of managed pharmaceutical care, from 1994 to 2000. He played a key role during its subsequent integration with Advance Paradigm, Inc. and became Executive Vice President of Financial Operations for the resultant entity, AdvancePCS, a provider of health improvement solutions. Prior to that, Mr. Garrity held various positions at Eli Lilly and Company, including Director of Public Policy and Planning and Development, Director of Financial Planning and other international, marketing and financial positions. Mr. Garrity holds an S.B. degree from the Massachusetts Institute of Technology in aeronautics and astronautics and an MBA in finance from the University of Chicago. Mr. Garrity is currently a private investor and business consultant.

Directors Whose Terms Continue Until the 2005 Annual Meeting of Shareholders

James L. Clark Age 56

Mr. Clark joined our Board of Directors in March 2001 and is Chairman of the Audit Committee and the Compensation Committee. Mr. Clark is the principal officer of Pharma Delivery Systems, which he founded in 1991. Pharma Delivery Systems is a drug delivery consultancy group that identifies and develops drug delivery technologies for use by multinational pharmaceutical companies. Holding degrees in chemistry and marketing from St. Joseph's

University in Philadelphia, Mr. Clark has held senior management positions in the areas of medical devices, wound care and drug delivery.

Dr. Philippe Dro

Age 41

Dr. Dro joined our Board of Directors in January 2001 and is a member of the Audit Committee. Dr. Dro is currently the Managing Director for Axovan Limited, a Swiss drug discovery biotechnology company. Dr. Dro served as the President and Chief Operating Officer of Permatec Pharma AG from January 2000 through October 2000. From June 1997 to January 2000, Dr. Dro was the Executive Director of Permatec Pharma AG. From March 1995 to June 1997, Dr. Dro served as Executive Director of JAGO Pharma. From 1992 to 1995, Dr. Dro held various finance and controller positions at Sandoz Corporation in Basel, Switzerland. From 1989 to 1992, Dr. Dro held various positions in the production and development area at Ethypharm Corporation in France and India. He received a doctorate in pharmacy from the School of Pharmacy of the University of Grenoble, France and holds an MBA from the Cranfield School of Management in the United Kingdom.

Due to the resignation of Franklin Pass on October 8, 2003, we also have a vacant seat on our board of directors. Our current board of directors is evaluating candidates to fill this vacancy, and we expect to appoint an individual to fill the vacancy in the next several months. When appointed, this director will serve in the same class as Mr. Clark and Dr. Dro until his or her successor is elected at the 2005 annual meeting.

Meetings and Committees of our Board

Our Board of Directors met four times during 2002 and acted by written action six times during the same time period. Our Board of Directors has an Audit Committee and a Compensation Committee.

The Audit Committee consisted of Mr. Evenstad, Dr. Dro and Mr. Rejeange until Mr. Evenstad resigned from the board on August 19, 2002, at which time Mr. Clark became a member. Mr. Rejeange resigned on March 25, 2003, and he has not been replaced on the Audit Committee. The Audit Committee met three times during 2002. The Audit Committee reviews the results and scope of the audit and other services provided by our independent auditors, as well as our accounting principles and systems of internal controls, and reports the results of its review to or holds concurrent meetings with the full Board of Directors.

The Options Committee was formed on March 14, 2002 and consisted of Mr. Clark and Mr. Evanstad (until his resignation on August 19, 2002). The Options Committee did not hold any meetings during 2002.

The Compensation Committee, consisting of Mr. Clark, Dr. Harrison and Dr. Thomas Rinderknecht (until his resignation from the board on December 13, 2002), met informally during 2002 with compensation actions being considered by the full Board. The Compensation Committee makes recommendations concerning executive salaries and incentive compensation for employees and administers the 1993 Stock Option Plan. Our Board of Directors as a whole administers our 1996 Incentive and Stock Option Plan, our 2001 Incentive Stock Option Plan for Employees, our 1998 Stock Option Plan for Non-Employee Directors and our 2001 Stock Option Plan for Non-Employee Directors and Consultants.

During 2002, each of the directors attended at least 75% of the aggregate number of meetings of the Board of Directors and of the committees on which he serves, with the exception of Messrs. Evanstad, Clark, Conte and Rejeange. Mr. Evanstad did not attend any of the meetings of the Board of Directors held during the year due to his commitments with other business interests. He resigned from the board on August 19, 2002. Messrs. Clark, Conte and Rejeange each attended 50% of the meetings during 2002, and Messrs. Conte and Rejeange resigned from the board on February 19, 2003 and March 25, 2003, respectively.

Our Board does not have a standing nominating committee.

Compensation of Directors

We have not in the past paid directors' fees. All directors are reimbursed for expenses actually incurred in attending meetings of the Board of Directors and its committees. In the past, the Board of Directors made annual discretionary grants of options to purchase shares of our common stock under certain of our option plans to certain members of the Board of Directors. The size of these grants has varied from year to year. On September 17, 2002, our Board of Directors approved a new non-employee director compensation plan. Under this plan, each director receives an initial grant of 15,000 restricted shares of common stock on the day he or she is first appointed or elected to the Board of Directors. The plan further provides for the automatic grant of the following options to purchase our common stock each year:

- an option to purchase 5,000 shares to the Chairman of the Board;
- an option to purchase 15,000 shares to each director;
- an option to purchase 2,000 shares to the Chair of the Audit Committee;
- an option to purchase 1,000 shares to each member of a committee of the board;
- an option to purchase 2,000 shares to each director for each meeting of the board attended in person;
- an option to purchase 1,000 shares to each member of the Audit Committee for each meeting of such committee attended in person;
- an option to purchase 500 shares for each telephonic meeting of the board attended; and
- an option to purchase 500 shares for each telephonic meeting of the Audit Committee attended.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee was, during the 2002 fiscal year or previously, an officer or employee of the Company, nor did any member have any relationship or transaction with us which is required to be reported under Item 402(k) or Regulation S-K under the Securities Exchange Act of 1934, as amended, except for Dr. Rinderknecht. Up until his resignation from our board on December 13, 2002, Dr. Rinderknecht served as a member of our Compensation Committee and his law firm, Rinderknecht, Klein & Stadelhofer, of which he is a principle, also served as legal adviser on various matters. We recognized expenses of \$37,348 for services provided by Rinderknecht, Klein & Stadelhofer in 2002.

REPORT ON EXECUTIVE COMPENSATION

Overview

The Compensation Committee is responsible for establishing compensation policies for all of our executive officers, including the four most highly compensated executive officers named in the accompanying tables (the Named Executives Officers). The members of the Compensation Committee are James Clark, Roger Harrison and Dr. Thomas Rinderknecht (until his resignation from our board on December 13, 2002). The Compensation Committee establishes the total compensation for the executive officers in light of these policies.

The objectives of our executive compensation program include the following:

1. to attract and retain superior talent and reward individual performance;
2. to support the achievement of our financial and strategic goals; and
3. through stock based compensation, to align the executive officers' interests with those of our shareholders.

The following report addresses our executive compensation policies and discusses factors considered by the Compensation Committee in determining the compensation of our Chief Executive Officer and President and other executive officers for the year ended December 31, 2002.

Compensation Policies for Executive Officers

The Compensation Committee's executive compensation policies are designed to provide competitive levels of compensation that integrate pay with our annual and long-term performance goals, reward above average corporate performance, recognize individual initiative and achievements, and assist us in attracting and retaining qualified executives. To that end, the Compensation Committee has established certain parameters of corporate performance that must be met before the discretionary features of its executive compensation plans apply. These

discretionary features include stock option grants and performance bonuses based upon an executive officer's base salary.

Absent the discretionary features, our executive officers are paid base salaries that are subject to annual cost-of-living increases, along with periodic adjustments to make such salaries competitive with other similar sized companies in the drug delivery industry. Our executive officers are also given the opportunity to participate in certain other broad-based employee benefit plans. As a result of our emphasis on tying executive compensation to corporate performance, in any particular year our executives may be paid more or less than the executives of other companies in the drug delivery industry. Our use of stock option grants as a key component of its executive compensation plans reflects the Compensation Committee's position that stock ownership by management and stock based compensation arrangements are beneficial in aligning management's and shareholders' interests to enhance shareholder value.

Bonuses

Cash bonuses are used to reward executive officers for achievement of financial and technical milestones, as well as for individual performance. No bonuses were awarded during 2002.

Stock Options

Stock options awarded under our 1993, 1996 and 2001 Plans are intended as incentive compensation and have historically been granted annually to officers, other key employees and consultants based on our financial performance and achievement of technical and regulatory milestones. During 1999, stock options to purchase a total of 24,115 shares held by the five outside directors were canceled and reissued at an exercise price of \$3.50 per share. Also, on January 3, 2000, options to purchase a total of 31,829 shares held by the five outside directors, options to purchase a total of 160,924 shares held by three executive officers and options to purchase a total of 86,200 shares held by 37 employees were canceled and reissued at an exercise price of \$1.5625 per share. The 1999 annual stock option grant totaling 50,000 and 26,200 shares, with a grant date of January 3, 2000, were granted to three executive officers and 37 employees, respectively. The 2000 annual stock option grant totaling 160,000 and 90,000 shares with a grant date of March 22, 2001, were granted to 5 executive officers and 40 employees, respectively and the 2001 annual stock option grant totaling 35,625 and 52,052 shares with a grant date of February 1, 2002, were granted to four executive officers and 52 employees, respectively. All grants are made to provide ongoing incentives to our consultants, outside directors and employees.

On September 17, 2003, to acknowledge past service by our employees and in an effort to retain such employees, our Board of Directors granted to several employees stock options exercisable for an aggregate of 1,146,500 shares of our common stock. Options exercisable for an aggregate of 375,000 shares were granted to three executive officers, and options exercisable for 821,500 shares were granted to 28 employees. This grant of options was made contingent upon receiving shareholder approval to increase the number of shares authorized under our 2001 Incentive Stock Option Plan for Employees (see discussion of Item 2 below).

Chief Executive Officer's Compensation

Compensation for Dr. Roger Harrison during 2002, as reflected in the Summary Compensation Table below, consisted of base compensation and certain employee benefits. Dr. Harrison's base compensation for 2002 was \$275,000.

At this time the Committee has no formal long-range written plan for CEO compensation separate and apart from his employment agreement, which is discussed below.

James Clark

Roger Harrison

Members of the Compensation Committee

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Employment Agreements with Executive Officers

We have written employment agreements with Dr. Roger G. Harrison, Franklin Pass, M.D., Lawrence Christian, Dr. Dario Carrara and Dr. Peter Sadowski.

Employment Agreement with Dr. Harrison. Roger G. Harrison, Ph.D., was appointed to the position of Chief Executive Officer of Antares Pharma, Inc., effective March 12, 2001. The terms of the employment agreement with Dr. Harrison include an annual salary of \$275,000 and up to 216,000 restricted shares of common stock that may be granted after the achievement of certain time-based and performance-based milestones. As of the record date, Dr. Harrison had been granted 88,000 of these restricted shares, and is eligible to earn an additional 80,000 shares. The remaining 48,000 shares will not be issued because the time for achievement of milestones related to such shares has passed.

Employment Agreement with Franklin Pass, M.D. The employment agreement with Franklin Pass, M.D. became effective as of January 31, 2001. The agreement provides for (a) employment for three years, unless earlier terminated in accordance with the agreement; (b) a salary of \$228,000 per year; (c) bonuses of (i) \$25,000 which was paid at the 2001 closing of our transaction with Permatec and (ii) \$25,000 which was paid at the 2001 closing of our transaction with Permatec due to his being successful (as determined by Dr. Jacques Gonella) in negotiating revisions to a certain licensing agreement; and (d) an option to purchase 30,000 shares of common stock with vesting over a three-year period at 33.3% per year. In addition to the normal employee benefits, we will pay directly, or reimburse Franklin Pass, M.D., for premiums on \$2,000,000 additional personal life insurance, on the life of Franklin Pass, M.D., limited to a maximum of \$25,000 per year. We also agree to provide payments of \$50,000 per year, payable quarterly, for a period of three years following Franklin Pass, M.D.'s termination of employment.

Employment Agreements with Lawrence Christian and Dr. Peter Sadowski. Mr. Christian and Dr. Sadowski entered into employment agreements with us as of December 22, 1999, with updated agreements as of May 1, 2000. The employment agreements provided for

2000 base salaries of \$102,000 for Mr. Christian until May 1, 2000, and \$124,000 thereafter and \$135,820 for Dr. Sadowski. Salaries have subsequently been adjusted to \$145,600 for Mr. Christian and \$156,000 for Dr. Sadowski. Upon the 2001 closing of our transaction with Permatec, we paid each of Mr. Christian and Dr. Sadowski a bonus of \$17,000. Upon the 2001 closing of our transaction with Permatec, we granted an option to purchase 20,000 shares of Antares Pharma common stock to Mr. Christian and 50,000 shares of Antares Pharma common stock to Dr. Sadowski. The employment agreements also contain provisions regarding participation in benefit plans, repayment of expenses, participation as a director or consultant to other companies (which is permitted provided that such participation does not materially detract from their respective obligations to us or otherwise violate the terms of their employment agreements), protection of confidential information and ownership of intellectual property. In addition, the employment agreements contain covenants not to compete and covenants with respect to nonsolicitation and noninterference with customers, suppliers or employees. Mr. Christian's agreement is for 365 days continuing each day on a rolling 365-day basis. Dr. Sadowski's agreement had a term through December 31, 2002, and he is currently continuing employment without a contract.

Employment Agreement with Dr. Dario Carrara. Dr. Carrara entered into an employment agreement with Permatec on May 31, 2000. The Company assumed all employment obligations of Permatec upon the 2001 closing of our transaction with Permatec as of January 31, 2001. Dr. Carrara is a citizen of Argentina and, accordingly, is considered a foreign service employee for Swiss employment purposes. The Employment Agreement provides for a 2000 base salary of \$102,415, bonuses at the discretion of the board of directors, participation in stock option programs as may be available, an expense account allowance of \$482 per month, two family trips per year to his home country, private school cost for his children up to \$15,062 per year, family housing cost in Switzerland up to \$21,689 per year and family local language lessons up to \$6,025 during the first twelve months. Dr. Carrara's salary was subsequently adjusted to 222,000 Swiss Francs, or approximately \$160,000 using the exchange rate at December 31, 2002 of 1.3833. The agreement is for an indeterminate period of time and either party may terminate the agreement by providing written notice three months in advance of termination.

Other Related Transactions

Effective February 1, 2001, we entered into a consulting agreement with JG Consulting AG, a company owned by our majority shareholder, Dr. Jacques Gonella. In 2002 we recognized expense of \$186,000 in connection with this agreement, and had liabilities to JG Consulting AG at December 31, 2002 of \$46,500.

During 2002 we recognized expense of \$100,612 for consulting services provided by John Gogol, one of our board members. We had payables to Mr. Gogol at December 31, 2002 of \$22,211.

During 2002 we recognized expense of \$37,348 for legal services provided by Rinderknecht Klein and Stadelhofer, and had a payable to this firm of \$32,681 at December 31,

2002. Dr. Thomas Rinderknecht, one of our board members until his resignation on December 13, 2002, is a partner in the firm of Rinderknecht Klein and Stadelhofer.

We received \$1,000,000 on March 12, 2002 and \$1,000,000 on April 24, 2002 from our majority shareholder, Dr. Jacques Gonella, under a Term Note agreement dated February 20, 2002. The Term Note agreement allowed for total advances to us of \$2,000,000 and was interest bearing at the three-month Euribor Rate as of the date of each advance, plus 5%. The principal of \$2,000,000 and accrued interest of \$36,550 was converted into 509,137 shares of common stock on June 10, 2002 at \$4.00 per share.

In addition, we borrowed from Dr. Gonella \$300,000, \$200,000 and \$200,000 in July, September and December of 2002, respectively. From March 28, 2003 to June 30, 2003, we borrowed an aggregate of \$1,600,000 from Dr. Gonella. All of the loans accrued interest at the three-month Euribor Rate as of the date of the advance, plus 5%. On September 12, 2003, Dr. Gonella converted \$2,300,000 aggregate principal amount of debt owed to him, together with \$98,636 in accrued interest, into 2,398,635 shares of our common stock, at a price of \$1.00 per share (the same price at which we issued 4,000,000 shares of our common stock in private placements in July 2003). As further consideration for Dr. Gonella's agreement to convert his debt, we issued to Dr. Gonella a five-year warrant to purchase 1,798,976 shares of our common stock at an exercise price of \$1.25 per share. In connection with Dr. Gonella's initial loans to us, we had previously issued him warrants to purchase an aggregate of 2,400,000 shares of our common stock at an exercise price of (\$0.55) per share. These warrants expire in 2008.

In connection with two separate Purchase Agreements dated July 7, 2003 and July 17, 2003, we sold to several investors 4,000,000 shares of our common stock at a price of \$1.00 per share, along with warrants to purchase 3,000,000 shares of our common stock at an exercise price of \$1.25 per share. As a result of these private placements, Xmark Fund, L.P., Xmark Fund, Ltd., SDS Merchant Fund, L.P., North Sound Legacy Fund LLC, North Sound Legacy Institutional Fund LLC and North Sound Legacy International, Ltd. (either alone or in combination with each such entity's affiliates) became beneficial owners of five percent or more of the outstanding shares of our common stock. Additionally, on September 12, 2003, the Xmark Funds and SDS exchanged their 8% debentures we issued to them in January 2003 for 243,749 shares of our Series D Convertible Preferred Stock. As of October 1, 2003, each share of Series D stock is convertible into ten shares of our common stock, or 2,437,490 shares. As a result, the Series D stock is convertible into the same number of shares as were the debentures prior to their exchange. The Xmark Funds and SDS also terminated the security interest they held in our assets. As consideration for this lien release, we adjusted the exercise price on warrants we issued to them on January 31, 2003 from \$0.55 per share to \$0.40 per share. These warrants are exercisable for an aggregate of 2,932,500 shares of our common stock and expire in 2008.

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

The following table sets forth certain information concerning beneficial ownership of our common stock as of September 30, 2003, with respect to (i) all persons known to be the beneficial owners of more than 5% of the outstanding shares of such stock, (ii) each of our directors, (iii) each of our executive officers, and (iv) all directors and executive officers as a group.

<u>Name of Beneficial Owner</u>	<u>Shares Beneficially Owned⁽¹⁾</u>	<u>Percentage of Outstanding Shares</u>	<u>Outstanding Options & Warrants⁽²⁾</u>
Dr. Jacques Gonella ⁽³⁾⁽⁴⁾	3,364,886	35.1%	4,223,976
Permatec Holding AG ⁽³⁾⁽⁵⁾	2,900,000	12.8%	
Franklin Pass, M. D. ⁽⁴⁾	211,410	1.1%	191,285
Dr. Roger Harrison ⁽⁴⁾	105,406	*	5,625
James Clark ⁽⁴⁾	22,000	*	25,000
Dr. Philippe Dro ⁽⁴⁾	52,500	*	52,500
Lawrence Christian ⁽⁴⁾	112,625	1.0%	183,500
Dr. Dario Carrara ⁽⁴⁾	83,925	*	192,500
Dr. Peter Sadowski ⁽⁴⁾	125,632	1.0%	230,907
All directors and executive officers as a group (11 persons) ⁽³⁾	13,615,995	66.7%	5,074,668
Xmark Funds ⁽⁶⁾	6,401,609	24.4%	3,000,000
SDS Merchant Fund, L.P. ⁽⁷⁾	3,418,377	14.7%	1,432,500
North Sound Legacy Funds ⁽⁸⁾	1,750,000	8.1%	750,000

* Less than 1%.

- (1) Beneficial ownership is determined in accordance with rules of the Securities and Exchange Commission, and includes generally voting power and/or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or exercisable within 60 days of September 30, 2003, are deemed outstanding for computing the percentage of the person holding such options or warrants but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, we believe that the persons named in this table, based on information provided by such persons, have sole voting and investment power with respect to the shares of common stock indicated.
- (2) Shares of our common stock issuable upon the exercise of outstanding options and warrants.
- (3) Dr. Gonella owns a controlling interest in Permatec Holding AG and, therefore, exercises voting and investment control for the entity.
- (4) The director s or officer s address is 707 Eagleview Boulevard, Suite 414, Exton, PA 19341.
- (5) The address of Permatec Holding AG is Hauptstrasse 16, 4132 Muttenz, Switzerland.
- (6) The address of the Xmark Funds is 152 West 57th Street, 21st Floor, New York, NY 10022. The number of shares beneficially owned by the Xmark Funds include shares owned by Xmark Fund, L.P. and by Xmark Fund, Ltd. and includes shares issuable to those entities upon exercise of warrants and conversion of our Series D Convertible Preferred Stock. The warrants are exercisable, and the Series D stock is convertible, by any holder only to the extent that the number of shares of common stock issuable pursuant to such securities, together with the number of shares of common stock owned by such holder and its affiliates (but not including shares of common stock underlying unexercised shares of warrants or unconverted shares of Series D stock) would not exceed 9.99% of the then outstanding common stock as determined in accordance with Section 13(d) of the Exchange Act. Each holder may, upon providing us with 61 days written notice, waive

- this 9.99% cap on exercises or conversions. The number of shares listed for the Xmark Funds does not take into account this issuance limitation.
- (7) The address of SDS Merchant Fund, L.P. is 53 Forest Avenue, Second Floor, Old Greenwich, CT 06870. The number of shares beneficially owned by SDS includes shares issuable to it upon exercise of warrants and conversion of our Series D Convertible Preferred Stock. The warrants are exercisable, and the Series D stock is convertible, by any holder only to the extent that the number of shares of common stock issuable pursuant to such securities, together with the number of shares of common stock owned by such holder and its affiliates (but not including shares of common stock underlying unexercised shares of warrants or unconverted shares of Series D stock) would not exceed 9.99% of the then outstanding common stock as determined in accordance with Section 13(d) of the Exchange Act. Each holder may, upon providing us with 61 days written notice, waive this 9.99% cap on exercises or conversions. The number of shares listed for SDS does not take into account this issuance limitation.
- (8) The address of the North Sound Legacy Funds is 53 Forest Avenue, Second Floor, Old Greenwich, CT 06870. The number of shares beneficially owned by the North Sound Legacy Funds include shares owned by North Sound Legacy Fund LLC, North Sound Legacy Institutional Fund LLC and North Sound Legacy International, Ltd. and includes shares issuable to the North Sound funds upon exercise of warrants. The warrants are exercisable by any holder only to the extent that the number of shares of common stock issuable pursuant to the warrants, together with the number of shares of common stock owned by such holder and its affiliates (but not including shares of common stock underlying unexercised shares of warrants) would not exceed 9.99% of the then outstanding common stock as determined in accordance with Section 13(d) of the Exchange Act. Each holder may, upon providing us with 61 days written notice, waive this 9.99% cap on exercises or conversions. The number of shares listed for the North Sound funds does not take into account this issuance limitation.

Change of Control

On January 30, 2001, we completed a transaction whereby our predecessor, Mediject Corporation, merged with Permateg AG, and our name was changed to Antares Pharma, Inc. Upon completion of that transaction, Jacques Gonella, the principal owner of Permateg, became the beneficial owner of approximately 67% of the outstanding shares of our common stock. As a result, since that time, Dr. Gonella has been able to control generally the direction of our company, and has held the controlling vote in all matters submitted for a vote to our shareholders. Following the completion of two private placements of our common stock in July 2003 and the exchange by certain investors of our debentures for shares of our Series D Convertible Preferred Stock (which is convertible into common stock), Dr. Gonella no longer beneficially owns a majority of our common stock. As of the record date, he owned approximately 44% of our common stock. In the two private placements, we sold an aggregate of 4,000,000 shares of our common stock and warrants to purchase 3,000,000 shares of our common stock to several investors. Three of those investors, Xmark Funds, LP, XMark Funds, Ltd. and SDS Merchant Fund LP, also own shares of our Series D Convertible Preferred Stock, which is convertible into shares of our common stock. These investors also own additional warrants exercisable for our common stock. The warrants are exercisable, and the Series D stock is convertible, by any holder only to the extent that the number of shares of common stock issuable pursuant to such securities, together with the number of shares of common stock owned by such holder and its affiliates (but not including shares of common stock underlying unexercised shares of warrants or unconverted shares of Series D stock) would not exceed 9.99% of the then outstanding common stock as determined in accordance with Section 13(d) of the Exchange Act. Each holder may, upon providing us with 61 days written notice, waive this 9.99% cap on exercises or conversions. Without taking this issuance limitation into account, if the Xmark funds and SDS Merchant Fund converted all of their Series D stock and exercised all

of their warrants, they would own approximately 37% of our common stock. At present no single shareholder or group of shareholders owns in excess of 50% of our common stock.

EXECUTIVE COMPENSATION

Summary of Cash and Certain Other Compensation

The following table provides certain summary information concerning compensation paid or accrued by us (or Medi-Ject, our predecessor, prior to January 31, 2001) to or on behalf of the Chief Executive Officer and the four other most highly compensated executive officers (the Named Executive Officers) as of the year ended December 31, 2002, for services in all capacities as well as compensation earned by such person for the previous two fiscal years (if the person was an executive officer during any part of such fiscal year):

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation	
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)(1)	Stock Options (#)	Restricted Stock (\$)
Dr. Roger Harrison, Chief Executive Officer and President	2002	275,000		18,000	5,625	155,000
	2001	221,939(2)		14,250		186,000
Franklin Pass, M.D., Former Chairman, Chief Executive Officer and President	2002	228,000		23,336	7,500	
	2001	228,000(3)	50,000	23,336	30,000	
	2000	228,300	12,000	39,798	10,000	
Lawrence Christian, Chief Financial Officer, Secretary, and Vice President, Finance	2002	145,600			7,500	
	2001	140,655	17,000		20,000	
	2000	114,833	12,000		10,000	
Dr. Dario Carrara, Managing Director-Formulations Group	2002	160,500		100,100	7,500	
	2001(4)(6)	123,456	9,037	57,157	60,000	
Dr. Peter Sadowski, Chief Technology Officer and Vice President, Devices Group	2002	156,000		5,400	7,500	
	2001	150,000	17,000	5,400	50,000	
	2000	135,820	12,000		30,000	
Carlos Samayoa Assistant Secretary, Manager Finance and Administration - Formulations Group	2001(5)(6)	60,374	9,037		30,000	

(1) Represents auto allowance payments and premiums paid for disability and life insurance policies with coverage limits in excess of those provided under our standard employee insurance policies.

(2)