

UNITED THERAPEUTICS CORP
Form DEF 14A
March 07, 2008

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

United Therapeutics Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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(1) Amount Previously Paid:

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(4) Date Filed:

**1110 Spring Street
Silver Spring, MD 20910**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders of United Therapeutics Corporation will be held at our headquarters, 1110 Spring Street, Silver Spring, Maryland 20910, on Tuesday, April 29, 2008, at 9:00 a.m. Eastern Daylight Savings Time for the following purposes:

1. Election of three Class III directors for terms expiring at the 2011 annual meeting of shareholders. Our Board of Directors has nominated the following persons for election as Class III directors at the meeting: Raymond Dwek, Roger Jeffs and Christopher Patuskus;
2. Approval of the 2008 United Therapeutics Corporation Equity Incentive Plan;
3. Ratification of the appointment of Ernst & Young LLP as United Therapeutics Corporation's independent registered public accounting firm for 2008; and
4. To consider and act upon such other business as may properly come before the annual meeting.

Only shareholders of record at the close of business on March 7, 2008, are entitled to notice of, and to vote at, the meeting.

Important Notice Regarding the Internet Availability of Proxy Materials for United Therapeutics Corporation's 2008 Annual Meeting of Shareholders:

United Therapeutics Corporation's Proxy Statement, Annual Report, Form 10-K and other proxy materials are available at: <http://ir.unither.com/annualProxy.cfm>

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, YOU ARE REQUESTED TO FILL IN, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING PRE-PAID ENVELOPE AS PROMPTLY AS POSSIBLE TO ENSURE THAT YOUR SHARES ARE REPRESENTED AT THE MEETING.

ALL SHAREHOLDERS ARE EXTENDED A CORDIAL INVITATION TO ATTEND THIS MEETING.

By Order of the Board of Directors,

Paul A. Mahon
Secretary

March 7, 2008
Silver Spring, Maryland

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TABLE OF CONTENTS

	PAGE
INFORMATION ABOUT THE MEETING, VOTING AND PROXIES	3
General	3
Record Date	3
Solicitation	3
Quorum and Voting Rights	3
Proxy	3
Voting Requirements	4
CORPORATE GOVERNANCE, BOARD OF DIRECTORS, COMMITTEES	4
Lead Director	4
Shareholder Communications with Directors	5
Committees of the Board of Directors	5
Director Independence	8
Director Nominations	8
Meetings of our Board of Directors	9
Non-Employee Director Compensation	9
Related Party Transactions Policy	11
Certain Relationships and Related Party Transactions	11
BENEFICIAL OWNERSHIP OF COMMON STOCK	13
PROPOSAL No. 1: Election of Directors	15
PROPOSAL No. 2: Approval of the United Therapeutics Corporation 2008 Equity Incentive Plan	18
Summary of our 2008 Plan	19
PROPOSAL No. 3: Ratification of the appointment of Ernst & Young LLP as United Therapeutics' Corporation's independent registered public accounting firm for 2008	24
EXECUTIVE COMPENSATION	25
Compensation Discussion and Analysis	25
Compensation Committee Report	41
Summary Compensation Table	42
Grants of Plan-Based Awards	44
Outstanding Equity Awards at 2007 Year End	46
Stock Options Exercised and Stock Vested	47
Pension Benefits for 2007	47
Potential Payments upon Termination or Change in Control	50
REPORT OF THE AUDIT COMMITTEE AND INFORMATION ON OUR INDEPENDENT AUDITORS	54
Report of the Audit Committee	54
Principal Accountant Fees and Services	55
Policy on Audit Committee Pre-Approval of Audit Services and Permissible Non-Audit Services of our Independent Auditor	55
OTHER MATTERS	56
Section 16(a) Beneficial Ownership Reporting Compliance	56
Shareholder Proposals	56
Director Nominations	56
Annual Report	57
Code of Conduct and Ethics	57
Other Matters	57

i

UNITED THERAPEUTICS CORPORATION

**1110 Spring Street
Silver Spring, MD 20910**

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

INFORMATION ABOUT THE MEETING, VOTING AND PROXIES

GENERAL

This proxy statement and enclosed proxy card are furnished on or about March 7, 2008, to shareholders of United Therapeutics Corporation in connection with the solicitation by our Board of Directors of proxies to be voted at our 2008 annual meeting of shareholders. Our annual meeting will be held on Tuesday, April 29, 2008, beginning at 9:00 a.m. Eastern Daylight Savings Time at our corporate headquarters, located at 1110 Spring Street, Silver Spring, Maryland 20910.

RECORD DATE AND OUTSTANDING SHARES

At the close of business on March 7, 2008 (the "Record Date"), there were 22,365,534 shares of our common stock outstanding and entitled to vote at our annual meeting. Only shareholders of record at the close of business on the Record Date will be entitled to vote, either in person or by proxy, at our annual meeting, and each share will have one vote.

SOLICITATION

Proxies are being solicited by our Board of Directors. We will bear the cost of soliciting proxies. We have retained Mellon Investor Services LLC to aid in the solicitation. For these services, we will pay Mellon a fee of \$5,500 and reimburse them for certain out-of-pocket expenses. Our officers and employees may solicit proxies in person or by telephone, fax, email or regular mail, and they will receive no additional compensation for such work. Copies of solicitation materials may be furnished to brokers, custodians, nominees and other fiduciaries for forwarding to beneficial owners of shares of our common stock, and normal handling charges may be paid for such forwarding service.

VOTING RIGHTS AND QUORUM

Shares can be voted only if the shareholder is present in person or by proxy. Whether or not a shareholder plans to attend our annual meeting in person, he or she is encouraged to sign and return the enclosed proxy card. Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to the Secretary of United Therapeutics Corporation at 1110 Spring Street, Silver Spring, Maryland 20910, a written notice of revocation or a fully executed proxy bearing a later date, or by attending the meeting and voting in person. The representation in person or by proxy of at least a majority of the outstanding shares entitled to vote is necessary to provide a quorum at the meeting.

Abstentions, "broker non-votes" (i.e., shares held by brokers or nominees that are represented at the meeting but with respect to which they have no discretionary power to vote on a particular matter and have received no instructions from the beneficial owners thereof or persons entitled to vote thereon) and proxies that are marked "without authority" with respect to the election of any one or more nominees for election as directors will be counted as present in determining whether the quorum requirement is satisfied.

PROXY

If the enclosed proxy card is properly executed and returned prior to the meeting, the shares represented by the proxy card will be voted in accordance with the shareholder's directions, or, if no

directions are indicated, the shares will be voted in accordance with the recommendation of our Board of Directors as specified in this proxy statement. The shareholder giving the proxy has the power to revoke the proxy at any time before it is exercised by delivering to the Secretary of United Therapeutics Corporation at the above address either a written notice of revocation or a duly executed proxy bearing a later date. If a shareholder decides to attend the annual meeting and wishes to change his or her proxy vote, the shareholder may do so by voting in person at the meeting.

Unless otherwise instructed on the proxy, it is the intention of the persons named in the proxy to vote the shares represented by each properly executed proxy for the election of the three persons named as nominees. If the proxy card is signed and returned without any direction given, shares of stock represented by the proxy will be voted FOR the election of the three director nominees named on the proxy card; FOR the approval of the 2008 Equity Incentive Plan; and FOR ratification of the appointment of Ernst & Young LLP as United Therapeutics Corporation's independent registered public accounting firm for 2008.

Each of our director nominees has consented to be named herein and to continue to serve on our Board of Directors, if elected. It is not anticipated that any nominee will become unable or unwilling to accept his or her nomination or election. If such an event should occur, the persons named in the proxy intend to vote for the election of, in such nominee's stead, such other person as is recommended to our Board of Directors by our Board of Directors' Nominating and Governance Committee.

VOTING REQUIREMENTS

Proposal No. 1: Election of Directors

Directors are elected by a plurality of the affirmative votes cast at our annual meeting. "Plurality" means that the nominees up to the maximum number of directors to be elected at our annual meeting who receive the largest number of votes cast are elected as directors. Consequently, any shares represented at our annual meeting but not voted for any reason have no impact on the election of directors. Cumulative voting is not permitted in the election of directors.

Proxies may not be voted for a greater number of persons than the number of nominees named. Proxies representing shares held as of the Record Date that are returned duly executed will be voted, unless otherwise specified, in favor of these three nominees for our Board of Directors.

Proposal No. 2: Approval of the 2008 United Therapeutics Corporation Equity Incentive Plan

The affirmative vote of the holders of a majority of the shares of common stock present, in person or by proxy, and entitled to vote at our annual meeting of shareholders is required to approve our 2008 Equity Incentive Plan.

Proposal No. 3: Ratification of the Appointment of Ernst & Young LLP as United Therapeutics Corporation's Independent Registered Public Accounting Firm for 2008

The affirmative vote of the holders of a majority of the shares of common stock present, in person or by proxy, and entitled to vote at our annual meeting of shareholders is required for ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2008.

CORPORATE GOVERNANCE, BOARD OF DIRECTORS, COMMITTEES

Lead Director

Professor Christopher Patusky, one of our independent directors, serves as our Lead Director and as the Chairman of our Nominating and Governance Committee. Our Nominating and Governance Committee charter requires that the Nominating and Governance Committee Chairman convene and

preside over regular meetings of our independent directors. When serving in such a capacity, the Chairman is also referred to as the Lead Director of our Board of Directors. The Lead Director organizes and chairs periodic meetings of our independent directors, where company business can be discussed outside the presence of the non-independent directors and members of management. The Lead Director also serves as the official liaison between our independent directors and members of management.

Shareholder Communication with Directors

We do not have a formal process by which shareholders may communicate directly with our Board of Directors. Instead, shareholders are encouraged to address any director communications to our Secretary by overnight mail, signature acceptance required, at: United Therapeutics Corporation, Attention: Secretary, 1110 Spring Street, Silver Spring, Maryland 20910. The Secretary will process and direct the communication to the appropriate director, officer or employee for response. Shareholders will receive a written acknowledgement from the Secretary upon receipt of such written communication. Shareholders have the option of reporting concerns anonymously and confidentially.

Committees of our Board of Directors

Our Board of Directors has established an Audit Committee, a Compensation Committee, and a Nominating and Governance Committee. Our Board of Directors has determined that all members of these committees meet the definition of "independence" set forth in Rule 4200(a)(15) of the NASDAQ Stock Market, Inc. (NASDAQ) listing standards. In addition, our Board of Directors has determined that the Audit Committee members meet the independence standards set forth in Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended.

The charter for each committee may be accessed electronically in the "Corporate Governance" section of the "About" page of our website located at <http://www.unither.com>, or by writing to us at: United Therapeutics Corporation, Attention: Secretary, 1110 Spring Street, Silver Spring, Maryland 20910.

Audit Committee

Members: R. Paul Gray (Chair), Christopher Causey, M.B.A., and Christopher Patusky, J.D., M.G.A.

The Audit Committee of our Board of Directors held seven meetings during 2007. The Audit Committee's responsibilities include: (a) representing and assisting our Board of Directors in its oversight responsibilities regarding our accounting and financial reporting processes, the audits of our financial statements, including the integrity of our financial statements, and our independent registered public accounting firm's qualifications and independence; (b) preparing the report required by the Securities and Exchange Commission for inclusion in our annual proxy statement; (c) retaining and terminating our independent auditors; (d) approving in advance all audit and non-audit services to be performed by our independent auditors; (e) approving related person transactions; and (f) performing such other functions as our Board of Directors may from time to time assign to the Audit Committee.

Audit Committee Financial Expert. Our Board of Directors has determined that R. Paul Gray, the Audit Committee Chairman, is an "audit committee financial expert" as defined in the rules and regulations of the Securities and Exchange Commission. All of the members of the Committee meet the financial sophistication requirements of the NASDAQ listing standards.

Compensation Committee

Members: Christopher Causey, M.B.A. (Chair), R. Paul Gray, and Louis Sullivan, M.D.

The Compensation Committee oversees our compensation plans and policies, semi-annually reviews and approves all decisions concerning compensation for our Named Executive Officers (which, for 2007, included our Chief Executive Officer, our Chief Financial Officer, our President and Chief Operating Officer, and our Executive Vice President, Strategic Planning and General Counsel) and administers our stock option plans, including reviewing and approving stock option grants to our Named Executive Officers and employees. The Compensation Committee's specific responsibilities include: (a) assisting our Board in putting in place a proper system for long-term and short-term compensation to provide performance-oriented incentives to attract and retain management, and ensuring that compensation plans are appropriate and competitive and properly reflect the objectives and performance of management and the Company; (b) assisting our Board in discharging its responsibilities relating to compensation of our Named Executive Officers; (c) evaluating our Chief Executive Officer and setting her remuneration package; (d) making recommendations to our Board with respect to incentive-compensation plans and equity-based plans; and (e) performing such other functions as our Board may from time to time assign to the Compensation Committee. As part of its responsibilities, the Compensation Committee administers our 1997 Equity Incentive Plan, as amended and restated (the 1997 Equity Incentive Plan), and will administer our proposed 2008 Equity Incentive Plan if it is approved by our shareholders at our annual meeting. The Compensation Committee's Charter, which is periodically reviewed and revised by the Committee and our Board of Directors, outlines the Committee's specific responsibilities. The Charter for the Compensation Committee may be accessed electronically in the "Corporate Governance" section of the "About" page of our website located at <http://www.unither.com>.

The Compensation Committee held nine meetings during 2007. In addition to its other meetings, the Compensation Committee meets twice each year to determine the cash and equity incentive bonus compensation for our Named Executive Officers, which is awarded every six months. The Compensation Committee also holds a meeting at the beginning of each year to determine base salaries and maximum cash and equity incentive bonus opportunity targets for our Named Executive Officers for the following year, which become effective in April of each year. The Committee acts by unanimous consent resolutions between meetings. For additional information regarding the processes and procedures used by the Compensation Committee, please see the section entitled *Executive Pay Decisions and Process* in the *Compensation Discussion & Analysis* below.

The Compensation Committee has the authority to engage its own advisors to assist in carrying out its responsibilities. In accordance with this authority, the Committee directly engages Compensia, Inc. (Compensia) as its compensation consultant to advise on the Company's compensation practices and policies. Compensia has served in this capacity since 2004 and is expected to continue in this role until determined otherwise by the Committee or Compensia. The Committee, in its discretion, may replace Compensia or hire additional consultants at any time. Compensia is independent because it does not provide any other services to the Company and receives compensation only for services it provides to or on behalf of the Committee.

The Compensation Committee has engaged Compensia to review and advise it on all principal aspects of executive and non-employee director compensation. This includes base salaries, cash incentive bonus awards, and equity incentive bonus awards for our Named Executive Officers, and cash compensation and equity awards for non-employee directors. Tasks provided under Compensia's engagement include:

Providing recommendations regarding the composition of our peer group;

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Gathering and analyzing publicly available proxy data for our peer group and survey data relating to executive compensation;

Reviewing and advising on the structure of our compensation arrangements (i.e., base salary levels, cash incentive bonus award target levels and the size of equity incentive bonus award targets);

Reviewing and advising on the design of our cash bonus program and equity incentive awards;

Reviewing and advising on our Chief Executive Officer's salary, bonus and equity incentive award targets as compared to other executives;

Reviewing and advising on the Committee's salary, cash bonus and equity incentive award decisions with respect to our Chief Executive Officer;

Conducting pay and performance analyses relative to our peer group;

Updating the Committee on industry trends/best practices with respect to executive and non-executive equity program design, including type of equity incentive award, size of equity grant by employee level, and aggregate equity usage;

Conducting a comprehensive review of the total compensation arrangements for all non-employee directors, including competitive analysis of retainers and meeting fees for Board and committee service (chair and member) and initial and annual equity awards, and proposed changes to the compensation structure;

Working on special/ad-hoc projects for the Committee as they arise; and

Assisting with the drafting of the Compensation Discussion & Analysis for this proxy statement.

In the course of fulfilling these responsibilities, Compensia regularly communicates with the Committee Chairman outside of and prior to most Committee meetings. The Committee sometimes, but not always, invites Compensia to attend its meetings. In 2007, Compensia attended one of the Committee's nine meetings. In addition, Compensia also meets with management from time to time to gather information on and review proposals that management may make to the Committee. However, Compensia reports its findings to the Committee, not to management.

Per the Committee's instructions, Compensia completed these services and advised the Committee where indicated above. While the Committee considers its consultant's recommendations, the Committee's executive compensation decisions, including the specific amounts paid to Named Executive Officers and directors, are its own and may reflect factors and considerations other than the information and recommendations provided by Compensia and management.

Nominating and Governance Committee

Members: Christopher Patusky, J.D., M.G.A. (Chair), Raymond Dwek, F.R.S., and Louis Sullivan, M.D.

The Nominating and Governance Committee of our Board of Directors held two meetings during 2007. The Nominating and Governance Committee's responsibilities include: (a) assisting our Board in determining the desired experience, mix of skills and other qualities to provide for appropriate Board composition, taking into account the current Board members and the specific needs of the Company and our Board; (b) identifying qualified individuals meeting those criteria to serve on our Board; (c) proposing to our Board a slate of nominees for election by the shareholders at our annual meeting of shareholders and nominees to fill vacancies and newly created directorships; (d) reviewing candidates recommended by shareholders for election to our Board and shareholder proposals submitted for inclusion in our proxy materials; (e) developing plans regarding the size and composition of our Board

and its committees; (f) proposing to our Board which directors should serve as chairpersons and members on committees of our Board; (g) coordinating matters among committees of our Board; (h) reviewing management succession plans; (i) developing, evaluating, recommending to our Board and monitoring all matters with respect to corporate governance; (j) overseeing our compliance with legal and regulatory obligations; and (k) such other functions as our Board may from time to time assign to the Nominating and Governance Committee. The Nominating and Governance Committee will consider shareholder recommendations for directors submitted in compliance with the procedures described in the sections entitled *Director Independence* and *Director Nominations* below.

Director Independence

Our Board of Directors has determined that: (i) Raymond Dwek and Christopher Patusky are "independent" in accordance with Rule 4200(a)(15) of the NASDAQ listing standards; (ii) Roger Jeffs and Martine Rothblatt are not "independent" in accordance with Rule 4200(a)(15) of the NASDAQ listing standards, due to Dr. Jeffs' employment as our President and Chief Operating Officer and Dr. Rothblatt's employment as our Chairman and Chief Executive Officer; (iii) Ray Kurzweil is not "independent" in accordance with Rule 4200(a)(15) of the NASDAQ listing standards due to certain payments received in connection with the technical services agreements described in the section entitled *Certain Relationships and Related Transactions* below; and (iv) Louis Sullivan, Christopher Causey and R. Paul Gray, who are not standing for election at our 2008 annual meeting, are "independent" under Rule 4200(a)(15) of the NASDAQ listing standards.

Director Nominations

The Nominating and Governance Committee of our Board of Directors does not have a formal policy with respect to considering director candidates recommended by shareholders, believing that it is more appropriate to rely on our network of contacts for identifying and evaluating potential director candidates. To be considered by the Nominating and Governance Committee, a director candidate must meet the following minimum criteria:

personal and professional integrity;

a record of exceptional ability and judgment;

ability and willingness to devote the required amount of time to our affairs;

interest, capacity and willingness, in conjunction with the other members of our Board of Directors, to serve the interests of our shareholders;

reasonable knowledge of the fields of our operations, as well as familiarity with the principles of corporate governance;

expertise required to serve on the committees of our Board of Directors;

confidence that the candidate is capable of working constructively on our Board of Directors and with management; and

absence of any personal or professional relationships that would adversely affect his or her ability to serve our best interests and those of our shareholders.

Once such potential nominees have been identified, the Nominating and Governance Committee, with the help of our General Counsel, screens candidates, performs reference checks, prepares a biography of each candidate and conducts interviews. The Nominating and Governance Committee and our Chief Executive Officer interview the identified candidates and, in accordance with its charter, the Nominating and Governance Committee selects nominees that it determines best suit our Board of Directors' needs to recommend to the full Board of Directors.

Meetings of our Board of Directors

In addition to the meetings of its committees, our Board of Directors held five meetings during 2007. All directors attended at least four of the five meetings of the Board and every committee meeting for the committees on which they served during our 2007-2008 Board service year. In accordance with applicable NASDAQ rules, the independent members of our Board of Directors met without management present three times during 2007. We do not have a formal policy regarding director attendance at annual meetings of shareholders. Although our Board of Directors encourages all members to attend such meetings, their attendance is not mandatory. Five members of our Board of Directors attended our 2007 annual meeting of shareholders.

Non-Employee Director Compensation*Description of Non-Employee Director Compensation*

Our directors play a critical role in guiding our strategic direction and overseeing our management. Recent developments in corporate governance and financial reporting have resulted in an increased demand for highly qualified and productive public company directors.

The many responsibilities and the substantial time commitment of being a director require that we provide adequate compensation commensurate with our directors' workloads and opportunity costs. Our Compensation Committee sets non-employee director compensation. Our non-employee directors are compensated based upon their levels of participation and responsibilities with respect to our Board of Directors, including service on committees of our Board of Directors. Non-employee directors receive a combination of annual cash retainers and equity awards in amounts that correlate to the responsibilities of each director in his or her service to United Therapeutics. In addition to this compensation, members of our Board of Directors are also eligible for reimbursement of expenses incurred in connection with attendance at meetings of our Board of Directors and its committees and related activities. Our two employee directors, Dr. Rothblatt and Dr. Jeffs, receive no additional compensation for their service as directors.

The following table describes our compensation practices for non-employee directors during 2007. This compensation arrangement was recommended by the Compensation Committee and approved by our Board of Directors in April 2005. It is intended that these practices will remain in effect for 2008.

Non-Employee Director Compensation

	Annual Cash	Stock Option Awards(3)	
		Initial (#)	Annual (#)
Board Membership	\$ 25,000	20,000	15,000
Lead Director(1)	\$ 25,000		
Committee Chairmanship(2):			
Audit Committee	\$ 20,000		
Compensation Committee	\$ 15,000		
Nominating and Governance Committee	\$ 10,000		
Committee Membership(2):			
Audit Committee	\$ 10,000		
Compensation Committee	\$ 7,500		
Nominating and Governance Committee	\$ 5,000		

- (1) Compensation for service as Lead Director is paid in addition to amounts for Board membership and for any committee chairmanship or membership.

(2) Committee chairmen receive the compensation indicated for committee chairmanship in lieu of the compensation for committee membership. Compensation for committee chairmanship and committee membership is paid in addition to amounts for Board membership.

(3) Awards are granted once per year on the date of our annual meeting of shareholders.

Our non-employee directors receive stock option grants under our 1997 Equity Incentive Plan and, beginning in 2008, will receive stock option grants under our proposed 2008 Equity Incentive Plan if it is approved by our shareholders. Non-employee directors' initial and annual stock option awards are granted with an exercise price equal to the closing price of our common stock as reported on the NASDAQ Stock Market on the date of grant, which is the date of our annual meeting of shareholders in the year of grant. These stock options will fully vest on the one-year anniversary of the grant date only if the director attends at least 75% of the regularly scheduled meetings of our Board of Directors and his or her Board of Directors committee meetings from the date of grant until the date of our next annual meeting of shareholders. During 2007, we granted options to purchase 90,000 shares to our current non-employee directors, with an exercise price of \$62.34 per share.

Directors may also be compensated for special assignments delegated by our Board of Directors. No such compensation was paid during 2007.

The following table lists the 2007 compensation earned by each non-employee director:

2007 Non-Employee Director Compensation

Name	Fees Earned or Paid in Cash \$(1)	Stock Option Awards \$(2)	Total (\$)
Christopher Causey	\$ 50,000	\$ 402,626(3)	\$ 452,626
Raymond Dwek	30,000	402,626(4)	432,626
Paul Gray	52,500	402,626(5)	455,126
Ray Kurzweil	25,000	402,626(6)	427,626
Christopher Patusky	70,000	402,626(7)	472,626
Louis Sullivan	37,500	402,626(8)	440,126
Total	\$ 265,000	\$ 2,415,756	\$ 2,680,756

(1) Includes annual cash retainer and fees for serving on our Board of Directors and committees of our Board of Directors (and, in the case of Christopher Patusky, for serving as Lead Director).

(2) Includes annual stock option grants for all members of our Board of Directors. Represents the amount of compensation cost recognized by us in 2007 related to stock option awards granted in 2007 and prior years, in accordance with SFAS No. 123R, excluding forfeitures. For a discussion of valuation assumptions see Note 7, Stockholder Equity to our 2007 Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2007.

(3) The grant date fair value, pursuant to SFAS No. 123R, of the stock option awards issued to Mr. Causey in 2007 was \$414,914. As of December 31, 2007, Mr. Causey had 34,500 stock options outstanding, of which 19,500 were exercisable. Mr. Causey is the beneficial owner of 1,511 shares of our common stock.

(4) The grant date fair value, pursuant to SFAS No. 123R, of the stock option awards issued to Prof. Dwek in 2007 was \$414,914. As of December 31, 2007, Prof. Dwek had 77,689 stock options outstanding, of which 62,689 were exercisable.

- (5) The grant date fair value, pursuant to SFAS No. 123R, of the stock option awards issued to Mr. Gray in 2007 was \$414,914. As of December 31, 2007, Mr. Gray had 48,000 stock options outstanding, of which 33,000 were exercisable.
- (6) The grant date fair value, pursuant to SFAS No. 123R, of the stock option awards issued to Mr. Kurzweil in 2007 was \$414,914. As of December 31, 2007, Mr. Kurzweil had 50,500 stock options outstanding, of which 35,500 were exercisable.
- (7) The grant date fair value, pursuant to SFAS No. 123R, of the stock option awards issued to Prof. Patusky in 2007 was \$414,914. As of December 31, 2007, Prof. Patusky had 70,333 stock options outstanding, of which 55,333 were exercisable. Prof. Patusky is the beneficial owner of 3,500 shares of our common stock.
- (8) The grant date fair value, pursuant to SFAS No. 123R, of the stock option awards issued to Dr. Sullivan in 2007 was \$414,914. As of December 31, 2007, Dr. Sullivan had 60,641 stock options outstanding, of which 45,641 were exercisable.

Related Party Transactions Policy

Our Audit Committee is responsible, in accordance with its charter, for reviewing and approving "related party transactions" as that term is defined in the rules and regulations of the SEC and NASDAQ. It is the general practice of our Audit Committee to review all material facts of potential related party transactions that would require the Committee's approval, as prepared and presented to the Audit Committee by our Chief Financial Officer and/or our General Counsel. After reviewing such information, the Committee generally approves or prohibits our entering into such a transaction. In determining whether to approve or ratify a related party transaction, our Audit Committee will generally take into account, among other factors it deems appropriate, whether the related party transaction is made up of terms no more and no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances. The Committee also considers the extent of the related person's interest in the transaction and whether such transaction will occur on an arm's length basis.

Certain Relationships and Related Transactions

Technical Services Agreements

In May 2007, following Audit Committee approval, we entered into a technical services agreement related to the development of certain inventions involving cancer stem cells with Kurzweil Technologies, Inc. (KTI), a company controlled by Ray Kurzweil. Pursuant to this agreement, we agreed to pay KTI consulting fees of up to \$12,000 monthly. To the extent that the amount invoiced by KTI in any given month is less than the monthly cap of \$12,000, the difference between \$12,000 and the amount actually billed for such month may be carried forward in order to supplement the billing in any subsequent month or months that the billing is greater than \$12,000. In no event will the consulting fees exceed \$144,000 in any given 12-month period. We also agreed to reimburse KTI on a monthly basis for all necessary, reasonable and direct out-of-pocket expenses. In addition, we agreed to pay KTI up to a 5% royalty on certain sales of products reasonably attributed to and dependent upon certain technology developed by KTI under the technical services agreement and which are covered by claims of issued and unexpired United States patents. We incurred approximately \$84,000 in expenses during 2007 under this agreement.

In September 2002, we entered into a technical services agreement related to our telemedicine intellectual property with KTI. Pursuant to this agreement we paid KTI \$40,000 monthly for consulting fees, additional sums for preapproved patent work, and up to \$1,000 monthly for reimbursement of expenses for certain telemedicine technology development services. In addition, we agreed to pay KTI a

5% royalty on certain sales of products reasonably attributed to and dependent upon technology developed by KTI under the technical services agreement and which are covered by claims of issued and unexpired United States patents. This agreement was terminated by the parties as of December 31, 2007. No expenses under this agreement were incurred in 2007.

University of Oxford Research Agreements

In 2000, we entered into a research agreement with the University of Oxford and an agreement for consulting services with Isis Innovation Limited (formerly Oxford University Consulting) with respect to the development of our iminosugar platform, one of our three drug development platforms. On October 1, 2006, the research agreement was extended through September 30, 2011, obligating us to make 60 equal monthly payments totaling approximately \$3.7 million. Under exclusive licenses issued in accordance with the research agreement, we are required to pay the University of Oxford a royalty equal to 1.5% percent of net sales of products arising from the research, less certain offsets. Professor Raymond Dwek, one of our directors, is a co-discoverer of our iminosugar platform, a co-principal investigator under our research agreement with the University of Oxford, Director of the Glycobiology Institute, and Professor of Glycobiology at the University of Oxford. Our Board of Directors has determined that Professor Dwek is "independent" under Rule 4200(a)(15) of the NASDAQ listing standards. We incurred approximately \$652,000 in expenses during 2007 under these agreements with University of Oxford.

In March 2006, we entered into an agreement in which we agreed to fund an annual lecture in virology at the University of Oxford through 2022. Under this agreement, we are obligated to make 16 annual payments of £16,000, totaling £256,000. We incurred approximately \$32,700 in expenses during 2007 under this agreement.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table sets forth certain information as of December 31, 2007 (unless otherwise specified), with respect to the beneficial ownership of our common stock by (i) each person who we know beneficially owns more than 5% of the outstanding shares of our common stock, (ii) each director and nominee, (iii) each of our Named Executive Officers (which, for 2007, included our Chief Executive Officer, our Chief Financial Officer, our President and Chief Operating Officer, and our Executive Vice President, Strategic Planning and General Counsel) and (iv) all of our directors and Named Executive Officers as a group. Unless otherwise noted, the address of each person listed below is our address.

Name	Number of Shares of Common Stock Beneficially Owned(1)	Percentage of Outstanding Shares(2)
Shumway Capital Partners LLC(3)(4) One Fawcett Place Greenwich, Connecticut 06830	1,855,974	8.3%
Fred Alger Management, Inc.(3)(5) 111 Fifth Avenue New York, New York 10003	1,673,000	7.5%
Martine Rothblatt(6) Goldman, Sachs & Co.(3)(7) 85 Broad Street New York, New York 10004	1,910,801	8.0%
Roger Jeffs(8)	299,202	1.3%
Paul Mahon, J.D.(9)	181,891	*
Raymond Dwek, F.R.S.(10)	62,689	*
Christopher Patusky, J.D.(11)	58,833	*
Louis Sullivan, M.D.(12)	45,641	*
John Ferrari(13)	42,500	*
R. Paul Gray(14)	33,000	*
Ray Kurzweil(15)	35,500	*
Christopher Causey(16)	21,011	*
All directors and executive officers as a group (10 persons)(17)	2,691,068	10.9%

*

Less than one percent.

- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes ownership of those shares over which the person has sole or shared voting or investment power. Beneficial ownership also includes ownership of shares of stock subject to rights, options and warrants currently exercisable or convertible, or exercisable or convertible within 60 days after December 31, 2007. Except where indicated otherwise, and subject to community property laws where applicable, to our knowledge, the persons listed in the table above have sole voting and investment power with respect to their shares of common stock.
- (2) Ownership percentage is based on 22,247,592 shares of common stock outstanding on December 31, 2007, plus, as to the holder thereof and no other person, the number of shares (if any) that the person has the right to acquire as of December 31, 2007, or within 60 days after December 31, 2007, through the exercise of stock options or other similar rights.
- (3) Beneficial ownership information obtained from a Schedule 13G, or amendment thereto, filed by the named beneficial holder between January 1, 2008 and February 14, 2008. This information is as of the Schedule 13G filing date.

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- (4) The Schedule 13G was filed on behalf of Shumway Capital Partners LLC and Chris W. Shumway. The address of principal business office for each of these Reporting Persons is One Fawcett Place, Greenwich, CT, 06830.
- (5) The Schedule 13G was filed on behalf of Fred Alger Management Inc., Alger Associates, Incorporated. The address of principal business office for each of these Reporting Persons is 111 Fifth Avenue, 2nd Floor, New York, New York 10003.
- (6) Includes currently exercisable options to purchase 1,700,255 shares. Also includes 90,122 shares held in a Grantor Retained Annuity Trust by Dr. Rothblatt's spouse and 1,468 currently exercisable options to purchase shares held by Dr. Rothblatt's spouse. Dr. Rothblatt disclaims beneficial ownership of all shares and options held by her spouse. Also includes 115,456 held in a Grantor Retained Annuity Trust by Dr. Rothblatt and 3,500 shares held in a margin account.
- (7) The Schedule 13G was filed on behalf of Goldman, Sachs & Co. and The Goldman Sachs Group, Inc. The address of principal business office for each of these Reporting Persons is 85 Broad Street, New York, New York, 10004.
- (8) Includes currently exercisable options to purchase 287,159 shares. Also includes 12,043 shares held in a margin account, of which 10,855 are subject to a pledge agreement.
- (9) Includes currently exercisable options to purchase 169,141 shares. Also includes 12,750 shares held in a margin account, of which 12,000 are subject to a pledge agreement.
- (10) Includes currently exercisable options to purchase 62,689 shares.
- (11) Includes currently exercisable options to purchase 55,333 shares. Also includes 3,500 shares held in a margin account.
- (12) Includes currently exercisable options to purchase 45,641 shares.
- (13) Includes currently exercisable options to purchase 42,500 shares.
- (14) Includes currently exercisable options to purchase 33,000 shares.
- (15) Includes currently exercisable options to purchase 35,500 shares.
- (16) Includes currently exercisable options to purchase 19,500 shares. Also includes 1,511 shares held in a margin account.
- (17) Includes currently exercisable options to purchase 2,452,186 shares.

PROPOSAL NO. 1: ELECTION OF DIRECTORS

Our Board of Directors consists of eight members and is divided into three classes. At each annual meeting of shareholders, members of one of the classes, on a rotating basis, are elected to a three-year term. At this meeting, Raymond Dwek, Roger Jeffs and Christopher Patusky are nominees for election as Class III directors for terms expiring at our 2011 annual meeting of shareholders.

OUR BOARD OF DIRECTORS RECOMMENDS THAT OUR SHAREHOLDERS VOTE "FOR" THE ELECTION OF THE NOMINEES AS CLASS III DIRECTORS OF UNITED THERAPEUTICS CORPORATION.

The following table presents information concerning persons nominated for election as directors of United Therapeutics and for those of our directors whose terms of office will continue after our annual meeting, including their current membership on committees of our Board of Directors, principal occupations or affiliations during the last five years or more, and certain other directorships held. For additional information concerning the nominees for directors, including stock ownership and compensation, see the tables entitled *Non-Employee Director Compensation*, *2007 Non-Employee Director Compensation* and *Beneficial Ownership of Common Stock* above.

Nominees for Election at our 2008 Annual Meeting of Shareholders

Raymond Dwek, F.R.S.

Age 66

Member, Nominating and Governance Committee

Professor Dwek is a Fellow of the Royal Society, London, and currently serves as Director of the Glycobiology Institute, Professor of Glycobiology at the University of Oxford and as the President of the Institute of Biology. From 2000 to 2006, Professor Dwek served as head of the Department of Biochemistry at the University of Oxford. Professor Dwek has been serving in various positions at the University of Oxford since 1966. In 1988, Professor Dwek was the scientific founder of Oxford GlycoSciences PLC, which was publicly traded on the London Stock Exchange and NASDAQ, and he served as a member of its Board of Directors until its sale in 2003. He was the 2007 Kluge Chair of Technology and Society at the U.S. Library of Congress. Professor Dwek is considered the founder of glycobiology. He has served as a United Therapeutics director since 2002.

Roger Jeffs, Ph.D.

Age 46

Dr. Jeffs joined United Therapeutics in September 1998 as Director of Research, Development and Medical. Dr. Jeffs was promoted to Vice President of Research, Development and Medical in July 2000, and to President and Chief Operating Officer in January 2001. From 1995 to 1998, Dr. Jeffs worked at Amgen, Inc. where he served as the worldwide clinical leader of the Infectious Disease Program. Dr. Jeffs currently leads the clinical development, commercial and business development efforts at United Therapeutics. He has served as

a United Therapeutics director since 2002.

Christopher Patusky, J.D., M.G.A.

Age 44

Vice Chairman

Lead Director

Chairman, Nominating and Governance Committee

Member, Audit Committee

Since August 2007, Mr. Patusky has served as Director, Office of Real Estate, for the Maryland Department of Transportation, where he is responsible for overseeing the Department's real estate matters statewide, including its transit oriented development programs. From 2002 until May 2007, Mr. Patusky served as the Executive Director and a member of the faculty of the Fels Institute of Government at the University of Pennsylvania. He has served as a United Therapeutics director since 2002.

Directors Continuing in Office

Christopher Causey, M.B.A.

Age 45

Chairman, Compensation Committee

Member, Audit Committee

Mr. Causey has served as the Principal of Causey Consortium, a professional services organization providing strategic planning and marketing advice to the healthcare industry, since 2002. Previously, Mr. Causey served as a senior marketing officer for a variety of healthcare and technology companies. From 2001 to 2002, Mr. Causey served as the Chief Marketing Officer for Definity Health Incorporated. Mr. Causey has served as a United Therapeutics director since 2003 and his current term expires in 2010.

R. Paul Gray

Age 44

Chairman, Audit Committee

Member, Compensation Committee

Mr. Gray serves as the Managing Member of Core Concepts, LLC, a strategic and financial consulting firm which he founded in 2002. Mr. Gray currently serves as Chairman of the Board of Red Branch Technologies, Inc., a comprehensive online travel company, and is a member of the Board of Directors of C'Watre International, Inc., both of which are publicly traded companies. Until recently, Mr. Gray had served on the board of directors of several companies including Elevated Security, Inc., a private energy solutions company which was recently acquired, and of TenthGate, Inc., a public medical holding company. From May 2004 to May 2005, Mr. Gray served a one-year term as a director of Earth Search Sciences, Inc., a publicly traded company. From 2003 to November 2004, Mr. Gray served as a director of Vertica Software, Inc., a publicly traded company until the completion of a merger transaction in November 2004. From September 2001 to May 2004, Mr. Gray served as Director and Chief Financial Officer of Power3 Medical Products, Inc., a publicly traded company. From 1985 to 1999, Mr. Gray practiced as a Certified Public Accountant at Ernst & Young LLP, KPMG LLP and Beers & Cutler LLP. The Board of Directors has determined that he is an audit committee financial expert as defined under the rules and regulations of the Securities and Exchange Commission and meets the financial sophistication requirement of the listing standards of the NASDAQ. He has served as a United Therapeutics director since 2003 and his current term expires in 2010.

Ray Kurzweil

Age 60

Mr. Kurzweil is an inventor, entrepreneur and author, and has created several important technologies in the artificial intelligence field. He has received the National Medal of Technology, the MIT-Lemelson Prize, fifteen honorary doctorates and honors from three U.S. Presidents. Mr. Kurzweil was selected as a 2002 inductee into the National Inventors Hall of Fame. Since 1995, Mr. Kurzweil has served as the Chief Executive Officer of Kurzweil Technologies, Inc., a technology development firm. He has served as a United Therapeutics director since 2002 and his current term expires in 2009.

Martine Rothblatt, Ph.D., J.D., M.B.A.

Age 53

Chairman

Dr. Rothblatt started United Therapeutics in 1996 and has served as Chairman and Chief Executive Officer since its inception. Prior to creating United Therapeutics, she created and served as Chairman and Chief Executive Officer of Sirius Satellite Radio. Her book, *Your Life or Mine: How Geoethics Can Resolve the Conflict Between Public and Private Interests In Xenotransplantation*, was published by Ashgate in 2004. She has served as a United Therapeutics director since 1996 and her current term expires in 2009.

Louis Sullivan, M.D.

Age 74

Member, Compensation Committee

Member, Nominating and Governance Committee

Dr. Sullivan currently serves as a Director of Henry Schein, Inc., BioSante Pharmaceuticals, Inc., and Emergent BioSolutions, Inc., all publicly traded companies. Dr. Sullivan was the founding President of Morehouse School of Medicine, from 1981 to 1989 and 1993 to 2002, and he became President Emeritus of Morehouse School of Medicine in July 2002. Dr. Sullivan was also founder and Chairman of Medical Education for South African Blacks, Inc., a member of the National Executive Council for the Boy Scouts of America, and a member of the Board of Trustees of the Little League of America. Dr. Sullivan served as Secretary of the United States Department of Health and Human Services from 1989 to 1993. He has served as a United Therapeutics director since 2002 and his current term expires in 2009.

**PROPOSAL NO. 2: APPROVAL OF THE
UNITED THERAPEUTICS CORPORATION 2008 EQUITY INCENTIVE PLAN**

Effective November 12, 1997, our Board of Directors adopted the United Therapeutics Corporation 1997 Equity Incentive Plan, which was approved by our shareholders. On October 16, 1999, our Board amended and restated our 1997 Equity Incentive Plan (as so amended, our 1997 Plan) to permit equity awards to be granted to individuals who are directors (including non-employee directors), officers or employees (including employees who also are directors or officers) of or consultants to United Therapeutics or its subsidiaries, which amendment was approved by our shareholders. Our 1997 Plan provided for 7,000,000 shares eligible for award under the plan with an additional 7,939,517 shares eligible for award only to our Chief Executive Officer in accordance with her employment agreement. See the section entitled *Equity Incentive Bonus Compensation* below. As of December 31, 2007, 70,948 of the 7,000,000 share maximum remained available for issuance under our 1997 Plan to all participants other than our Chief Executive Officer. As of December 31, 2007, 6,039,991 of the 7,939,517 share maximum remained available for issuance to our Chief Executive Officer under our 1997 Plan.

Stock options and other equity-based awards provide us flexibility to motivate, attract, and retain the services of employees upon whom our success depends and to provide them with an equity interest in our success in order to motivate superior performance. Our equity award grant practices are designed to reflect an appropriate balance between our shareholders' dilution concerns and our need to remain competitive by recruiting and retaining high-performing employees. As is discussed in detail in the section entitled *Compensation Discussion and Analysis* below, we believe that giving all of our full-time employees an economic interest in the long-term appreciation of our common stock through the grant of