

EPIX MEDICAL INC
Form DEF 14A
April 26, 2004

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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

EPIX Medical, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
(1) Title of each class of securities to which transaction applies:

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EPIX MEDICAL, INC.
71 Rogers Street
Cambridge, Massachusetts 02142

April 23, 2004

Dear Stockholder,

We cordially invite you to attend our 2004 Annual Meeting of Stockholders to be held at 10:00 a.m. on Wednesday, May 26, 2004 at the offices of EPIX Medical, Inc. located at 161 First Street, Cambridge, Massachusetts. The attached notice of annual meeting and proxy statement describe the business we will conduct at the meeting and provide information about EPIX that you should consider when you vote your shares.

This year, we have prepared the proxy statement in a format that we hope is easier to understand. The Securities and Exchange Commission is encouraging companies to write documents for investors in plain English, and we support this effort. We hope that you like the new format and welcome your comments.

When you have finished reading the proxy statement, please promptly vote your shares by marking, signing, dating and returning the proxy card in the enclosed envelope. We encourage you to vote by proxy so that your shares will be represented and voted at the meeting, whether or not you can attend.

Sincerely,
MICHAEL D. WEBB
President and Chief Executive
Officer

YOUR VOTE IS IMPORTANT.
PLEASE RETURN YOUR PROXY PROMPTLY.

EPIX MEDICAL, INC.
71 Rogers Street
Cambridge, Massachusetts 02142

April 23, 2004

NOTICE OF 2004 ANNUAL MEETING OF STOCKHOLDERS

TIME: 10:00 a.m.
DATE: Wednesday, May 26, 2004
PLACE: 161 First Street, Cambridge, Massachusetts
PURPOSES:

1. To re-elect Stanley T. Crooke, M.D., Ph.D. as a member of the board of directors to serve a three-year term expiring in 2007.
2. To approve a proposed amendment to the EPIX Medical, Inc. Amended and Restated 1992 Equity Incentive Plan to increase the aggregate number of shares of our common stock for which stock options may be granted under such plan by 500,000 shares.
3. To approve a proposed amendment to the EPIX Charter.
4. To ratify the appointment of Ernst & Young LLP as the Company's independent public accountants for the fiscal year ending December 31, 2004.
5. To consider any other business that is properly presented at the meeting.

WHO MAY VOTE:

You may vote if you were the record owner of EPIX stock at the close of business on March 31, 2004. A list of stockholders of record will be available at the meeting and, during the 10 days prior to the meeting, at the office of the Secretary at the above address.

By order of the Board of Directors
MICHAEL D. WEBB
Secretary

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EPIX MEDICAL, INC.
71 Rogers Street
Cambridge, Massachusetts 02142
(617) 250-6000

PROXY STATEMENT
2004 ANNUAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION ABOUT THE ANNUAL MEETING

Why Did You Send Me this Proxy Statement?

We sent you this proxy statement and the enclosed proxy card because the Board of Directors of EPIX Medical, Inc., a Delaware corporation ("EPIX" or the "Company"), is soliciting your proxy to vote at the 2004 annual meeting of stockholders and any adjournments of the meeting. This proxy statement summarizes the information you need to know to vote at the annual meeting. You do not need to attend the annual meeting to vote your shares. Instead, you may vote your shares by marking, signing, dating and returning the enclosed proxy card.

On April 26, 2004, we began sending this proxy statement, the attached notice of annual meeting and the enclosed proxy card to all stockholders entitled to vote at the meeting. Only stockholders who owned EPIX common stock at the close of business on March 31, 2004 are entitled to vote at the annual meeting. On this record date, there were 22,732,137 shares of EPIX common stock outstanding. EPIX common stock is our only class of voting stock. We are also sending along with this proxy statement, our 2003 annual report, which includes our financial statements for the fiscal year ended December 31, 2003.

How Many Votes Do I Have?

Each share of EPIX common stock that you own entitles you to one vote.

How Do I Vote?

You may vote by signing and mailing your proxy card.

How Do I Vote by Proxy?

Whether you plan to attend the annual meeting or not, we urge you to complete, sign and date the enclosed proxy card and to return it promptly in the envelope provided. Returning the proxy card will not affect your right to attend the annual meeting and vote.

If you properly fill in your proxy card and send it to us in time, your "proxy" (*one of the individuals named on your proxy card*) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by the board of directors.

How Does the Board of Directors Recommend That I Vote on the Proposals?

The board of directors recommends that you vote as follows:

"**FOR**" the election of the nominee for director;

"**FOR**" the amendment to the EPIX Medical, Inc. Amended and Restated 1992 Equity Incentive Plan;

"**FOR**" the amendment to the EPIX Charter; and

"**FOR**" ratification of the selection of independent auditors for our fiscal year ending December 31, 2004.

If any other matter is presented, your proxyholder will vote your shares in accordance with his or her best judgment. At the time this proxy statement was printed, we knew of no matters that needed to be acted on at the annual meeting, other than those discussed in this proxy statement.

May I Revoke My Proxy?

If you give us your proxy, you may revoke it at any time before it is exercised. You may revoke your proxy in any one of the following ways:

You may send in another proxy with a later date;

You may notify the Company's Secretary in writing before the annual meeting that you have revoked your proxy; or

You may vote in person at the annual meeting.

How Do I Vote in Person?

If you plan to attend the annual meeting and vote in person, we will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or other nominee, you must bring an account statement or letter from the nominee indicating that you were the beneficial owner of the shares on March 31, 2004, the record date for voting.

What Vote is Required to Approve Each Proposal?

- Proposal 1: Re-elect Director** The nominee for director who receives the most votes (also known as a "plurality" of the votes) will be elected.
- Proposal 2: Approve Amendment to Increase the Shares Available under the EPIX Medical, Inc. Amended and Restated 1992 Equity Incentive Plan** The affirmative vote of a majority of the votes present or represented by proxy and entitled to vote at the annual meeting is required to approve the amendment to the EPIX Medical, Inc. Amended and Restated 1992 Equity Incentive Plan.
- Proposal 3: Approve Amendment to EPIX Charter** The affirmative vote of two-thirds of the Company's outstanding common stock is required to approve the amendment to the EPIX Charter.
- Proposal 4: Ratify Selection of Auditors** The affirmative vote of a majority of the votes present or represented by proxy and entitled to vote at the annual meeting is required to ratify the selection of independent auditors.

What is the Effect of Broker Non-Votes, Withholdings and Abstentions?

Broker Non-Votes: If your broker holds your shares in its name, the broker will be entitled to vote your shares on both Proposal 1 and Proposal 4 even if it does not receive instructions from you. If your broker cannot vote your shares on a particular matter because it does not have instructions from you or discretionary voting authority on that matter, this is referred to as a "broker non-vote." Broker non-votes are not considered to be present and represented and entitled to vote at the meeting as to the proposals relating to the equity incentive plan and the ratification of the selection of the Company's accountants, so they will have no effect on the votes on those proposals. As for the proposal to amend our charter, the affirmative vote of two-thirds of the outstanding shares is needed to approve the proposal, so broker non-votes will have the same effect as negative votes.

Withholdings: Withholding authority to vote for a nominee for director will have no effect on the outcome of the vote.

Abstentions: Because abstentions are treated as shares present or represented and entitled to vote at the annual meeting, abstentions with respect to Proposals 2-4 have the same effect as votes against the proposals.

Is Voting Confidential?

We will keep all the proxies, ballots and voting tabulations private. We only let our Inspectors of Election, EquiServe Trust Company L.P., examine these documents. We will not disclose your vote to management unless it is necessary to meet legal requirements. We will, however, forward to management any written comments you make, on the proxy card or elsewhere.

What Are the Costs of Soliciting these Proxies?

We will pay all of the costs of soliciting these proxies. Our directors and employees may solicit proxies in person or by telephone, fax or email. We will pay these employees and directors no additional compensation for these services. We will ask banks, brokers and other institutions, nominees and fiduciaries to forward these proxy materials to their principals and to obtain authority to execute proxies. We will then reimburse them for their expenses. In addition, we have retained The Altman Group to assist us in the solicitation of proxies. The Altman Group may contact holders of our common stock by mail or telephone and may request brokers, dealers and other nominee stockholders to forward materials to beneficial owners of shares of our common stock. The Altman Group will receive reasonable and customary compensation for its services (estimated at \$6,000) and will be reimbursed for certain customary out-of-pocket expenses.

What Constitutes a Quorum for the Meeting?

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock is necessary to constitute a quorum at the meeting. Votes of stockholders of record who are present at the meeting in person or by proxy, abstentions, and broker non-votes are counted for purposes of determining whether a quorum exists.

Attending the Annual Meeting

The annual meeting will be held at 10:00 a.m. on Wednesday, May 26, 2004 at the office of EPIX Medical, Inc. located at 161 First Street, Cambridge, Massachusetts. When you arrive at 161 First Street, Cambridge, Massachusetts, signs will direct you to the appropriate meeting room. You need not attend the annual meeting in order to vote.

Voting

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the annual meeting in person. You may vote by mail, using the enclosed proxy card. If you attend the annual meeting, you may also submit your vote in person, and any previous votes that you submitted by mail will be superseded by the vote that you cast at the annual meeting.

Householding of Annual Disclosure Documents

In December 2000, the Securities and Exchange Commission adopted a rule concerning the delivery of annual disclosure documents. The rule allows us or your broker to send a single set of our annual report and proxy statement to any household at which two or more of our shareholders reside, if we or your broker believe that the shareholders are members of the same family. This practice, referred to as "householding," benefits both you and EPIX. It reduces the volume of duplicate information received at your household and helps to reduce EPIX's expenses. The rule applies to our annual reports, proxy statements and information statements. Once you receive notice from your broker or from us that communications to your address will be "household," the practice will continue until you are otherwise notified or until you revoke your consent to the practice. Each shareholder will continue to receive a separate proxy card or voting instruction card.

If your household received a single set of disclosure documents this year, but you would prefer to receive your own copy, please contact our transfer agent, EquiServe Trust Company, N.A., by calling their toll free number, 1-877-282-1168.

If you do not wish to participate in "householding" and would like to receive your own set of EPIX's annual disclosure documents in future years, follow the instructions described below. Conversely, if you share an address with another EPIX shareholder and together both of you would like to receive only a single set of our annual disclosure documents, follow these instructions:

If your EPIX shares are registered in your own name, please contact our transfer agent, EquiServe Trust Company, N.A., and inform them of your request by calling them at 1-877-282-1168 or writing them at P.O. Box 43023, Providence, RI 02940-3023.

If a broker or other nominee holds your EPIX shares, please contact the broker or other nominee directly and inform them of your request. Be sure to include your name, the name of your brokerage firm and your account number.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of February 13, 2004 for (a) the executive officers named in the Summary Compensation Table on page 13 of this proxy statement, (b) each of our directors and director nominees, (c) all of our current directors and executive officers as a group and (d) each stockholder known by us to own beneficially more than 5% of our common stock. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. We deem shares of common stock that may be acquired by an individual or group within 60 days of February 13, 2004 pursuant to the exercise of options to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table. Except as indicated in footnotes to this table, we believe that the stockholders named in this table have sole voting and investment power with respect to all shares of common stock shown to be

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beneficially owned by them based on information provided to us by these stockholders. Percentage of ownership is based on 22,634,566 shares of common stock outstanding on February 13, 2004.

Name and Address	Shares Beneficially Owned	
	Number	Percent
RS Investment Management Co. LLC (1) 388 Market Street, Suite 1700 San Francisco, CA 94111	1,957,231	8.65%
T. Rowe Price Associates, Inc. (2) 100 East Pratt Street Baltimore, MD 21212-1009	1,298,450	5.74%
Michael D. Webb (3)	656,766	2.84%
Peyton J. Marshall, Ph.D. (4)	85,000	*
Alan P. Carpenter, Ph.D., J.D. (5)	120,100	*
Robert Weisskoff, Ph.D. (6)	67,155	*
Gregg Mayer (7)	109,493	*
Stephen C. Knight, M.D. (8)	2,000	*
Randall B. Lauffer, Ph.D.		*
Christopher F.O. Gabrieli (9)	207,435	*
Stanley T. Crooke, M.D., Ph.D. (10)	35,106	*
Peter Wirth (11)	16,667	*
All directors and executive officers as a group (9 persons) (12)	1,375,271	5.83%

* Represents beneficial ownership of less than 1% of the outstanding shares of our common stock.

- (1) This information is based solely on a Schedule 13G/A filed by RS Investment Management Co., LLC with the SEC on February 18, 2004, which reported ownership as of December 31, 2003.
- (2) This information is based solely on a Schedule 13G/A filed by T. Rowe Price Associates, Inc. with the SEC on February 5, 2004, which reported ownership as of December 31, 2003.
- (3) Includes 2,500 shares held by Mr. Webb's wife as to which Mr. Webb disclaims beneficial ownership, 181,000 shares of restricted stock and 471,260 shares subject to options exercisable within the 60-day period following February 13, 2004.
- (4) Includes 61,000 shares subject to options exercisable within the 60-day period following February 13, 2004.
- (5) Includes 118,100 shares subject to options exercisable within the 60-day period following February 13, 2004.
- (6) Includes 67,155 shares subject to options exercisable within the 60-day period following February 13, 2004.
- (7) Includes 102,250 shares subject to options exercisable within the 60-day period following February 13, 2004.
- (8) Includes 2,000 shares subject to options exercisable within the 60-day period following February 13, 2004.
- (9)

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The total number of shares beneficially owned by Mr. Gabrieli also includes 162,340 shares of common stock, which he owns directly, and 38,334 shares subject to options exercisable within the 60-day period following February 13, 2004. The total number of shares beneficially owned by Mr. Gabrieli also includes 6,761 shares that are held by the Gabrieli Family Foundation, of which Mr. Gabrieli may be deemed to be a beneficial owner.

- (10) Includes 35,106 shares subject to options exercisable within the 60-day period following February 13, 2004.
- (11) Includes 16,667 shares subject to options exercisable within the 60-day period following February 13, 2004.
- (12) Includes 965,154 shares subject to options exercisable within the 60-day period following February 13, 2004, which includes shares subject to options exercisable by Thomas McMurry, who was appointed Vice President of Research on March 11, 2004. See also footnotes (3) through (11) above.

MANAGEMENT

The Board of Directors

Our Bylaws provide that our business is to be managed by or under the direction of our Board of Directors and that the number of members of our Board of Directors be fixed from time to time by the Board of Directors. Our Board of Directors is divided into three classes for purposes of election. One class is elected at each annual meeting of stockholders to serve for a three-year term. Our Board of Directors currently consists of four members, classified into three classes as follows: (1) Peter Wirth constitutes a class with a term ending at the 2006 annual meeting; (2) Christopher F.O. Gabrieli and Michael D. Webb constitute a class with a term ending at the 2005 annual meeting; and (3) Stanley T. Crooke, M.D., Ph.D. constitutes a class with a term ending at the upcoming 2004 annual meeting.

On March 1, 2004, our Board of Directors voted to nominate Stanley T. Crooke, M.D., Ph.D. for election at the annual meeting for a term of three years, to serve until the 2007 annual meeting of stockholders, and until his successor has been elected and qualified.

Set forth below are the names of the persons nominated as directors and directors whose terms do not expire this year, their ages, their offices in the Company, if any, their principal occupations or employment for the past five years, the length of their tenure as directors and the names of other public companies in which such persons hold directorships.

Name	Age	Position with the Company
Christopher F.O. Gabrieli	44	Chairman of the Board
Stanley T. Crooke, M.D., Ph.D.	58	Director
Peter Wirth	53	Director
Michael D. Webb	45	President, Chief Executive Officer and Director

Christopher F.O. Gabrieli
Chairman of the Board

Mr. Gabrieli has been a member of the Board of Directors of the Company since 1994, and he is the Chairman of the Board of Directors. Mr. Gabrieli is the Chairman of Massachusetts 2020, a non-profit public policy organization. He is a member of the general partners of Bessemer Venture Partners III L.P. and Bessemer Venture Partners IV L.P. and related venture capital partnerships, where he worked from 1986 to 2000. Mr. Gabrieli is a director of Isis Pharmaceuticals, Inc., where he was a co-founder.

Stanley T. Crooke, M.D., Ph.D.
Director

Dr. Crooke has been a member of the Board of Directors of the Company since 1996. Dr. Crooke is the Founder, Chairman and Chief Executive Officer of Isis Pharmaceuticals Inc., a pharmaceuticals Company founded in 1989. Dr. Crooke also is an adjunct professor at University of California, San Diego and San Diego State University. Prior to founding Isis Pharmaceuticals, Inc., he was the President of Research and Development for SmithKline Beckman Corporation. Dr. Crooke serves on the boards of directors of Antisense Therapeutics Limited, Axon Instruments, Inc., Northern Arizona University Arts & Science Advisory Council and BIOCROM.

Peter Wirth, Esq.
Director

Mr. Wirth has been a member of the Board of Directors of the Company since August 2001. Mr. Wirth is currently an Executive Vice President and the Chief Legal Officer of Genzyme Corporation in Cambridge, MA, where he has senior management responsibility for the legal and corporate development functions and for Genzyme's small molecule and polymer drug discovery and development group. Prior to joining Genzyme in 1996, he was a partner at the law firm of Palmer & Dodge, LLP in Boston.

Michael D. Webb
President, Chief Executive Officer and Director

Mr. Webb has been a member of the Board of Directors of the Company since 1994 and has served as the Company's Chief Executive Officer since December 1994 and the Company's Secretary since November 1996. In November 2003, Mr. Webb assumed the title of President. Mr. Webb worked for Ciba-Corning Diagnostics, a medical instrument Company, from April 1989 to December 1994, most recently as Senior Vice President, Worldwide Marketing and Strategic Planning. From 1984 to 1989, Mr. Webb was a senior consultant at Booz-Allen & Hamilton, Inc., specializing in healthcare and life sciences. Mr. Webb holds a Bachelors degree in Biochemistry from the University of Kansas and an MA in International Relations from Sussex University in the UK. He also has an M.B.A. in Marketing and Finance from the Kellogg Graduate School of Management at Northwestern University.

Committees of the Board of Directors and Meetings

Meeting Attendance. During the fiscal year ended December 31, 2003, there were three meetings of our Board of Directors, and the various committees of the Board met a total of nine times. No director attended fewer than 75% of the total number of meetings of the Board and of committees of the Board on which he or she served during the year ended December 31, 2003. The Board has adopted a policy under which each member of the Board is encouraged to participate in the annual meeting of our stockholders.

Audit Committee. Our Audit Committee met six times during the fiscal year ended December 31, 2003. This committee currently has three members, Stanley T. Crooke, M.D., Ph.D., Christopher F.O. Gabrieli and Peter Wirth (Chairman). Our Audit Committee reviews the engagement of our independent accountants and has the authority to retain and terminate the services of our independent

accountants, reviews annual financial statements, considers matters relating to accounting policy and internal controls and reviews the scope of annual audits. All members of the Audit Committee satisfy the current independence standards promulgated by the Securities and Exchange Commission and by the Nasdaq National Market, as such standards apply specifically to audit committees. The Board has determined that Mr. Stanley T. Croke, M.D., Ph.D. is an "audit committee financial expert," as the Securities and Exchange Commission has defined that term in Item 301 of Regulation S-K. Please also see the report of the Audit Committee set forth elsewhere in this proxy statement.

Compensation Committee. Our Compensation Committee met two times during the year ended December 31, 2003. This committee currently has three members, Mr. Gabrieli (Chairman), Dr. Croke and Mr. Wirth. Our Compensation Committee reviews, approves and makes recommendations regarding our compensation policies, practices and procedures to ensure that legal and fiduciary responsibilities of the Board of Directors are carried out and that such policies, practices and procedures contribute to our success. The Compensation Committee is responsible for the determination of the compensation of our Chief Executive Officer, and conducts its decision making process with respect to that issue without the Chief Executive Officer present. All members of the Compensation Committee qualify as independent under the definition promulgated by the Nasdaq National Market. Please also see the report of the Compensation Committee set forth elsewhere in this proxy statement.

Nominating and Governance Committee. Our Nominating and Governance Committee met one time during the year ended December 31, 2003 and has three members Dr. Croke (Chairman), Mr. Gabrieli and Mr. Wirth. This committee's role, following consultation with all other members of the Board of Directors, is to make recommendations to the full Board as to the size and composition of the Board and to make recommendations as to particular nominees. All members of the Nominating and Governance Committee qualify as independent under the definition promulgated by the Nasdaq National Market. The Nominating and Governance Committee may consider candidates recommended by our stockholders as well as from other sources such as other directors and officers, third party search firms or other appropriate sources. For all potential candidates, the Nominating and Governance Committee may consider all factors it deems relevant, such as a candidate's personal integrity and sound judgment, business and professional skills and experience, independence, knowledge of the industry in which we operate, possible conflicts of interest, diversity, the extent to which the candidate would fill a present need on the Board, and concern for the long-term interests of our stockholders. In general, persons recommended by stockholders will be considered on the same basis as candidates from other sources. If a stockholder wishes to nominate a candidate to be considered for election as a director at the 2005 Annual Meeting of stockholders using the procedures set forth in our Bylaws, it must follow the procedures described in "Stockholder Proposals and Nominations for Director" elsewhere in this proxy statement. If a Stockholder wishes simply to propose a candidate for consideration as a nominee by the Nominating and Governance Committee, it should submit any pertinent information regarding the candidate to the attention of the Chairman of the Nominating and Governance Committee, EPIX Medical, Inc, 71 Rogers Street, Cambridge, MA 02142. Our Nominating and Governance Committee Charter is attached to this proxy statement as Appendix D.

Compensation Committee Interlocks and Insider Participation. Our Compensation Committee has three members Dr. Crooke, Mr. Wirth and Mr. Gabrieli. There are no interlocking relationships between members of our Compensation Committee and the compensation committees of other companies' Boards of Directors.

Stockholder Communications to the Board

Generally, stockholders who have questions or concerns about the Company should contact our Investor Relations Department at (617) 250-6012. However, any stockholders who wish to address questions regarding our business directly with the Board of Directors or any individual director should direct his or her questions to the Board or appropriate member of the Board through our third party service provider, Ethicspoint, Inc., at www.ethicspoint.com.

Compensation of Directors

The Company pays each non-employee director who serves as a chairman of a committee of the Board an annual fee of \$25,000 for service as a director of the Company and as a committee chairman. The Company pays each non-employee director who does not also serve as a chairman of a committee of the Board an annual fee of \$15,000 for service as a director of the Company. In addition, non-employee directors are eligible to participate in the Company's Amended and Restated 1996 Director Stock Option Plan (the "Director Plan"). There are currently 300,000 shares of common stock reserved for issuance under the Director Plan. Upon the election or reelection of a non-employee director, such director is automatically granted an option to purchase 25,000 shares of common stock. Such options become exercisable in equal installments over a three year period on each anniversary of the grant, provided that the optionee is still a director of the Company at the opening of business on such date. In addition, each non-employee director is automatically granted an option to purchase 5,000 shares of common stock annually during the years in which such director is not up for reelection to the Board. Such options become exercisable in full on the first anniversary date of the grant, provided that the optionee is still a director of the Company at the opening of business on such date. Each option has a term of ten years. The exercise price for each option is equal to the last sale price for the common stock on the business day immediately preceding the date of grant, as reported on the Nasdaq National Market. The exercise price may be paid in cash, shares of common stock or a combination of both. Options to purchase shares were granted under the Director Plan to Mr. Gabrieli, Mr. Wirth and Dr. Crooke during fiscal year 2003. Options granted to Mr. Webb are reported under "Executive Compensation Option Grants in our Last Fiscal Year" on page 14.

Executive Officers

The following table sets forth certain information regarding our executive officers who are not also directors. The executive officers serve at the pleasure of the Board of Directors.

Name	Age	Position with the Company
Alan P. Carpenter, Ph.D., J.D.	51	Executive Vice President, Research and Development
Peyton J. Marshall, Ph.D.	48	Senior Vice President and Chief Financial Officer
Gregg Mayer	46	Vice President, Strategic Marketing and Corporate Communications
Thomas J. McMurry, Ph.D.	46	Vice President, Research
Robert Weisskoff, Ph.D.	41	Vice President, Business Development and Head of Imaging

Alan P. Carpenter, Jr., Ph.D., J.D.

Executive Vice President, Research and Development

Dr. Carpenter joined the Company in February 2001 with over 20 years of experience in the medical imaging pharmaceutical industry. Dr. Carpenter worked with New England Nuclear, E.I. duPont and DuPont Pharmaceuticals in several research and development, clinical, project management and business development positions; including five years as Vice President of Research and Development for the Medical Imaging Division. Dr. Carpenter is an inventor on several patents and patent applications relating to a variety of imaging agents, including those covering various aspects of Cardiolite®; the leading myocardial perfusion imaging agent, as well as Definity®; an ultrasound contrast imaging agent approved by the FDA. He has had a lead role in the submission and approval of four New Drug Applications during his career. Dr. Carpenter received his Ph.D. in Analytical Chemistry from the University of Massachusetts at Amherst in 1978 and his J.D. from the Massachusetts School of Law in 1995 and is a registered patent attorney with the USPTO.

Peyton J. Marshall, Ph.D.

Senior Vice President and Chief Financial Officer

Dr. Marshall joined the Company in November of 2002 as Senior Vice President and Chief Financial Officer. Prior to joining EPIX, Dr. Marshall was Chief Financial Officer of The Medicines Company from 1997 through its initial public offering and the launch of its lead product until the Company's headquarters moved to New Jersey in 2002. From 1995 to 1997, Dr. Marshall was based in London as a Managing Director and head of European Corporate Financing and Risk Management Origination at Union Bank of Switzerland, an investment banking firm. From 1986 to 1995, Dr. Marshall held various investment banking positions at Goldman Sachs and Company, an investment banking firm, including head of European product development from 1987 to 1993 and Executive Director, Derivatives Origination from 1993 to 1995. From 1981 to 1986, Dr. Marshall held several product development positions at The First Boston Corporation, an investment banking firm, and was an Assistant Professor of Economics at Vanderbilt University. Dr. Marshall holds an A.B. in economics from Davidson College and a Ph.D. in economics from the Massachusetts Institute of Technology.

Gregg Mayer

Vice President, Strategic Marketing and Corporate Communications

Mr. Mayer joined the Company as Vice President of Marketing in April 1998 with 14 years of in-vitro diagnostics experience, adding his roles as MS-325 Business Manager and Corporate Communications thereafter. At Chiron Diagnostics from May 1992 until joining EPIX, Mr. Mayer was most recently Director of U.S. Marketing, Immunodiagnosics and managed strategies for automated laboratory systems and immunoassays. As Worldwide Marketing Manager, Immunodiagnosics, Mr. Mayer directed strategic development priorities for cardiovascular disease, endocrine disorders, bone disease and therapeutic drug monitoring, bringing more than 30 products through the development pipeline. At Abbott Diagnostics from 1984 to 1992, Mr. Mayer started his healthcare career in sales and was global Senior Product Manager for transplant immunosuppression and therapeutic drug monitoring products. Mr. Mayer holds a B.B.A. from The University of Texas at Austin and earned an M.B.A. in marketing, international business and finance from the Kellogg Graduate School of Management at Northwestern University.

Thomas J. McMurry, Ph.D.

Vice President, Research

Dr. McMurry has been part of the scientific management team at EPIX since it initiated operations in 1993. Dr. McMurry was promoted to Vice President in March 2004 and is responsible for discovery activities and intellectual property. Prior to joining the Company, he was a Senior Staff Fellow in Radiation Oncology at the National Cancer Institute in Bethesda, Maryland, and a postdoctoral associate at the University of California, Berkeley. Dr. McMurry holds a M.S. and Ph.D. in Organic Chemistry from the University of Michigan and is a graduate of the Pennsylvania State University. Dr. McMurry is an author of over 30 scientific publications and is an inventor of MS-325 and EP-2104R.

Robert Weisskoff, Ph.D.

Vice President, Business Development and Head of Imaging

Dr. Weisskoff joined the Company full time as Senior Director of Imaging Development in October 1998, after serving as a consultant to EPIX since 1996. In September 2000, he was promoted to Vice President of Business Development and Head of Imaging. Prior to joining EPIX, Dr. Weisskoff spent eight years at Massachusetts General Hospital, and was the Associate Director of the MGH-NMR Center and Associate Professor of Radiology at Harvard Medical School. From 1988 to 1990, Dr. Weisskoff led the technology development for ultra-high speed MRI for the first commercial Echo Planar scanner at Advanced NMR Systems. Dr. Weisskoff holds an A.B. in Physics from Harvard, a Ph.D. in Physics from the Massachusetts Institute of Technology, and an M.B.A. from Columbia University.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table shows the total compensation paid or accrued during the three fiscal years ended December 31 to our Chief Executive Officer and our four next most highly compensated executive officers who earned more than \$100,000 during the year ended December 31, 2003. The table includes two executives who would have been among the four most highly compensated executive officers except for the fact that they were not serving as executive officers of the Company as of the end of December 31, 2003.

Name and Principal Position	Year	Annual Compensation			Long-term Compensation Awards	All Other Compensation(\$)
		Salary(\$)	Bonus (\$)(1)	Other Annual Compensation(\$)	Securities Underlying Options(#)	
Michael D. Webb President, Chief Executive Officer and Secretary	2003	\$ 313,351	\$ 137,722		66,500	\$ 6,225(2)
	2002	298,499	119,621		62,500	5,950(2)
	2001	282,832	106,062		70,000	5,950(2)
Stephen C. Knight, M.D. Former President and Chief Operating Officer(3)	2003	285,865	112,013		50,750	5,024(4)
	2002	280,614	102,167		43,700	3,604(4)
	2001	265,887	83,090		55,000	3,476(4)
Alan P. Carpenter, Ph.D., J.D. Executive Vice President, Research and Development	2003	256,059	83,602		25,000	4,395(4)
	2002	244,219	76,559		20,000	3,398(4)
	2001	198,846	91,750(5)		200,000	3,159(4)
Peyton J. Marshall, Ph.D. Senior Vice President and Chief Financial Officer	2003	225,000	80,156			3,404(4)
	2002	20,769			225,000	
	2001					
Robert Weisskoff, Ph.D. Vice President, Business Development and Head of Imaging	2003	212,210	76,014		30,000	5,940(4)
	2002	200,281	60,388		19,500	4,224(4)
	2001	188,125	48,913		35,000	5,100(4)
Randall B. Lauffer, Ph.D. Former Chief Scientific Officer(6)	2003	206,415	73,678		40,000	7,220(7)
	2002	225,842	45,334		20,000	5,629(7)
	2001	215,878	43,176		40,000	6,320(7)
Gregg Mayer Vice President, Strategic Marketing and Corporate Communications	2003	190,011	65,020		18,750	6,000(4)
	2002	181,129	45,449		19,500	3,848(4)
	2001	172,474	45,016		15,000	5,100(4)

(1)

Bonuses were earned in the year indicated and are generally paid in the subsequent year.

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- (2) Consists of matching 401(k) contributions (\$6,000 in 2003 and \$5,100 in 2001 and 2002) and life insurance premiums paid annually by us on behalf of Mr. Webb on a policy for the benefit of Mr. Webb of \$225 in 2003 and \$850 in 2002 and 2001.
- (3) In November 2003, we announced that Dr. Knight was leaving us to become President of Fidelity Biosciences Group, a unit of Fidelity Investments.
- (4) Consists of matching 401(k) contributions.
- (5) Includes a signing bonus of \$33,000.
- (6) In October 2003, we announced that Dr. Lauffer, our founder and Chief Scientific Officer, stepped down from his position as Chief Scientific Officer and resigned from the our Board of Directors. Dr. Lauffer will continue to work with us in a part-time role as Executive Principal Scientist.
- (7) Consists of matching 401(k) contributions (\$6,000 in 2003, \$4,409 in 2002 and \$5,100 in 2001) and life insurance premiums paid annually by us on behalf of Mr. Lauffer on a policy for the benefit of Mr. Lauffer of \$1,220 in 2003, 2002 and 2001.

Option Grants in Our Last Fiscal Year

The following table shows grants of stock options that we made during the year ended December 31, 2003 to each of the executive officers named in the Summary Compensation Table, above.

Name	Number of Securities Underlying Options Granted	Individual grants(1)			Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
		% of Total Options Granted to Employees in (%)	Exercise of Base Price (\$/share)	Expiration Date	5% (\$)	10% (\$)
Michael D. Webb	66,500	10.33%	\$ 6.36	2/6/2013	\$ 265,985	\$ 674,057
Stephen C. Knight, M.D.	50,750	7.89%	6.36	2/6/2013	202,988	514,412
Alan Carpenter, Ph.D., J.D.	25,000	3.88%	6.36	2/6/2013	99,994	253,405
Peyton J. Marshall, Ph.D.(3)		0.00%		n/a		
Robert Weisskoff, Ph.D.	30,000	4.66%	6.36	2/6/2013	119,993	304,086
Randall B. Lauffer, Ph.D.	40,000	6.22%	18.51	10/31/2013	465,634	1,180,007
Gregg Mayer	18,750	2.91%	6.36	2/6/2013	74,996	190,054

- (1) Stock options were granted under our Amended and Restated 1992 Equity Incentive Plan (the "Equity Plan") at an exercise price equal to the fair market value of our common stock at the date of grant. The options vest in 5 equal installments beginning on February 6, 2004, except for Dr. Lauffer's which began on October 31, 2004. The options are not transferable, except by will or by laws of descent and distribution. The post-termination exercise period for exercisable options is generally three months. In the event of our consolidation or merger with another corporation, or the sale or exchange of all or substantially all of our assets, or our reorganization or liquidation, the Board may provide upon written notice to each option holder, that each outstanding option will terminate not less than twenty (20) days after the date of such notice unless exercised prior to

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such time. The Board may, in connection with such notice and in its discretion, accelerate or waive any deferred exercise period.

In addition, the agreements relating to options held by our executive officers contain the following provisions in the event of an acquisition event (as defined below) with respect to the Company. In the event of an acquisition event, the options shall be assumed, or equivalent options substituted, by the acquiring or succeeding corporation. If the acquisition event also constitutes a change in control, or, if there is a change in control that does not also constitute an acquisition event, unless provided to the contrary in an agreement between us and the optionee, the assumed or substituted options shall become immediately exercisable in full, if within eighteen months of the change in control, a termination event (as defined below) with respect to the optionee occurs. If the acquiring or succeeding corporation does not agree to assume or issue substitute options for the options issued by the Company, the options issued by the Company shall become immediately exercisable in full. If the acquisition event involves a cash payment to our stockholders, the optionee shall receive a cash payment for each option equal to the amount by which the price to be paid in the acquisition exceeds the option exercise price.

An acquisition event means (a) any merger or consolidation of the Company with or into another entity as a result of which the common stock is converted into or exchanged for the right to receive cash, securities or other property; (b) any exchange of our shares for cash, securities or other property pursuant to a statutory share exchange transaction; (c) any sale or exchange of all or substantially all of our assets in one transaction or in a series of transactions; or (d) a reorganization or liquidation of the Company.

A change in control means either (a) (i) a merger or consolidation of the Company, whether or not approved by the Board of Directors, other than a merger or consolidation in which our voting securities continue to represent at least 50% of the total voting power represented by our voting securities or the surviving entity outstanding immediately after the merger or consolidation, or (ii) the approval by our stockholders of an agreement for the sale or disposition by us of all or substantially all of our assets; or (b) any person becoming the beneficial owner of our securities representing 50% or more of our total outstanding voting power (excluding us or our affiliates or any employee benefit plan of ours) pursuant to a transaction or a series of related transactions which the Board of Directors does not approve.

A termination event means the termination of the optionee's employment (a) by the Company or the acquiring or succeeding corporation without cause; or (b) by the optionee upon written notice given promptly after the Company's or the acquiring or succeeding corporation's taking any of the following actions, which actions shall not have been cured within a 30-day period following such notice: (a) the principal place of the performance of the optionee's responsibilities (the "Principal Location") is changed to a location outside of a 30 mile radius from the Principal Location immediately prior to the change in control; (b) there is a material reduction in the optionee's salary; or (c) there is a material diminution in the scope of the optionee's responsibilities without the optionee's agreement or without cause.

(2)

In accordance with the rules of the Securities and Exchange Commission, we show in these columns the potential realizable value over the term of the option (the period from the grant date to the expiration date). We calculate this assuming that the fair market value of our common stock

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on the date of grant appreciates at the indicated annual rate, 5% and 10% compounded annually, for the entire term of the option and that the option is exercised and sold on the last day of its term for the appreciated stock price. These amounts are based on assumed rates of appreciation and do not represent an estimate of our future stock price. Actual gains, if any, on stock option exercises will depend on the future performance of our common stock, the optionholder's continued employment with us through the option exercise period, and the date on which the option is exercised.

(3)

Dr. Marshall joined the Company in November 2002 and consistent with our policy, was not eligible for a stock options grant during the year ended December 31, 2003.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table shows information regarding exercises of options to purchase our common stock by each executive officer named in the Summary Compensation Table during the year ended December 31, 2003. The table also shows the aggregate value of options held by each executive officer named in the Summary Compensation Table as of December 31, 2003. The value of the unexercised in-the-money options at fiscal year end is based on a value of \$16.28 per share, the closing price of our stock on the Nasdaq National Market on December 31, 2003 (the last trading day prior to the fiscal year end), less the per share exercise price.

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Fiscal Year-End		Value of Unexercised In-The-Money Options at Fiscal Year-End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Michael D. Webb	2,840	\$ 55,142	381,460	351,334	\$ 3,182,928	\$ 2,484,649
Stephen C. Knight, M.D.	167,500	2,147,847	91,519	180,210	828,123	1,531,420
Alan Carpenter, Ph.D., J.D.	5,900	39,961	78,100	161,000	571,196	1,209,960
Peyton J. Marshall, Ph.D.	4,000	46,360	61,000	160,000	488,000	1,280,000
Robert Weisskoff, Ph.D.	8,000	89,340	57,827	79,476	438,068	587,051
Randall B. Lauffer, Ph.D.	36,000	361,937		112,000		502,760
Gregg Mayer			89,950	49,050	549,701	367,294

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Equity Plan Information

The following table provides certain aggregate information with respect to all of our equity compensation plans in effect as of December 31, 2003.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in first column)
Equity Compensation Plans Approved by Securityholders:			
Equity Plan Amended and Restated 1996 Directors Stock Option Plan	3,402,499	\$ 8.90	776,209(1)(2)
Equity Plan Amended and Restated 1996 Employee Stock Purchase Plan	155,000	\$ 10.01	139,668
	n/a	n/a	51,866(3)
Sub Total	3,557,499	\$ 8.95	967,743
Equity Compensation Plans Approved by Securityholders	n/a	n/a	n/a
Total	3,557,499	\$ 8.95	967,743

- (1) Includes options to purchase 159,874 shares of our common stock issued under the Equity Plan that were cancelled after December 31, 2003.
- (2) Does not include options to purchase 614,430 shares of our common stock issued under our Equity Plan that were granted to employees after December 31, 2003.
- (3) Does not include 114,800 shares issued to date under the Employee Purchase Plan. Shares that are set aside within the Employee Purchase Plan immediately become outstanding Common Stock when purchased by the employees.

Severance Arrangements

The Board of Directors has authorized a severance arrangement for all of our senior officers, under which each such officer who is subject to a termination event following a change in control of the Company (as defined in footnote 1 to the table on page 14) will receive a cash payment of six months' base salary, plus one additional month of base salary for each year of employment with us, up to a maximum potential payment of twelve months' base salary.

Performance Graph

The following graph compares the annual percentage change in our cumulative total stockholder return on our common stock during a period commencing on December 31, 1998 and ending on December 31, 2003 (as measured by dividing (A) the sum of the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and the difference between our share price at the end and the beginning of the measurement period; by (B) our share price at the beginning of the measurement period) with the cumulative total return of Nasdaq Stock Market Index (U.S.) and the Nasdaq Pharmaceutical Stock Index during such period. We have not paid any dividends on our common stock, and we do not include dividends in the representation of our performance. The stock price performance on the graph below does not necessarily indicate future price performance. Information used on the graph was obtained from Media General Financial Services, a source believed to be reliable, but we are not responsible for any errors or omissions in such information.

**COMPARE 5-YEAR CUMULATIVE TOTAL RETURN AMONG
EPIX MEDICAL, INC., NASDAQ MARKET INDEX
AND NASDAQ PHARMACEUTICAL INDEX**

Assumes \$100 invested on Jan. 1, 1999
Assumes Dividend Reinvested
Fiscal Year Ending Dec. 31, 2003

	1998	1999	2000	2001	2002	2003
EPIX Medical, Inc.	\$ 100.00	\$ 107.38	\$ 89.93	\$ 153.45	\$ 77.64	\$ 174.82
Nasdaq Market Index (U.S.)	\$ 100.00	\$ 180.85	\$ 114.50	\$ 88.38	\$ 61.84	\$ 94.00
Nasdaq Pharmaceutical Stocks	\$ 100.00	\$ 204.81	\$ 253.80			