

CIPHERGEN BIOSYSTEMS INC

Form DEF 14A

April 29, 2002

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**SCHEDULE 14A**

**(RULE 14A-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF  
THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO. )

Filed by the Registrant

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 Rule 14a-11(c) or Rule 14a-12

**Ciphergen Biosystems, Inc.**

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(Name of Registrant as Specified in its Charter)

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(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.

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

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(2) Aggregate number of securities to which transaction applies:

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

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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May 3, 2002

Dear Stockholders:

It is my pleasure to invite you to the 2002 Annual Meeting of Stockholders of CIPHERGEN Biosystems, Inc. to be held on Thursday, June 6, 2002 at 10:00 a.m. at CIPHERGEN's offices located at 6611 Dumbarton Circle, Fremont, California. The enclosed Notice of the Annual Meeting and the Proxy Statement describe the business to be conducted at the meeting.

I hope you will be able to join us. If you are unable to attend this year's meeting, you can ensure your representation by completing the enclosed Proxy and returning it to us promptly.

Thank you for your continued interest and participation in the affairs of CIPHERGEN Biosystems.

Sincerely,

William E. Rich, Ph.D.  
President and Chief  
Executive Officer

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**CIPHERGEN BIOSYSTEMS, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD THURSDAY, JUNE 6, 2002**

TO THE STOCKHOLDERS:

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NOTICE IS HEREBY GIVEN that the 2002 Annual Meeting of Stockholders of CIPHERGEN Biosystems, Inc. (the "Company"), a Delaware corporation, will be held on Thursday, June 6, 2002 at 10:00 a.m., local time, at the Company's offices located at 6611 Dumbarton Circle, Fremont, California, for the following purposes:

1. To elect two (2) Class II directors to the Company's Board of Directors, each to serve for a three year term and until his successor is duly elected and qualified (Proposal One);
2. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent public accountants for the fiscal year ending December 31, 2002 (Proposal Two); and
3. To transact such other business as may properly be brought before the meeting and any adjournment(s) thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only stockholders of record at the close of business on April 11, 2002 are entitled to notice of and to vote at the meeting.

All stockholders are cordially invited to attend the meeting in person. However, to assure your representation at the meeting, you are urged to sign and return the enclosed Proxy as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Any stockholder attending the meeting may vote in person even if the stockholder has returned a Proxy.

Sincerely,

Michael J. O'Donnell  
Secretary

Fremont, California  
May 3, 2002

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CIPHERGEN BIOSYSTEMS, INC.  
6611 Dumbarton Circle  
Fremont, California 94555

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### **PROXY STATEMENT**

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#### **INFORMATION CONCERNING SOLICITATION AND VOTING**

##### **General**

The enclosed Proxy is solicited on behalf of the Board of Directors of CIPHERGEN Biosystems, Inc. (the "Company") for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held at the Company's executive offices on Thursday, June 6, 2002, at 10:00 a.m., local time, and at any adjournment(s) thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Company's principal executive offices are located at the address listed at the top of the page and its telephone number is (510) 505-2100.

The Company's Annual Report, containing financial statements for the fiscal year ended December 31, 2001, is being mailed together with these proxy solicitation materials to all stockholders entitled to vote at the Annual Meeting. This Proxy Statement, the accompanying Proxy and the Company's Annual Report will first be mailed on or about May 3, 2002.

The Company shall provide without charge to each stockholder solicited by these proxy solicitation materials a copy of the Company's Annual Report on Form 10-K, together with the financial statements required to be filed with the Annual Report, upon request of the stockholder made in writing to CIPHERGEN Biosystems, Inc., 6611 Dumbarton Circle, Fremont, California 94555, Attention: Sue Carruthers, Investor Relations.

**Record Date; Share Ownership; Voting**

Stockholders of record at the close of business on April 11, 2002 (the "Record Date") are entitled to notice of and to vote at the Annual Meeting and at any adjournment(s) thereof. At the Record Date, 27,057,056 shares of the Company's Common Stock were issued and outstanding and held of record by approximately 275 stockholders. The holders of those shares are entitled to one vote per share on all matters presented at the Annual Meeting. The inspector of election appointed for the Annual Meeting will separately tabulate the affirmative and negative votes, abstentions and broker non-votes.

**Revocability of Proxies**

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by (A) delivering to the Company at its principal offices (Attention: Sue Carruthers) (i) a written notice of revocation, or (ii) a duly executed proxy bearing a later date, or (B) attending the meeting and voting in person.

**Solicitation of Proxies**

This solicitation of proxies is made by the Company, and all related costs will be borne by the Company. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers and regular employees, without additional compensation, personally or by telephone or facsimile.

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**Quorum; Abstentions; Broker Non-Votes**

Holders of a majority of the outstanding shares entitled to vote must be present, in person or by proxy, at the Annual Meeting in order to have the required quorum for the transaction of business. If the shares present, in person and by proxy, at the meeting do not constitute the required quorum, the meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum.

Shares that are voted "FOR," "AGAINST" or "WITHHELD" are treated as being present at the meeting for purposes of establishing a quorum. Shares that are voted "FOR," "AGAINST" or "ABSTAIN" with respect to a matter will also be treated as shares entitled to vote (the "Votes Cast") with respect to such matter.

When proxies are properly dated, executed and returned, the shares represented by such proxies will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, the shares will be voted for (i) the election of the nominees for directors set forth herein; (ii) the ratification of PricewaterhouseCoopers LLP as the Company's independent public accountants for the fiscal year ending December 31, 2002; and (iii) upon such other business as may properly come before the Annual Meeting or any adjournment thereof.

While no definitive statutory or case law authority exists in Delaware as to the proper treatment of abstentions, the Company believes that abstentions should be counted for purposes of determining both (i) the presence or absence of a quorum for the transaction of business and (ii) the number of Votes Cast with respect to a proposal (other than the election of directors). In the absence of a controlling precedent to the contrary, the Company intends to treat abstentions in this manner. Accordingly, abstentions will have the same effect as a vote against the proposal.

Broker non-votes (i.e., votes from shares held of record by brokers as to which the beneficial owners have given no voting instructions) will be counted for purposes of determining the presence or absence of a quorum for the transaction of business, but will not be counted for purposes of determining the number of Votes Cast with respect to the particular proposal on which the broker has expressly not voted. Accordingly, broker non-votes will not affect the outcome of the voting on a proposal that requires a majority of the Votes Cast. Thus, a broker non-vote will make a quorum more readily obtainable, but the broker non-vote will not otherwise affect the outcome of the vote on a proposal. With respect to a proposal that requires a majority of the outstanding shares however, a broker non-vote has the same effect as a vote against the proposal.

**Deadline for Receipt of Stockholder Proposals**

Stockholders are entitled to present proposals for action at a forthcoming meeting if they comply with the requirements of the Company's Bylaws and the rules established by the Securities and Exchange Commission (the "SEC"), under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Proposals of stockholders of the Company that are intended to be presented by such stockholders at the Company's 2003 Annual Meeting of Stockholders must be received by the Company no later than January 3, 2003 in order that they may be considered for inclusion in the proxy statement and form of proxy relating to that meeting.

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The attached proxy card grants the persons named as proxies discretionary authority to vote on any matter raised at the Annual Meeting that is not included in this Proxy Statement. If a stockholder intends to present a proposal at the 2003 Annual Meeting of Stockholders and the stockholder does not give appropriate notice to the Company on or before March 6, 2003, the persons named as proxies may use their discretionary voting authority to vote on the proposal.

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### PROPOSAL ONE

#### ELECTION OF TWO CLASS II DIRECTORS

##### Nominees

The Company's Board of Directors is divided into three classes, with the terms of office of Class I expiring at the 2004 Annual Meeting of Stockholders, Class II expiring at the 2002 Annual Meeting of Stockholders and Class III expiring at the 2003 Annual Meeting of Stockholders. The Company currently has five directors, with two directors in Class I, two directors in Class II and one director in Class III. The terms of office of Class II directors John A. Young and William R. Green will expire at the Annual Meeting.

At each Annual Meeting of Stockholders, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election and until their successors have been duly elected and qualified. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of an equal number of directors.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's two nominees named above, who are currently directors of the Company. Each nominee has consented to be named a nominee in the Proxy Statement and to continue to serve as a director if elected. If the nominee becomes unable or declines to serve as a director or if additional persons are nominated at the meeting, the proxy holders intend to vote all proxies received by them in such a manner as will assure the election of the nominee listed below if possible (or, if new nominees have been designated by the Board of Directors, in such a manner as to elect such nominees), and the specific nominees to be voted for will be determined by the proxy holders.

The Company is not aware of any reason that the nominees will be unable or will decline to serve as directors. The term of office of each person elected as a director will continue until the Company's 2005 Annual Meeting of Stockholders or until a successor has been elected and qualified. There are no arrangements or understandings between any director or executive officer and any other person pursuant to which he is or was to be selected as a director or officer of the Company.

##### Vote Required

Directors will be elected by a plurality vote of the shares of the Company's Common Stock present or represented and entitled to vote on this matter at the meeting. Accordingly, the candidates receiving the highest number of affirmative votes of shares represented and voting on this proposal at the meeting will be elected directors of the Company. Votes withheld from a nominee and broker non-votes will be counted for purposes of determining the presence or absence of a quorum but, because directors are elected by a plurality vote, will have no impact once a quorum is present. See "Quorum; Abstentions; Broker Non-Votes."

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##### Nominees and Directors

The following table sets forth certain information regarding our directors and nominees as of March 31, 2002.

Name	Age	Position	Director Since
John A. Young (1), (2)	69	Chairman of the Board of Directors	1993

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Name	Age	Position	Director Since
William E. Rich, Ph.D.	57	Director	1994
Michael J. Callaghan (1), (2)	49	Director	1998
William R. Green, Ph.D.	51	Director	1995
James L. Rathmann (2)	50	Director	1993

(1) Member of Compensation Committee

(2) Member of Audit Committee

There is no family relationship between any director or executive officer of the Company.

#### NOMINEES

**John A. Young** has been one of our directors since our inception and became our Chairman in 1995. Mr. Young was President and Chief Executive Officer of Hewlett-Packard Company from 1978 until his retirement in 1992. He serves as a director of two other public life science companies, GlaxoSmithKline plc and Affymetrix, Inc., and also serves as a director of ChevronTexaco Corporation, Agere Systems and Lucent Technologies Inc. He received a B.S.E.E. from Oregon State University and an M.B.A. from the Stanford Graduate School of Business.

**William R. Green, Ph.D.** is President and Chief Executive Officer of Stanford Research Systems, Inc., which he joined in 1984 and with which we have a strategic partnership. He became one of our directors in 1995. He received a B.S.E.E. degree from Cornell University and M.S.E.E. and Ph.D. degrees from Stanford University. He also served as a post-doctoral fellow at the Ecole Polytechnique in France.

#### DIRECTORS

**Michael J. Callaghan** is Senior Vice President of MDS Capital Corp. and became one of our directors in 1998. Prior to joining MDS Capital Corp. in 1992, he was active in several general management positions. Mr. Callaghan began his career with Ernst & Young, where he became a Chartered Accountant. He serves as a director of Systems Xcellence, Inc. and several private companies. He received a B. Comm. from McGill University and an M.B.A. from York University.

**James L. Rathmann** has been President of Falcon Technology Management Corporation and a general partner of Falcon Technology Partners, L. P. since its founding in 1993. Mr. Rathmann has been one of our directors since our inception. He serves as a director of several private companies. Prior to joining Falcon Technology in 1993, he was Senior Vice President of Operations at Soft-Switch, Inc. from 1984 to 1993. He received a B.A. in Mathematics from the University of Colorado and an M.S. in Computer Science from the University of Wisconsin.

**William E. Rich, Ph.D.** joined us in September 1994 as our President and Chief Executive Officer and as a director. Prior to joining us, Dr. Rich was Senior Vice President of Sepracor, Inc. from 1991 to 1994, and President of BioSeptra, which was spun off by Sepracor. Prior to joining Sepracor, he was

Senior Vice President of Dionex Corporation and from 1975 to 1990, he had responsibility for both the Marketing and Sales and Research and Development departments at various times during his tenure there. Dr. Rich received a B.S. in Chemistry from Carson Newman College and a Ph.D. in Chemistry from the University of North Carolina, Chapel Hill and conducted post-doctoral research in biochemistry at Duke University.

#### Board Meetings And Committees

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The Board of Directors of the Company held a total of 5 meetings during the fiscal year ended December 31, 2001. Throughout fiscal year 2001, all directors attended greater than 75% of the aggregate of all meetings of the Board of Directors and the committees of the Board upon which such directors served. The Board of Directors has a standing Audit Committee and Compensation Committee but does not have a standing Nominating Committee.

The Audit Committee is composed of Michael J. Callaghan, James L. Rathmann and John A. Young, each of whom are independent directors as defined under the rules of the Nasdaq Stock Market. The Committee is responsible for assuring the integrity of our financial control, audit and reporting functions. It reviews with our management and our independent public accountants the effectiveness of our financial controls, accounting and reporting practices and procedures. In addition, the Audit Committee reviews the qualifications of our independent public accountants, makes recommendations to the Board of Directors regarding the selection of our auditors, and reviews the scope, fees and results of activities related to audit and non-audit services. The Board has adopted a written charter for the Audit Committee. The Chairman of the Audit Committee held three meetings with the auditors and the Audit Committee held two meetings with the auditors during fiscal 2001. A report of the Audit Committee for the year ended December 31, 2001 is included later in this Proxy Statement.

The Compensation Committee is chaired by John A. Young and has Michael J. Callaghan as an additional member. Its principal responsibility is to administer our stock plans and to set the salaries and incentive compensation, including stock option grants, for the President and Chief Executive Officer and senior staff members. The Compensation Committee held one meeting during fiscal 2001. A report of the Compensation Committee is included later in this Proxy Statement.

### **Compensation Committee Interlocks And Insider Participation**

None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving as a member of our board of directors or compensation committee.

### **THE CLASS I AND III DIRECTORS RECOMMEND THAT STOCKHOLDERS VOTE TO ELECT THE NOMINEES FOR CLASS II DIRECTORS LISTED ABOVE TO THE COMPANY'S BOARD OF DIRECTORS.**

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### **PROPOSAL TWO**

#### **RATIFICATION OF APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2002**

The Board of Directors has selected PricewaterhouseCoopers LLP, independent public accountants, to audit the financial statements of the Company for the fiscal year ending December 31, 2002, and recommends that stockholders vote for ratification of such appointment. Although action by stockholders is not required by law, the Board of Directors has determined that it is desirable to request approval of this selection by the stockholders. Notwithstanding the selection or ratification, the Board of Directors, in its discretion, may direct the appointment of new independent public accountants at any time during the fiscal year if the Board of Directors determines that such a change would be in the best interest of the Company and its stockholders. In the event of a negative vote or ratification, the Board of Directors will reconsider its selection.

PricewaterhouseCoopers LLP has audited the Company's financial statements since the year ended December 31, 1993. Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

#### **Fees billed to the Company by PricewaterhouseCoopers LLP during the fiscal year ended December 31, 2001**

##### *Audit Fees:*

Fees billed by the Company's principal accounting firm, PricewaterhouseCoopers LLP, for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended December 31, 2001, and for review of the financial statements included in the Company's Quarterly Reports on Form 10-Q for that year were \$152,435, of which an aggregate amount of \$89,991 was billed through December 2001.

##### *Financial Information Systems Design and Implementation Fees:*

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The Company did not engage PricewaterhouseCoopers LLP to provide advice regarding financial information systems design and implementation during the fiscal year ended December 31, 2001.

### *All Other Fees:*

Fees billed to the Company by PricewaterhouseCoopers LLP during the fiscal year ended December 31, 2001 for all other services rendered to the Company totaled \$107,611. This consisted of \$64,190 in fees for tax consultation and compliance, \$25,921 for services related to statutory audits and filings with the Securities and Exchange Commission, and \$17,500 for services related to the acquisition of BioSeptra S.A.

### **Required Vote**

The affirmative vote of the holders of a majority of the Votes Cast is required to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors for the fiscal year ending December 31, 2002.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2002.**

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

The following table sets forth as of April 11, 2002, certain information with respect to the beneficial ownership of the Company's Common Stock by (i) each director and each nominee for director, (ii) each of the executive officers named in the Summary Compensation Table appearing herein, (iii) any person (including any group as that term is used in Section 13(d)(3) of the Exchange Act), known by the Company to be the beneficial owner of more than 5% of the Company's Common Stock, and (iv) all current executive officers, directors and nominees for directors of the Company as a group. The number and percentage of shares beneficially owned are based on the aggregate of 27,057,056 shares of Common Stock outstanding as of April 11, 2002. The Company does not know of any arrangements, including any pledge by any person of securities of the Company, which may at a subsequent date result in a change of control of the Company. Unless otherwise indicated, the address of each listed stockholder is c/o Ciphergen Biosystems, Inc., 6611 Dumbarton Circle, Fremont, California 94555.

Name and Address of Beneficial Owner	Number of Shares	Percent of Common Stock Outstanding (1)
<b>5% STOCKHOLDERS, DIRECTORS, NOMINEES FOR DIRECTORS AND NAMED EXECUTIVE OFFICERS</b>		
OrbiMed Advisors LLC 767 Third Avenue, 6th Floor New York, NY 10010	2,288,863	8.5%
James L. Rathmann (2) Falcon Technology Partners 600 Dorset Road Devon, PA 19333	2,287,331	8.4%
Falcon Technology Partners, LP 600 Dorset Road Devon, PA 19333	2,235,431	8.3%
S.R. One, Limited Four Tower Bridge 200 Barr Harbor Drive, Suite 250 West Conshohocken, PA 19428	1,941,162	7.2%
Wellington Management Company, LLP 75 State Street Boston, MA 02109	1,738,100	6.4%
William E. Rich (3)	1,435,551	5.3%
Michael J. Callaghan (4) MDS Capital Corp. 100 International Blvd. Etobicoke, Ontario, Canada M9W 6J6	1,314,336	4.9%



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Name and Address of Beneficial Owner	Number of Shares	Percent of Common Stock Outstanding (1)
Atlas Venture (5) 222 Berkeley Street Boston, MA 02116	1,204,682	4.5%
William R. Green (6) Stanford Research Systems, Inc. 1290 D Reamwood Avenue Sunnyvale, CA 94089	803,120	3.0%
7		
John A. Young (7) 3200 Hillview Avenue Palo Alto, CA 94304	381,559	1.4%
John R. Storella (8)	118,454	*
Martin L. Verhoef (9)	96,359	*
Robert M. Maurer (10)	96,133	*
David A. DeNola (11)	95,406	*
ALL DIRECTORS AND EXECUTIVE OFFICERS AS A GROUP (eleven persons) (12)	6,733,272	24.4%

\*

less than one percent of outstanding shares

- (1) Applicable percentage ownership is based on 27,057,056 shares of Common Stock outstanding as of April 11, 2002 together with applicable options for such stockholder. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting or investment power with respect to securities, subject to community property laws, where applicable. Shares of Common Stock subject to options currently exercisable or exercisable within 60 days after April 11, 2002, are deemed outstanding for computing the percentage ownership of the person holding such options, but are not deemed outstanding for computing the percentage of any other person.
- (2) Includes 33,300 shares in the name of Mr. Rathmann, a director, issuable within 60 days of April 11, 2002 upon exercise of stock options, 18,600 shares currently owned by Mr. Rathmann and 2,235,431 shares in the name of Falcon Technology Partners, of which Mr. Rathmann is a General Partner.
- (3) Includes 26,229 shares held in an Individual Retirement Account and 4,300 shares held by Lenita L. Rich, a former employee, who is Dr. Rich's spouse. Includes 276,333 shares of Common Stock issuable within 60 days of April 11, 2002 upon exercise of stock options and 96,858 shares subject to repurchase in the event of employment termination, as part of an early option exercise agreement.
- (4) Includes 24,700 shares issuable within 60 days of April 11, 2002 upon exercise of a stock option grant to Michael J. Callaghan, 20,000 shares currently owned by Mr. Callaghan and 1,269,636 shares owned by four funds managed or advised by MDS Capital Corp. Mr. Callaghan, a director, is Senior Vice President of MDS Capital Corp.
- (5) Includes shares held by four funds as follows: Atlas Venture Fund V, L.P., 952,261 shares; Atlas Venture Parallel Fund V-A, C.V., 118,286 shares; Atlas Venture Parallel Fund V-B, C.V., 118,286 shares; Atlas Venture Entrepreneur's Fund V, L.P., 15,849 shares.
- (6) William R. Green, a director, is President and Chief Executive Officer of Stanford Research Systems, Inc. Includes 490,276 shares owned by Stanford Research Systems and 305,344 shares owned in the name of Mr. Green. Also includes 7,500 shares issuable within 60 days of April 11, 2002 to Stanford Research Systems upon exercise of stock options.
- (7) Includes 279,459 shares of Common Stock and 102,100 shares issuable within 60 days of April 11, 2002 upon exercise of stock options granted to Mr. Young.
- (8) Includes 82,650 shares of Common Stock issuable within 60 days of April 11, 2002 upon exercise of stock options.
- (9) Includes 94,317 shares of Common Stock issuable within 60 days of April 11, 2002 upon exercise of stock options.

- (10) Includes 5,833 shares of Common Stock issuable within 60 days of April 11, 2002 upon exercise of stock options and 48,734 shares subject to repurchase as part of an early option exercise agreement.
- (11) Includes 49,933 shares of Common Stock issuable within 60 days of April 11, 2002 upon exercise of stock options and 5,734 shares subject to repurchase as part of an early option exercise agreement.
- (12) Includes 534,300 shares issuable within 60 days of April 11, 2002 upon exercise of stock options, and a total of 151,326 shares which are subject to repurchase in the event of termination of employment, as part of early exercise agreements for three officers.

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## EXECUTIVE COMPENSATION AND OTHER MATTERS

### Executive Compensation

The following table sets forth all compensation paid or accrued during fiscal years 2001, 2000 and 1999 to the Company's President and Chief Executive Officer, and each of the Company's four other most highly compensated executive officers whose annual compensation exceeded \$100,000 for fiscal year 2001 (each a "Named Officer").

### SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Compensation		Long-Term Compensation Awards	All Other Compensation(3)
		Salary	Bonus(1)	Securities Underlying Options(2)	
William E. Rich, Ph.D. President, Chief Executive Officer and Director	2001	\$ 233,000	\$ 220,000	100,000	\$ 25,460
	2000	221,357	200,000	344,000	20,838
	1999	215,948	45,000	66,650	22,164
David A. DeNola Vice President, Operations (4)	2001	\$ 193,906	\$ 37,500	31,000	\$ 1,568
	2000	167,727	33,510	86,000	906
Robert M. Maurer Vice President, Business Development (5)	2001	\$ 189,129	\$ 36,000	25,000	\$ 1,528
	2000	166,318	32,790	86,000	906
John R. Storella Vice President, Intellectual Property Affairs (6)	2001	\$ 190,057	\$ 37,500	34,000	\$ 1,568
	2000	117,283	24,300	107,500	725
Martin L. Verhoef Vice President, Sales and Marketing (7)	2001	\$ 199,091	\$ 43,250	39,000	\$ 4,078
	2000	131,041	50,410	86,000	838

- (1) Includes bonuses earned by the Named Officer based upon performance in the year noted but paid in the subsequent year.

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- (2) Represents options granted at fair market value at the time of grant pursuant to the Company's 1993 Stock Option Plan or 2000 Stock Plan. Such options vest on a monthly basis over a five-year period.
- (3) Represents amounts paid by the Company on behalf of the officer for term life insurance policies (the proceeds of which are payable to the officer's beneficiaries) and, in the case of Dr. Rich and Mr. Verhoef, reimbursements for automobile leases. Also includes imputed interest on interest-free notes related to Dr. Rich's relocation to California.
- (4) David A. DeNola joined the Company in January 2000.
- (5) Robert M. Maurer joined the Company in February 2000.
- (6) John R. Storella joined the Company in April 2000.
- (7) Martin L. Verhoef joined the Company in April 2000.

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### Named Officers

**David A. DeNola**, 52, joined us in January 2000 as Vice President, Operations. Prior to joining us, he was Chief Operating Officer of Gamida-Cell, a cell therapy company, from March 1999 to January 2000. From September 1997 to March 1999, he was Vice President and Deputy General Manager of CBD Technologies, an agricultural biotechnology company. From August 1994 to August 1997, he held positions as Director of Operations, Business Development Manager and Chief Operating Officer at Diagenetics, Ltd., a molecular biology-based diagnostics company. From 1992 to 1993, he served as Director of Operations at Tago Immunologicals, a division of Biosource International, an antibody company. From 1991 to 1992, he was Manager of Contract Manufacturing at Somatix Therapy, a gene therapy company. Mr. DeNola received a B.A. in Genetics/Biological Anthropology from the University of California, Berkeley, and a post-graduate degree in Business from the Technion College in Israel.

**Robert M. Maurer**, 49, joined us in June 1999 on a consulting basis and became a full-time employee as Vice President, Business Development in February 2000. Prior to joining us, he was an independent consultant in biomedical business development, technology licensing and corporate strategy from March 1999 to February 2000. Prior to that he served as Vice President of Business Development at Avigen Corporation, a gene delivery system company, from November 1996 to February 1999. From June to October 1996, he was an independent consultant. From November 1995 to June 1996, he was Vice President of Strategic Marketing at Promega Corporation, a life sciences company. From May 1995 to October 1995, he was an independent consultant. From February 1992 to April 1995, he was Chief Operating Officer, Secretary and Treasurer of Molecular Geriatrics Corporation, an Alzheimer's Disease research company. From 1974 to February 1992 he held various sales and general management positions in the diagnostics division of Abbott Laboratories. He received a B.A. degree in Economics and Mathematics from Carleton College and an M.B.A. from the Harvard Graduate School of Business.

**John R. Storella**, 46, joined us in April 2000 as Vice President, Intellectual Property Affairs. Prior to joining us, he was a Partner from January 1999 to April 2000, and an Associate Attorney from October 1994 to December 1998, at Townsend and Townsend and Crew, LLP, a San Francisco law firm specializing in intellectual property. Prior to that, he was an Associate Attorney at Campbell and Flores in San Diego where he specialized in biotechnology patent law from April 1993 to September 1994. From 1988 to 1993 he was an Associate Attorney specializing in patent law at Fish & Neave in New York. He received a B.A. degree in Biology from Dartmouth College, an M.A. in Zoology from the University of Massachusetts, Amherst and a J.D. from the University of Virginia School of Law.

**Martin L. Verhoef**, 42, joined us in April 2000 as Vice President, Sales and Marketing. Prior to joining us, he was with Hewlett-Packard Company/Agilent Technologies, Inc. from 1990 to April 2000. He was Marketing Manager, Bioscience Products from March 1999 to April 2000, System Program Manager, Bioscience Products from September 1997 to February 1999, and Marketing Section Manager, Bioscience Products from June 1996 to August 1997. Prior to that, he was Product Marketing Manager, Capillary Electrophoresis and Liquid Chromatography from 1990 to 1996 at Hewlett-Packard GmbH, in Waldbronn, Germany. From 1989 to 1990, he was Product Manager, Process Chromatography at Pharmacia LKB Biotechnology AB in Sweden. He received a B.S. degree in Medical Microbiology and Biochemistry from the Van't Hoff Institute in Rotterdam, the Netherlands.

### OPTION GRANTS IN 2001

The following table sets forth information concerning grants of stock options to each of the Named Officers during 2001. All options granted to these executive officers in 2001 were granted under the 2000 Stock Plan. One-sixtieth (1/60<sup>th</sup>) of the shares subject to each option vests one month after the vesting commencement date, and an additional 1/60<sup>th</sup> of the shares subject to each option vests each month thereafter. The options are exercisable when vested. The percent of the total options set forth below is based on an aggregate of 1,055,100 options granted to employees during 2001. All options were granted at fair market value on the date of grant.

Potential realizable value represents hypothetical gains that could be achieved on the options if exercised at the end of the option term assuming the fair market value of the Common Stock on the date of grant appreciates at 5% and 10% per year over the option term. The assumed 5% and 10% rates of stock price appreciation are provided in accordance with rules of the Securities and Exchange Commission and do not represent our estimate or projection of the Company's future Common Stock price.

#### Individual Grants

Name	Number of Securities Underlying Options Granted(#)	Percent of Total Options Granted to Employees During Period	Exercise Price (\$ Per Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(\$)	
					5%	10%
William E. Rich, Ph.D. President, Chief Executive Officer and Director	100,000	9.5%	6.08	June 19, 2011	382,368	968,995
David A. DeNola Vice President, Operations	15,000 16,000	1.4% 1.5%	8.50 6.08	February 7, 2011 June 19, 2011	80,184 61,179	203,202 155,039
Robert M. Maurer Vice President, Business Development	15,000 10,000	1.4% 0.9%	8.50 6.08	February 7, 2011 June 19, 2011	80,184 38,237	203,202 96,900
John R. Storella Vice President, Intellectual Property Affairs	14,000 20,000	1.3% 1.9%	8.50 6.08	February 7, 2011 June 19, 2011	74,838 76,474	189,655 193,799
Martin L. Verhoef Vice President, Sales and Marketing	14,000 25,000	1.3% 2.4%	8.50 6.08	February 7, 2011 June 19, 2011	74,838 95,592	189,655 242,249

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### AGGREGATE OPTION EXERCISES IN 2001 AND VALUES AT DECEMBER 31, 2001

The following table sets forth information concerning exercisable and unexercisable stock options held by the executive officers named in the summary compensation table at December 31, 2001. The value of unexercised in-the-money options is based on the fair market value per share, as of December 31, 2001, of the Company's Common Stock underlying the options minus the actual exercise prices. All options were granted under the Company's 1993 Stock Option Plan or 2000 Stock Plan. Except as otherwise noted, these options vest over 60 months and otherwise conform to the terms of the Company's stock plans.

Name	Shares Acquired on Exercise	Value Realized\$(1)	Number of Unexercised Options at December 31, 2001(#)		Value of Unexercised In-The-Money Options at December 31, 2001\$(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable

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	Number of Unexercised Options at		Value of Unexercised In-The-Money Options at	
	December 31, 2001(1)	December 31, 2001(2)	December 31, 2001(1)	December 31, 2001(2)
William E. Rich, Ph.D. President, Chief Executive Officer and Director	268,000	90,000	1,183,200	172,800
David A. DeNola Vice President, Operations	47,100	26,900	197,072	27,648
Robert M. Maurer Vice President, Business Development	3,500	21,500	1,920	17,280
John R. Storella Vice President, Intellectual Property Affairs	79,583	29,667	343,340	34,560
Martin L. Verhoef Vice President, Sales and Marketing	90,833	34,167	392,800	43,200

- (1) The Value Realized is equal to the market value of the Company's Common Stock on the date of exercise minus the exercise price.
- (2) Value is determined by subtracting the exercise price of an option from the \$8.00 per share fair market value of the Company's Common Stock as of December 31, 2001.

**Employment And Severance Agreements**

We entered into an employment agreement, dated August 24, 2000, with William E. Rich, Ph.D., our President and Chief Executive Officer. The agreement provides that if the Company is acquired and within 12 months Dr. Rich's employment is terminated or constructively terminated without cause, Dr. Rich will receive severance pay equal to 12 months' salary and all of the options granted to Dr. Rich will immediately vest.

**Director Compensation**

During 2001, our outside directors served without cash compensation. In August 2001, outside directors or the institutions they represent were each awarded non-statutory options for 10,000 shares of our Common Stock, with each option granted vesting monthly over 12 months. In each of August 2000, November 1999, September 1998 and September 1997, outside directors or the institutions they represent were each awarded non-statutory options for 8,600 shares of our Common Stock, with each option granted vesting monthly over 12 months. In March 2000, John A. Young, the

Chairman of our Board, was granted a non-statutory option to acquire 86,000 shares, of which half vested at the date of grant and half vests monthly over 24 months.

During 2002 the Board of Directors determined that it would commence a cash compensation system for outside directors. It is planned that each outside director shall receive, at the outside director's choice, either: (i) payment in the amount of \$2,500 paid quarterly as long as such person continues to act as a director, or (ii) an additional option to purchase a number of additional whole shares of Common Stock, which are determined by the Corporation to have a Black-Scholes valuation on the date of grant approximately equal to \$10,000. In addition, each new outside director shall be granted, on the date of the first meeting of the Board he or she attends, an option to purchase 20,000 shares of Common Stock, vesting monthly over a 24-month period. Each continuing outside director shall be granted an annual option, on the date of each Annual Meeting of Stockholders, to purchase 10,000 shares of our Common Stock, vesting monthly over a 12-month period.

The Company reimburses its directors who are not officers or employees for expenses incurred in attending any Board of Directors or committee meeting. Directors who are also the Company's officers or employees are not compensated for attending Board of Directors or committee meetings.

Employee directors who meet the eligibility requirements may participate in the Company's 2000 Employee Stock Purchase Plan.

**REPORT OF THE COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS**

The Compensation Committee of the Board of Directors reviews and recommends to the Board of Directors for approval the Company's executive compensation policies. The Compensation Committee during 2001 consisted of directors John A. Young and Michael J. Callaghan.

The following is the report of the Compensation Committee of the Board of Directors with respect to the compensation paid to the Company's executive officers during the fiscal year ended December 31, 2001. Actual compensation earned during fiscal 2001 by the Named Officers is shown in the Summary Compensation Table above under "Executive Compensation and Other Matters."

**Compensation Philosophy**

The goal of the Company's compensation policies is to align executive compensation with business objectives and corporate performance, and to attract and retain executives who contribute to the long-term success and value of the Company. Compensation for the Company's executive officers consists of a base salary and potential cash bonus, as well as potential incentive compensation through stock options and stock ownership. The Committee considers the total current and potential long-term compensation of each executive officer in establishing each element of compensation.

**Base Salaries**

The base salary component is designed to compensate executive officers competitively at levels necessary to attract and retain qualified executives in the pharmaceutical and biotechnology industry. The base salary for each officer is set on the basis of personal performance, the salary levels in effect for comparable positions within the Company's principal competitors, and internal comparability considerations. As a general matter, the base salary for each executive officer is initially established through negotiation at the time the officer is hired, taking into account such officer's qualifications, experience, prior salary, and competitive salary information. Year-to-year adjustments to each executive officer's base salary are based upon personal performance for the year and changes in the general level of base salaries of persons in comparable positions within the industry.

**Incentive Bonuses**

The Company has a formal incentive bonus plan pursuant to which the executive officers of the Company are eligible to receive incentive cash compensation based upon achievement of quarterly or annual goals. The amounts of such cash bonuses for executive officers other than the Chief Executive Officer are determined by the Chief Executive Officer, subject to review and approval of the Compensation Committee and the Board of Directors. The amount of any cash bonus for the Chief Executive Officer is determined by the Compensation Committee, subject to the review and approval of the Board of Directors.

**Long-Term Incentives**

The Committee provides the Company's executive officers with long-term incentive compensation through grants of stock options under the Company's 1993 and 2000 stock option plans and the opportunity to purchase stock under the 2000 Employee Stock Purchase Plan (the "Purchase Plan"). The Committee believes that stock options provide the Company's executive officers with the opportunity to purchase and maintain an equity interest in the Company and to share in the appreciation of the value of the Company's Common Stock. The Committee believes that stock options directly motivate an executive to maximize long-term stockholder value. The options also utilize vesting periods (generally five years) that encourage key executives to continue in the employ of the Company. All options granted to executive officers to date have been granted at the fair market value of the

Company's Common Stock on the date of grant. The Committee considers the grant of each option subjectively, considering factors such as the individual performance of the executive officer and the past and anticipated future contribution of the executive officer to the attainment of the Company's long-term strategic performance goals. Long-term incentives granted in prior years are also taken into consideration.

The Company established the Purchase Plan both to encourage employees to continue in the employ of the Company and to motivate employees through ownership interest in the Company. Under the Purchase Plan, employees may purchase Common Stock semi-annually through payroll deductions at a price equal to the lower of 85% of the closing price on the applicable offering commencement date or 85% of the closing price on the applicable purchase date. The Company has reserved 365,000 shares of Common Stock for issuance to employees under the Purchase Plan.

### **Chief Executive Officer Compensation**

The compensation of the Chief Executive Officer is reviewed annually on the same basis as discussed above for all executive officers. In 2001, William E. Rich's base salary was increased from \$225,000 to \$240,000, an increase of 6.7%. Mr. Rich received a \$220,000 bonus in 2002 relative to 2001 performance and a \$200,000 bonus in 2001 relative to 2000 performance. As with other executive officers, Mr. Rich's total compensation was based on the Company's accomplishments and the Chief Executive Officer's contribution thereto.

### **Section 162(M)**

The Board has considered the potential future effects of Section 162(m) of the Internal Revenue Code on the compensation paid to the Company's executive officers. Section 162(m) disallows a tax deduction for any publicly held corporation for individual compensation exceeding \$1.0 million in any taxable year for any of the executive officers named in the Proxy Statement, unless compensation is performance-based. The Company has adopted a policy that, where reasonably practicable, the Company will seek to qualify the variable compensation paid to its executive officers for an exemption from the deductibility limitations of Section 162(m).

In approving the amount and form of compensation for the Company's executive officers, the Committee will continue to consider all elements of the cost to the Company of providing such compensation, including the potential impact of Section 162(m).

Respectfully submitted by:

COMPENSATION COMMITTEE

John A. Young, Chairman

Michael J. Callaghan

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### **REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

The Board of Directors maintains an Audit Committee comprised of three of the Company's outside directors. The Board of Directors and the Audit Committee believe that the Audit Committee's composition satisfies the rule of the National Association of Securities Dealers, Inc. ("NASD") that governs audit committee composition, including the requirement that audit committee members all be "independent directors" as that term is defined by NASD Rule 4200(a)(14).

The Audit Committee oversees the Company's financial process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the system of internal controls. In fulfilling its oversight responsibilities, the committee reviewed the audited financial statements in the Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 2001 with management, including a discussion of the quality of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Board has adopted a written Audit Committee Charter.

The Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the committee under generally accepted auditing standards, including Statement on Auditing Standards No. 61, "Communication with Audit Committees". In addition, the Committee has discussed with the

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independent auditors the auditors' independence from management and the Company including the matters in the written disclosures and the letter from the independent auditors required by the Independence Standards Board, Standard No. 1.

The Committee also discussed with the Company's independent auditors the overall scope and results of their audit. The Committee meets periodically with the independent auditors, with and without management present, to discuss the results of their examination, their evaluation of the Company's internal controls, and the overall quality of the Company's financial reporting. The Chairman of the Audit Committee held three meetings with the auditors in regards to their review of the first three quarterly financial statements for the year ended December 31, 2001. The Committee held two meetings with the auditors in regards to their audit of the quarterly and annual financial statements for the year ended December 31, 2001.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 for filing with the Securities and Exchange Commission. The Committee and the Board have also recommended, subject to stockholder approval, the reappointment of the Company's independent public accountants for the fiscal year ending December 31, 2002.

Respectfully Submitted by:

MEMBERS OF THE AUDIT COMMITTEE

Michael J. Callaghan, Chairman  
James L. Rathmann  
John A. Young

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## PERFORMANCE GRAPH

### Corporate Performance Graph

The following graph shows a comparison of cumulative total returns from the effective date of the Company's initial public offering on September 28, 2000 through December 31, 2001 for the Company, the Nasdaq National Market Index and the Nasdaq Biotech Index. The Nasdaq Biotech Index is a capitalization-weighted index designed to measure the performance of all NASDAQ stocks in the biotechnology sector. The graph is presented pursuant to SEC rules. The Company believes that while total stockholder return can be an important indicator of corporate performance, the stock prices of companies like CIPHERGEN are subject to a number of market-related factors other than company performance, such as competitive announcements, mergers and acquisitions in the industry, the general state of the economy and the prices of biopharmaceutical stocks.

**CUMULATIVE TOTAL RETURN\* AMONG CIPHERGEN BIOSYSTEMS, INC., THE NASDAQ NATIONAL MARKET INDEX  
AND THE NASDAQ BIOTECH INDEX  
CUMULATIVE TOTAL RETURN AT PERIOD ENDED**



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\*

Assumes \$100 was invested on September 28, 2000 at the offering price of \$16.00 per share and \$100 was invested in the Nasdaq National Market Index and the Nasdaq Biotech Index. Assumes dividends reinvested. Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.

The information contained above under the captions "Report of the Compensation Committee of the Board of Directors" and "Performance Graph" shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, (the "Securities Act") or the Exchange Act, except to the extent that the Company specifically incorporates it by reference into such filing.

#### **Section 16(A) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC. Such officers, directors and ten percent or greater stockholders are also required by SEC rules to furnish the Company with copies of all forms that they file pursuant to Section 16(a). Based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons, the Company believes that during fiscal 2001 all executive officers and directors of the Company complied with all applicable filing requirements, except that an amended Form 5 was filed for Matthew J. Hogan, the Company's Chief Financial Officer, to correct the number of shares reported purchased pursuant to the Company's 2000 Employee Stock Purchase Plan.

#### **Certain Business Relationships and Related Party Transactions**

In the Company's last fiscal year, there has not been nor is there currently proposed any transaction or series of similar transactions to which the Company was or is to be a party in which the amount involved exceeds \$60,000 and in which any director, executive officer, holder of more than 5% of the Common Stock of the Company or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest other than (1) compensation agreements and other arrangements, which are described where required in

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"Employment and Severance Agreements" and (2) the transactions described below.

During fiscal year 2001, the Company granted 51,600 shares of Ciphergen stock to Stanford Research Systems, Inc. ("SRS") upon the accomplishment of certain milestones as described in a joint development agreement. In addition, SRS is a vendor to the Company and Ciphergen purchased \$372,000 of inventory materials from SRS during the year. William R. Green, a director of the Company, is the President and Chief Executive Officer of SRS.

In 1998, the Company gave two interest-free loans totaling \$230,000 to William E. Rich in connection with his relocation to California. One promissory note in the principal amount of \$200,000 is secured by a deed of trust on Dr. Rich's residence. The other promissory note is unsecured. The notes are repayable on or before December 31, 2003.

Additionally, the Company has notes receivable from four officers in the aggregate amount of \$1.3 million related to the early exercise of stock options. These full recourse notes have five year terms, bear interest between 5.59% and 6.85%, and are collateralized by the underlying stock and other personal assets. All notes receivable related to the early exercise of options become due immediately upon termination of employment.

### INDEMNIFICATION

The Company has entered into indemnification agreements with each of its directors and officers. Such indemnification agreements will require the Company to indemnify its directors and officers to the fullest extent permitted by Delaware law.

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### OTHER MATTERS

The Company knows of no other matters to be submitted at the meeting. If any other matters properly come before the meeting, it is the intention of the persons named in the enclosed Proxy to vote the shares they represent as the Board of Directors may recommend.

BY ORDER OF THE BOARD OF DIRECTORS

Fremont, California  
Dated: May 3, 2002

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### PROXY

### CIPHERGEN BIOSYSTEMS, INC.

#### PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

June 6, 2002

The undersigned stockholder of Ciphergen Biosystems, Inc. (the "Company") hereby appoints William E. Rich and Matthew J. Hogan each with full power of substitution to each, the true and lawful attorneys, agents and proxy holders of the undersigned, and hereby authorizes them to represent and vote, as specified herein, all of the shares of Common Stock of the Company held of record by the undersigned on April 11, 2002, at the Annual Meeting of Stockholders of the Company to be held on June 6, 2002, (the "Annual Meeting") at 10:00 a.m. at 6611 Dumbarton Circle, Fremont, California and any adjournments or postponements thereof.

**THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO CONTRARY DIRECTION IS INDICATED, WILL BE VOTED FOR THE PROPOSALS AND AS SAID PROXYHOLDERS DEEM ADVISABLE ON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING AND ANY ADJOURNMENT(S) THEREOF.**

**THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF THE NOTICE OF ANNUAL MEETING OF SHAREHOLDERS RELATING TO THE ANNUAL MEETING.**

Item 1: To elect two (2) Class II Directors to the Company's Board of Directors, each to serve for a three year term and until their successors are duly elected and qualified:

**Nominees:** John A. Young and William R. Green

o For

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Withheld

For all nominees except as noted above

**CONTINUED AND TO BE SIGNED ON THE REVERSE SIDE**

Item 2: To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors for the year ending December 31, 2002:

FOR  AGAINST  ABSTAIN

Mark here for address change and note below

NOTE: Please sign exactly as name appears hereon. Joint owners should each sign. Trustees and others acting in a representative capacity should indicate the capacity in which they sign and give their full title. If a corporation, please have an authorized officer sign and indicate the full corporate name. If a partnership, please sign in partnership name by an authorized person.

Signature:

Date:

Signature:

Date:

**PLEASE MARK, SIGN AND DATE THIS PROXY AND RETURN IT PROMPTLY WHETHER YOU PLAN TO ATTEND THE MEETING OR NOT. IF YOU DO ATTEND, YOU MAY VOTE IN PERSON IF YOU DESIRE.**

QuickLinks

[CIPHERGEN BIOSYSTEMS, INC. NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD THURSDAY, JUNE 6, 2002](#)

[INFORMATION CONCERNING SOLICITATION AND VOTING](#)

[PROPOSAL ONE ELECTION OF TWO CLASS II DIRECTORS](#)

[PROPOSAL TWO RATIFICATION OF APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S](#)

[INDEPENDENT PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2002](#)

[SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT](#)

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