

# ZOSANO PHARMA CORP

## **FORM DEF 14A** (Proxy Statement (definitive))

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

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**SCHEDULE 14A**

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

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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

**ZOSANO PHARMA CORPORATION**

(Name of Registrant as Specified in its Charter)

**Not Applicable**

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

Payment of Filing Fee (Check the appropriate box):

- 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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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.

(1) Amount Previously Paid:

(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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**ZOSANO PHARMA CORPORATION 34790 Ardentech Court  
Fremont, California 94555**

**NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS**

Dear Stockholder:

We invite you to attend Zosano Pharma Corporation's 2016 Annual Meeting of Stockholders, which is being held as follows:

<b>Date:</b>	November 2, 2016
<b>Time:</b>	8:30 a.m., Pacific time
<b>Location:</b>	Zosano Pharma Corporation 34790 Ardentech Court Fremont, CA 94555

At the annual meeting, we will ask our stockholders to:

- re-elect as our Class II director, Bruce D. Steel, to serve for a three-year term ending at our 2019 annual meeting of stockholders;
- ratify the appointment of Marcum LLP as our independent registered public accounting firm for fiscal year 2016; and
- consider any other business properly presented at the meeting.

You may vote on these matters in person, by proxy or via the internet or telephone. Whether or not you plan to attend the annual meeting, we ask that you promptly complete and return the enclosed proxy card in the enclosed addressed, postage-paid envelope or vote via the internet or telephone, so that your shares will be represented and voted at the meeting in accordance with your wishes. If you attend the annual meeting, you may withdraw your proxy or internet or telephone vote and vote your shares in person. Only stockholders of record at the close of business on October 6, 2016 may vote at the meeting.

By order of the Board of Directors,



Jeffrey L. Quillen  
*Secretary*

October 7, 2016

**PROXY STATEMENT  
ZOSANO PHARMA CORPORATION  
2016 ANNUAL MEETING OF STOCKHOLDERS**

**Table of Contents**

	<b><u>Page</u></b>
<b><u>INFORMATION ABOUT THE MEETING</u></b>	<b>1</b>
<a href="#">The Meeting</a>	1
<a href="#">This Proxy Solicitation</a>	1
<a href="#">Who May Vote</a>	1
<a href="#">How to Vote</a>	2
<a href="#">Shares Held by Brokers or Nominees</a>	2
<a href="#">Quorum Required to Transact Business</a>	3
<b><u>PROPOSAL 1: ELECTION OF DIRECTORS</u></b>	<b>4</b>
<b><u>PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	<b>7</b>
<b><u>INFORMATION ABOUT OUR BOARD OF DIRECTORS AND MANAGEMENT</u></b>	<b>8</b>
<a href="#">Board Composition</a>	8
<a href="#">Board Role in Risk Oversight</a>	9
<a href="#">Committees of the Board of Directors</a>	9
<a href="#">Compensation Committee Interlocks and Insider Participation</a>	11
<a href="#">Code of Business Conduct and Ethics; Corporate Governance Guidelines</a>	11
<a href="#">Meetings of the Board of Directors</a>	11
<a href="#">Policy Regarding Board Attendance</a>	11
<a href="#">Director Candidates and Selection Process</a>	11
<a href="#">Communications with our Board of Directors</a>	12
<a href="#">Director Compensation</a>	12
<a href="#">Our Management</a>	14
<b><u>EXECUTIVE COMPENSATION</u></b>	<b>16</b>
<a href="#">Executive Summary</a>	16
<a href="#">Summary Compensation Table for Fiscal Year 2015</a>	16
<a href="#">Narrative Disclosure to Summary Compensation Table</a>	17
<a href="#">Outstanding Equity Awards at Year-End</a>	18
<a href="#">Employment Agreements, Severance and Change in Control Arrangements</a>	18
<b><u>INFORMATION ABOUT COMMON STOCK OWNERSHIP</u></b>	<b>20</b>
<a href="#">Stock Owned by Directors, Executive Officers and Greater-Than-5% Stockholders</a>	20
<a href="#">Policy Regarding Hedging</a>	22
<a href="#">Section 16(a) Beneficial Ownership Reporting Compliance</a>	22
<b><u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u></b>	<b>23</b>
<a href="#">Agreements with Our Stockholders</a>	23
<a href="#">Indemnification of Officers and Directors</a>	26
<a href="#">Policies and Procedures for Related Person Transactions</a>	26
<b><u>INFORMATION ABOUT OUR AUDIT COMMITTEE AND AUDITORS</u></b>	<b>27</b>
<a href="#">Audit Committee Report</a>	27
<a href="#">Our Auditors</a>	27
<a href="#">Fees for Professional Services</a>	28
<a href="#">Pre-Approval Policies and Procedures</a>	28
<a href="#">Whistleblower Procedures</a>	28
<b><u>OTHER MATTERS</u></b>	<b>29</b>
<a href="#">Other Business</a>	29
<a href="#">Stockholder Proposals for 2017 Annual Meeting</a>	29

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON NOVEMBER 2, 2016**

This proxy statement and our 2015 Annual Report to Stockholders are also available for viewing, printing and downloading at [www.edocumentview.com/ZSAN](http://www.edocumentview.com/ZSAN).

**INFORMATION ABOUT THE MEETING**

**The Meeting**

The 2016 Annual Meeting of Stockholders of Zosano Pharma Corporation will be held at 8:30 a.m., Pacific time, on Wednesday, November 2, 2016 at the offices of Zosano Pharma Corporation, 34790 Ardentech Court, Fremont, CA 94555. At the meeting, stockholders of record on the record date for the meeting who are present or represented by proxy will have the opportunity to vote on the following matters:

- the re-election of Bruce D. Steel as our Class II director, to serve for a three-year term ending at our 2019 annual meeting of stockholders;
- the ratification of the appointment of Marcum LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016; and
- any other business properly presented at the meeting.

**This Proxy Solicitation**

We have sent you this proxy statement and the enclosed proxy card because our Board of Directors is soliciting your proxy to vote at the meeting (including any adjournment or postponement of the meeting).

- *This proxy statement* summarizes information about the proposals to be considered at the meeting and other information you may find useful in determining how to vote.
- *The proxy card* is the means by which you actually authorize another person to vote your shares at the meeting in accordance with your instructions.

We will pay the cost of soliciting proxies. Our directors, officers and employees may solicit proxies in person, by telephone or by other means. We will reimburse brokers and other nominee holders of shares for expenses they incur in forwarding proxy materials to the beneficial owners of those shares. We do not plan to retain the services of a proxy solicitation firm to assist us in this solicitation.

We will mail this proxy statement and the enclosed proxy card to stockholders for the first time on or about October 11, 2016. In this mailing, we will include a copy of our 2015 Annual Report to Stockholders, which includes our Annual Report on Form 10-K for the year ended December 31, 2015 (excluding exhibits), as filed with the Securities and Exchange Commission, or SEC.

**Who May Vote**

Holders of record of our common stock at the close of business on October 6, 2016 are entitled to one vote per share of common stock on each proposal properly brought before the annual meeting.

A list of stockholders entitled to vote will be available at the annual meeting. In addition, you may contact our Chief Business Officer and Interim Chief Financial Officer, Georgia Erbez, at our principal executive offices located at 34790 Ardentech Court, Fremont, California 94555, to make arrangements to review a copy of the stockholder list at those offices, between the hours of 9:00 a.m. and 5:30 p.m., Pacific time, on any business day from October 11, 2016 to the time of the annual meeting.

## How to Vote

You are entitled to one vote at the meeting for each share of common stock registered in your name at the close of business on October 6, 2016, the record date for the meeting. You may vote your shares at the meeting in person, by proxy or via the internet or the toll-free number (for residents of the United States and Canada) listed on your proxy card.

- *To vote in person*, you must attend the meeting, and then complete and submit the ballot provided at the meeting.
- *To vote by proxy*, you must complete and return the enclosed proxy card. Your proxy card will be valid only if you sign, date and return it before the meeting. By completing and returning the proxy card, you will direct the persons named on the proxy card to vote your shares at the meeting in the manner you specify. If you complete all of the proxy card except the voting instructions, then the designated persons will vote your shares FOR the reelection of Mr. Steel as a Class II director and FOR the ratification of our independent registered public accounting firm. If any other business properly comes before the meeting, then the designated persons will have the discretion to vote in any manner they deem appropriate.
- *To vote via the internet*, you must access the website for internet voting at [www.investorvote.com/ZSAN](http://www.investorvote.com/ZSAN). Please have the enclosed proxy card handy when you access the website, and then follow the on-screen instructions. Internet voting facilities for stockholders of record will be available 24 hours a day until 1:00 a.m. (Central time) on November 2, 2016. If you vote via the internet, you do not have to return your proxy card via mail.
- *To vote via telephone*, use any touch-tone telephone and call 1-800-652-VOTE (8683) to transmit your voting instructions up until 1:00 a.m. (Central time) on November 2, 2016. Please have the enclosed proxy card handy when you call, and then follow the instructions. If you vote via telephone, you do not have to return your proxy card via mail.

If you vote by proxy or via the internet or telephone, you may revoke your vote at any time before it is exercised by taking one of the following actions:

- sending written notice to our Secretary at our address set forth on the notice of meeting appearing on the cover of this proxy statement;
- voting again by proxy or via the internet or telephone on a later date; or
- attending the meeting, notifying our Secretary that you are present, and then voting in person.

## Shares Held by Brokers or Nominees

If the shares you own are held in “street name” by a brokerage firm, your brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your brokerage firm provides to you. Many brokers also offer the option of providing voting instructions to them over the internet or by telephone, directions for which would be provided by your brokerage firm on your voting instruction form.

Under stock exchange rules applicable to most brokerage firms, if you do not give instructions to your broker, it is permitted to vote any shares it holds for your account in its discretion with respect to “routine” proposals, but it is not allowed to vote your shares with respect to certain non-routine proposals. **Proposal 1, regarding the election of directors, is a “non-routine” proposal. If you do not instruct your broker how to vote with respect to Proposal 1, your broker will not vote on it and your shares will be recorded as “broker non-votes” and will not affect the outcome of the vote on Proposal 1.** “Broker non-votes” are shares that are held in “street name” by a bank or brokerage firm that indicates on its proxy that, while voting in its discretion on one matter, it does not have or did not exercise discretionary authority to vote on another matter.

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[Table of Contents](#)

Proposal 2, the ratification of Marcum LLP as our independent registered public accounting firm, is considered to be a “routine” item under the applicable rules and your broker will be able to vote on that item even if it does not receive instructions from you, so long as it holds your shares in its name.

If a broker or nominee holds shares of our common stock in “street name” for your account, then this proxy statement may have been forwarded to you with a voting instruction card, which allows you to instruct the broker or nominee how to vote your shares on the proposals described herein. To vote by proxy or to instruct your broker how to vote, you should follow the directions provided with the voting instruction card. **In order to have your vote counted on Proposal 1, you must either provide timely voting instructions to your broker or obtain a properly executed proxy from the broker or other record holder of the shares that authorizes you to act on behalf of the record holder with respect to the shares held for your account.**

#### **Quorum Required to Transact Business**

At the close of business on October 6, 2016, 16,815,997 shares of our common stock were outstanding. Our Bylaws require that a majority of the outstanding shares of our common stock be represented, in person or by proxy, at the meeting in order to constitute the quorum we need to transact business at the meeting. We will count abstentions and broker non-votes as shares represented at the meeting in determining whether a quorum exists.

#### **Householding of Annual Meeting Materials**

Some banks, brokers, and other nominee record holders may be “householding” our proxy statements and annual reports. This means that only one copy of our proxy statement and annual report to stockholders may have been sent to multiple stockholders in your household. We will promptly deliver a copy of either document to you if you call or write us at our principal executive offices, 34790 Ardentech Court, Fremont, California 94555, Attention: Georgia Erbez, Chief Business Officer and Interim Chief Financial Officer, telephone: (510) 745-1200. In the future, if you want to receive separate copies of the proxy statement or annual report to stockholders, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the above address and telephone number.

#### **Annual Report on Form 10-K**

We will promptly deliver to you a copy of our annual report on Form 10-K for the year ended December 31, 2015 and additional copies of our proxy statement, without charge, if you call or write us at the following address or telephone number: Zosano Pharma Corporation, 34790 Ardentech Court, Fremont, California 94555, Attention: Georgia Erbez, Chief Business Officer and Interim Chief Financial Officer, telephone: (510) 745-1200.



## PROPOSAL 1: ELECTION OF DIRECTORS

The first proposal on the agenda for the annual meeting is the re-election of Bruce D. Steel, to serve as a Class II director.

Our Board of Directors is divided into three classes:

- Bruce D. Steel is a Class II director whose term ends at our annual meeting of stockholders in 2016;
- Joseph “Jay” P. Hagan, Troy Wilson, Ph.D., J.D. and Kleantlis G. Xanthopoulos, Ph.D. are Class III directors whose terms end at our annual meeting of stockholders in 2017; and
- Konstantinos Alataris, Ph.D. and John P. Walker are Class I directors whose terms end at our annual meeting of stockholders in 2018.

At each annual meeting of stockholders, a Class of directors is elected for a three-year term to succeed the directors of the same Class whose terms are then expiring. The term of the Class II director elected at our 2016 annual meeting of stockholders will begin at the meeting and end at our 2019 annual meeting of stockholders, or, if later, when the director’s successor has been elected and has qualified.

The following table sets forth certain information as of October 1, 2016 regarding our Class II director, who has been nominated for re-election, and each other director who will continue in office following the 2016 Annual Meeting of Stockholders.

<u>Name</u>		<u>Age</u>	<u>Position(s)</u>
	<i>Class II Director Nominee</i>		
Bruce D. Steel		49	Director
	<i>Continuing Directors</i>		
John P. Walker		68	Chairman of the Board of Directors
Konstantinos Alataris, Ph.D.		46	President, CEO, and Director
Joseph “Jay” P. Hagan (1) (2) (3)		47	Director
Troy Wilson, Ph.D., J.D. (1) (2) (3)		47	Director
Kleantlis G. Xanthopoulos, Ph.D. (1) (2) (3)		58	Director

- (1) Member of the Audit Committee.
- (2) Member of the Nominating and Corporate Governance Committee.
- (3) Member of the Compensation Committee.

### *Class II Director Nominee*

**Bruce D. Steel** has served as a member of our Board of Directors since April 2012 and was the Chairman of the Board of Directors from June 2013 to May 2016. Mr. Steel is currently the Managing Director of BioMed Ventures, the strategic investment arm of BioMed Realty Trust. Mr. Steel is also a member of the Board of Directors of AEGEA Medical, Inc. Previously, Mr. Steel served as the Chief Executive Officer of Rincon Pharmaceuticals, Inc. and, between 2008 and 2010, as the Chief Business Officer of Anaphore, Inc. Mr. Steel received his Bachelor of Arts from Dartmouth College and his M.B.A. from the Marshall School of Business at the University of Southern California. Mr. Steel also holds the designation of Chartered Financial Analyst. We believe that Mr. Steel’s deep knowledge of the life-sciences industry as well as his executive level experience at various companies qualify him to serve as a member of our Board of Directors.

### *Continuing Directors*

**Konstantinos Alataris, Ph.D.** has served as our President since September 2015 and as our Chief Executive Officer since January 2016 and has been a member of our board of directors since February 2016. Dr. Alataris was the founder and held the roles of President, Chief Executive Officer and Chief Commercial Officer with

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[Table of Contents](#)

Nevro Corp. (NYSE:NVRO), a company that developed an innovative, evidenced-based neuromodulation platform for the treatment of chronic pain. Under Dr. Alataris' leadership, Nevro advanced from product concept to clinical testing to successful market launch and international commercialization. Dr. Alataris has also served as Executive Chairman of the Board of Directors at IRRAS AB, a CNS medical device and drug delivery company and Head of Digital Healthcare Strategy at mc10inc a wearable sensor company. Prior to Nevro, he was Vice President at Bay City Capital, a healthcare focused venture capital firm based in San Francisco. He holds Masters degrees in Science and Business and a Ph.D. in Bioengineering with emphasis in Neuroscience from the University of Southern California. We believe that Dr. Alataris is qualified to serve on our Board of Directors due to his service as our President and Chief Executive Officer, and his extensive knowledge of our company and industry.

**Joseph "Jay" P. Hagan** has served as a member of our Board of Directors since May 2015. Mr. Hagan is currently the Chief Operating Officer, Principal Financial Officer and Principal Accounting Officer of Regulus Therapeutics Inc. From June 2011 until December 2015, he served as Executive Vice President, Chief Business & Financial Officer of Orexigen Therapeutics, Inc., a public biotechnology company focused on the treatment of obesity, and from May 2009 to June 2011, Mr. Hagan served as Orexigen's Senior Vice President, Corporate Development, Strategy and Communications. Prior to Orexigen, Mr. Hagan worked at Amgen from September 1998 to April 2008, where he served in various senior business development roles, including founder and Managing Director of Amgen Ventures. Prior to starting the Amgen Ventures fund, Mr. Hagan was Head of Corporate Development at Amgen, leading such notable transactions as the acquisitions of Immunex and Tularik and the spinouts of Novantrone and Relypsa, as well as numerous other business development efforts totaling over \$15 billion in value. Before joining Amgen, Mr. Hagan spent five years in the bioengineering labs at Genzyme and Advanced Tissue Sciences. He received an M.B.A. from Northeastern University and a B.S. in Physiology and Neuroscience from the University of California, San Diego. We believe that Mr. Hagan's education and professional background in science and business management, and his work as a senior executive in the biotechnology industry qualify him to serve as a member of our Board of Directors.

**Troy Wilson, Ph.D., J.D.** has served as a member of our Board of Directors since June 2014. Dr. Wilson has been President and Chief Executive Officer and a member of the Board of Directors of Kura Oncology, Inc., a public company, since August 2014. He has served as President and Chief Executive Officer and as a member of the Board of Managers of Avidity NanoMedicines LLC, a private biopharmaceutical company, since November 2012 and as President and Chief Executive Officer and as a member of the Board of Managers of Wellspring Biosciences LLC, a private biopharmaceutical company, since July 2012 and May 2012, respectively. Dr. Wilson has been a member of the Board of Directors of Puma Biotechnology, Inc., a public company, since October 2013. He has also been a member of the Board of Managers of Araxes Pharma LLC, a private biopharmaceutical company, since May 2012. Previously, Dr. Wilson served as President and Chief Executive Officer and a member of the Board of Directors of Intellikine, Inc., a private biopharmaceutical company, from April 2007 to January 2012 and from August 2007 to January 2012, respectively, until its acquisition by Takeda Pharmaceuticals. Dr. Wilson holds a J.D. from New York University and graduated with a Ph.D. in bioorganic chemistry and a B.A. in biophysics from the University of California, Berkeley. We believe that Dr. Wilson's senior executive experience managing, leading and developing various biopharmaceutical companies and his extensive industry knowledge and board-level experience in the biopharmaceutical industry qualify him to serve as a member of our Board of Directors.

**John P. Walker** has served as a member of our Board since May 2016. Mr. Walker is currently the Executive Chairman and interim Chief Executive Officer of Vizuri Health Sciences, LLC and served as a Managing Director of Four Oaks Partners, a life sciences transaction advisory firm, which he co-founded in March 2012 until January 2015. As part of his activities with Four Oaks Partners, Mr. Walker served as the Chairman and interim Chief Executive Officer of Neuraltus Pharmaceuticals, Inc., a privately held biopharmaceutical company, until October 2013. From February 2009 until July 2010, Mr. Walker was the Chief Executive Officer at iPierian, Inc., a company focused on the use of inducible stem cells for drug discovery. From 2006 until 2009, Mr. Walker served as the Chairman and Chief Executive Officer of Novacea, Inc., a

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[Table of Contents](#)

pharmaceutical company, which merged with Transcept Pharmaceuticals, Inc., a pharmaceutical company, in January 2009. Since 2001, Mr. Walker, acting as a consultant, was Chairman and Interim Chief Executive Officer at Kai Pharmaceuticals, a pharmaceutical company, Guava Technologies, a biotechnology company, Centaur Pharmaceuticals, Inc., a pharmaceutical company, and Chairman and Chief Executive Officer of Bayhill Therapeutics, a biotechnology company. From 1993 until 2001, Mr. Walker was the Chairman and Chief Executive Officer of Arris Pharmaceutical Corporation, a pharmaceutical company, and its successor, Axys Pharmaceuticals Inc. Mr. Walker currently serves on the boards of directors of several privately held biotechnology companies, and is also on the board of directors of Lucille Packard Children's Hospital at Stanford University Medical Center. Mr. Walker previously served on the board of directors of Geron Corporation, a biopharmaceutical company, and served on the board of directors of Evotec AG, a drug discovery alliance and development company. The Board believes that Mr. Walker's qualifications for Board membership include his 40 years in the life sciences industry and his experience as Chairman and Chief Executive Officer of a number of development and commercial stage companies, providing valuable perspective to the operational and strategic issues of the Company. Mr. Walker is a graduate of the Advanced Executive Program at The Kellogg School of Management at Northwestern University and holds a B.A. from the State University of New York at Buffalo.

***Kleanthis G. Xanthopoulos, Ph.D.*** has served as a member of our Board of Directors since April 2013. Dr. Xanthopoulos is Managing General Partner at Cerus Advisors, a family office investing in biotechnology companies. He was the President and Chief Executive Officer and a member of the Board of Directors of Regulus Therapeutics Inc. until June 2015, having joined Regulus in 2007. Dr. Xanthopoulos is also currently Chairman of the Board of Directors of Apricus Biosciences, Inc., a public company, a member of the Board of Directors of IRRAS AB, the Biotechnology Industry Organization (BIO) and Senté Inc., and is a member of the executive board of BIOCUM, Southern California's life science industry association. Prior to joining Regulus, Dr. Xanthopoulos was a managing director of Enterprise Partners Venture Capital. Dr. Xanthopoulos co-founded and served as President and Chief Executive Officer of Anadys Pharmaceuticals from its inception in 2000 to 2006, and remained a member of its Board of Directors until its acquisition by Roche in 2011. Dr. Xanthopoulos was Vice President at Aurora Biosciences, which was acquired by Vertex Pharmaceuticals, from 1997 to 2000. Dr. Xanthopoulos participated in The Human Genome Project as a Section Head of the National Human Genome Research Institute from 1995 to 1997. Previously, Dr. Xanthopoulos was an Associate Professor at the Karolinska Institute, in Stockholm, Sweden, after completing a Postdoctoral Research Fellowship at The Rockefeller University, New York. An Onassis Foundation scholar, Dr. Xanthopoulos received his B.Sc. in Biology with honors from Aristotle University of Thessaloniki, Greece, and received both his M.Sc. in Microbiology and Ph.D. in Molecular Biology from the University of Stockholm, Sweden. We believe that Dr. Xanthopoulos's senior executive experience managing and developing a major biotechnology company and his extensive industry knowledge and leadership experience in the biotechnology industry qualify him to serve as a member of our Board of Directors.

If for any reason any of the nominees becomes unavailable for election, the persons designated in the proxy card may vote the shares represented by proxy for the election of a substitute nominated by the Board of Directors. Each nominee has consented to serve as a director if elected, and we currently have no reason to believe that any of them will be unable to serve.

The nominee receiving the greatest numbers of votes cast will be elected as a Class II director. **Brokers may not vote shares they hold for you in the election of directors, unless they receive timely voting instructions from you**. We will not count abstentions or broker non-votes as having been cast for the election of a director.

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RE-ELECTION OF MR. STEEL AS A CLASS II DIRECTOR.**

**PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Marcum LLP currently serves as our independent registered public accounting firm and audited our financial statements for our fiscal year ended December 31, 2015. The Audit Committee of our Board of Directors has retained Marcum LLP as our independent registered public accounting firm to audit our financial statements for our fiscal year ending December 31, 2016.

Our Audit Committee is responsible for selecting and appointing our independent registered public accounting firm, and this appointment is not required to be ratified by our stockholders. However, our Audit Committee has recommended that the Board of Directors submit this matter to the stockholders as a matter of good corporate practice. If the stockholders fail to ratify the appointment, then the Audit Committee will reconsider whether to retain Marcum LLP, and may retain that firm or another without re-submitting the matter to our stockholders. Even if the appointment is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of Zosano Pharma and our stockholders.

In order to pass, this proposal must receive a majority of the votes cast with respect to this matter. We will not count abstentions or broker non-votes as votes cast.

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF MARCUM LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016.**

## INFORMATION ABOUT OUR BOARD OF DIRECTORS AND MANAGEMENT

### Board Composition

Our Board of Directors currently consists of six members, and there are no contractual obligations regarding the election of our directors. Each of our directors holds office until the director's successor has been elected and qualified or until the director's earlier death, resignation or removal.

Our Certificate of Incorporation and our Bylaws provide that the authorized number of directors may be changed only by resolution adopted by a majority of the authorized number of directors constituting the Board of Directors. Our Certificate of Incorporation and Bylaws also provide that a director may be removed only for cause by the affirmative vote of the holders of at least 66-2/3% of the votes that all our stockholders would be entitled to cast in an annual election of directors, and that any vacancy on our Board of Directors, including a vacancy resulting from an increase in the authorized number of directors constituting the Board of Directors, may be filled only by vote of a majority of our directors then in office.

In accordance with the terms of our Certificate of Incorporation and Bylaws, our Board of Directors is divided into three classes, designated as Class I, Class II and Class III, with members of each Class serving staggered three-year terms, divided as follows:

- the Class I directors are Dr. Alataris and Mr. Walker, whose terms will expire at the annual meeting of stockholders to be held in 2018;
- the Class II director is Mr. Steel, whose term will expire at our 2016 Annual Meeting of Stockholders; and
- the Class III directors are Mr. Hagan, Dr. Wilson and Dr. Xanthopoulos, whose terms will expire at the annual meeting of stockholders to be held in 2017.

Upon the expiration of the term of a Class of directors, directors in that Class are eligible, if nominated, to be elected for a new three-year term at the annual meeting of stockholders in the year in which their term expires.

Our common stock is listed on The NASDAQ Capital Market tier of The NASDAQ Stock Market. Under the rules of The NASDAQ Stock Market, independent directors must comprise a majority of a listed company's board of directors within 12 months from the date of listing in connection with the company's initial public offering. In addition, the rules of The NASDAQ Stock Market require that (i) on the date of listing in connection with a company's initial public offering, at least one member of each of the listed company's audit, compensation, and nominating and corporate governance committees be independent, (ii) within 90 days of the date of listing in connection with the company's initial public offering, a majority of the members of such committees be independent and (iii) within one year of the date of listing in connection with the company's initial public offering, all the members of such committees be independent. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Under the rules of The NASDAQ Stock Market, a director will only qualify as an "independent director" if, in the opinion of the company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

In order to be considered to be independent for purposes of Rule 10A-3 under the Exchange Act, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors or any other board committee: (1) accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries or (2) be an affiliated person of the listed company or any of its subsidiaries.

Based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships, our Board of Directors has determined that each of

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## [Table of Contents](#)

Mr. Walker, Mr. Hagan, Dr. Wilson and Dr. Xanthopoulos is an “independent director” as defined under Rule 5605(a)(2) of the NASDAQ Listing Rules, and that each of Dr. Alataris and Mr. Steel is not an “independent director.” In making this determination, our Board of Directors considered the relationships that each non-employee director has with our company and all other facts and circumstances our Board of Directors deemed relevant in determining the independence of such directors, including the beneficial ownership of our capital stock by each non-employee director and by entities with which each non-employee director is associated.

During fiscal year 2015, our Board of Directors consisted of Dr. M. James Barrett, Mr. Hagan, Mr. Steel, Dr. Wilson, Dr. Xanthopoulos, Mr. Vikram Lamba and Dr. Peter Daddona. Mr. Lamba, Dr. Daddona and Dr. Barrett resigned as members of the Board of Directors effective as of January 6, 2016, January 22, 2016 and January 22, 2016, respectively. Dr. Alataris and Mr. Walker were appointed to fill vacancies on our Board of Directors as Class I Directors on February 3, 2016 and May 4, 2016, respectively.

### **Board Role in Risk Oversight**

One of the key functions of our Board of Directors is informed oversight of our risk management process. Our Chief Executive Officer is responsible for setting the strategic direction for our company and the day-to-day leadership and performance of the company, while our Chairman, who is not an executive officer or employee of our company, facilitates communications between the Board and the Chief Executive Officer and discussion among the independent directors and presides over meetings of the Board and stockholders. Our non-employee directors meet in executive session on a regular basis, without management present, with our Chairman presiding, and our independent directors also meet in executive session on a regular basis, without management and without Mr. Steel present.

Our Board of Directors does not have a standing risk management committee, but rather administers this oversight function directly through the Board of Directors as a whole, as well as through various standing committees of our Board of Directors that address risks inherent in their respective areas of oversight. In particular, our Board of Directors is responsible for monitoring and assessing strategic risk exposure and our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The Audit Committee also monitors compliance with legal and regulatory requirements. Our Nominating and Corporate Governance Committee monitors the effectiveness of our corporate governance practices, including whether they are successful in preventing illegal or improper liability-creating conduct. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking.

### **Committees of the Board of Directors**

Our Board of Directors has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Each of these committees, which are the only standing committees of our Board of Directors, operates under a charter that has been approved by our Board of Directors. A current copy of the charter for each of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee is available on our website, which is located at [www.zosanopharma.com](http://www.zosanopharma.com), under “Investors—Corporate Governance.”

*Audit Committee.* The current members of our Audit Committee are Mr. Hagan, Dr. Wilson and Dr. Xanthopoulos. Previously in fiscal year 2015, our Audit Committee had consisted of Mr. Hagan, Dr. Wilson, Dr. Xanthopoulos and Mr. Steel, until he resigned as a member of the Audit Committee effective as of January 22, 2016. Our Board of Directors has determined that each of Mr. Hagan, Dr. Wilson and Dr. Xanthopoulos satisfies The NASDAQ Stock Market independence standards and the independence standards of Rule 10A-3(b)(1) under the Exchange Act. Each of the members of our Audit Committee meets the requirements for financial literacy under applicable rules and regulations of the SEC and The NASDAQ Stock Market. The Board of Directors has

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[Table of Contents](#)

also determined that Mr. Hagan qualifies as an “audit committee financial expert,” as defined by applicable rules of The NASDAQ Stock Market and the SEC. Mr. Steel was not independent for purposes of Rule 10A-3 under the Exchange Act by reason of his affiliations with BMV Direct SOTRS LP and BMV Direct SO LP, two of our stockholders, but our Board of Directors appointed Mr. Steel to the Audit Committee at a time when we had fewer than three independent directors, relying on the exemption from the independence standards of Rule 10A-3(b)(1) contained in Rule 10A-3(b)(1)(iv)(A) under the Exchange. Upon Mr. Steel’s resignation as a member of the committee on January 22, 2016, our Audit Committee was comprised entirely of independent directors.

The Audit Committee assists our Board of Directors in its oversight of:

- the integrity of our financial statements;
- our compliance with legal and regulatory requirements;
- the qualifications and independence of our independent registered public accounting firm; and
- the performance of our independent registered public accounting firm.

The Audit Committee has direct responsibility for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. The Audit Committee establishes and implements policies and procedures for the pre-approval of all audit services and all permissible non-audit services provided by our independent registered public accounting firm and reviews and approves any related party transactions entered into by us.

The Audit Committee met in person or by telephone five times during fiscal year 2015.

*Compensation Committee.* The current members of our Compensation Committee are Mr. Hagan, Dr. Wilson and Dr. Xanthopoulos, each of whom is an independent director. Previously in fiscal year 2015, the Compensation Committee had consisted of Mr. Hagan, Dr. Wilson, Dr. Xanthopoulos and, until his resignation from our Board of Directors on January 22, 2016, Dr. Barrett. Dr. Barrett was not an independent director by reason of his affiliation with New Enterprise Associates 12, Limited Partnership, one of our stockholders. Upon Dr. Barrett’s resignation from our Board of Directors on January 22, 2016, our Compensation Committee was comprised entirely of independent directors.

The Compensation Committee:

- approves the compensation and benefits of our executive officers;
- reviews and makes recommendations to the Board of Directors regarding benefit plans and programs for employee compensation; and
- administers our equity compensation plans.

The Compensation Committee met in person or by telephone ten times during fiscal year 2015.

*Nominating and Corporate Governance Committee.* The current members of our Nominating and Corporate Governance Committee are Mr. Hagan, Dr. Wilson and Dr. Xanthopoulos, each of whom is an independent director. Previously in fiscal year 2015, our Nominating and Corporate Governance Committee had consisted of Mr. Hagan, Dr. Wilson, Dr. Xanthopoulos and, until he resigned as a member of the Nominating and Corporate Governance Committee effective as of January 22, 2016, Mr. Steel. Mr. Steel was not independent by reason of his affiliations with BMV Direct SOTRS LP and BMV Direct SO LP, two of our stockholders. Upon his resignation as a member of the committee on January 22, 2016, our Nominating and Corporate Governance Committee was comprised entirely of independent directors.

The Nominating and Corporate Governance Committee:

- identifies individuals qualified to become Board members;

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[Table of Contents](#)

- recommends to the Board of Directors nominations of persons to be elected to the Board of Directors; and
- advises the Board of Directors regarding appropriate corporate governance policies and assists the Board of Directors in achieving them.

The Nominating and Corporate Governance Committee met by telephone one time during fiscal year 2015.

### **Compensation Committee Interlocks and Insider Participation**

None of our executive officers serves, or in the past has served, as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who serve as members of our Board of Directors or our Compensation Committee. During fiscal year 2015, each of Dr. Barrett (who resigned as of January 22, 2016), Mr. Hagan, Dr. Wilson and Dr. Xanthopoulos served as a member of our Compensation Committee. None of these directors, and none of the current members of our Compensation Committee, is an officer or employee of our company, nor has any of them ever been an officer or employee of our company, including during fiscal year 2015.

### **Code of Business Conduct and Ethics; Corporate Governance Guidelines**

We have adopted a written code of ethics that applies to our directors, executive officers and employees, and we also have adopted corporate governance guidelines. A copy of our code of ethics is posted on our website, which is located at [www.zosanopharma.com](http://www.zosanopharma.com), under “Investors—Corporate Governance.” If we make any substantive amendments to, or grant any waivers from, a provision of our code of ethics for any officer or director, we will disclose the nature of such amendment or waiver on our website.

### **Meetings of the Board of Directors**

Our Board of Directors met in person or by telephone 15 times during fiscal year 2015. No director, other than Mr. Hagan, attended fewer than 75% of the aggregate number of meetings of the Board of Directors and of any committee of the Board of Directors on which he served, in each case held during the period in which he served as a director, in fiscal year 2015.

### **Policy Regarding Board Attendance**

Our directors are expected to attend meetings of the Board of Directors and meetings of committees of the Board of Directors on which they serve. Our directors are expected to spend the time needed at each meeting and to meet as frequently as necessary to properly discharge their responsibilities. We encourage members of our Board of Directors to attend our annual meetings of stockholders, but we do not have a formal policy requiring them to do so. Our annual meeting of stockholders for fiscal year 2014 was held on November 13, 2015 and was attended by all of the members of our Board of Directors.

### **Director Candidates and Selection Process**

Our Nominating and Corporate Governance Committee, in consultation with our Board of Directors, is responsible for identifying and reviewing candidates to fill open positions on the Board of Directors, including positions arising as a result of the removal, resignation or retirement of any director, an increase in the size of the Board of Directors or otherwise, and recommending to our full Board of Directors candidates for nomination for election as directors. In evaluating the qualifications of candidates, the Nominating and Corporate Governance Committee will consider any requirements of applicable law and NASDAQ listing standards, a candidate’s strength of character, judgment, business experience and specific areas of expertise, familiarity with our industry, principles of diversity, factors relating to the composition of our Board of Directors (including its size and



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[Table of Contents](#)

structure), and such other factors as the Nominating and Corporate Governance Committee deems to be appropriate. The goal of the Nominating and Corporate Governance Committee is to assemble a Board of Directors that consists of individuals who bring a variety of complementary attributes and who, taken together, have the appropriate skills and experience to oversee our business. The Nominating and Corporate Governance Committee is responsible for reviewing from time to time the criteria it uses to evaluate the qualifications of candidates.

Our Nominating and Corporate Governance Committee has not adopted any formal policy, guidelines or procedures regarding the diversity of our Board of Directors. Our priority in selection of Board members is identification of members who will further the interests of our stockholders through an established record of professional accomplishment, the ability to contribute positively to the collaborative culture among Board members, knowledge of our business and understanding of the competitive landscape.

Stockholders may recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than five percent (5%) of our common stock for at least a year as of the date such recommendation is made, to the Nominating and Corporate Governance Committee, c/o Secretary, Zosano Pharma Corporation, 34790 Ardentech Court, Fremont, California 94555. Assuming that appropriate biographical and background material is provided on a timely basis, the Nominating and Corporate Governance Committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates that it recommends. If the Board of Directors resolves to nominate a stockholder-recommended candidate and recommends his or her election, then his or her name will be included in our proxy card for the next annual meeting of stockholders. Any recommendation of a potential director nominee should also include a statement signed by the proposed nominee expressing a willingness to serve as a director if elected. As part of this responsibility, the Nominating and Corporate Governance Committee will be responsible for conducting, subject to applicable law, any and all inquiries into the background and qualifications of any candidate for election as a director and such candidate's compliance with the independence and other qualification requirements established by the Nominating and Corporate Governance Committee or imposed by applicable law or listing standards.

### **Communications with our Board of Directors**

Stockholders wishing to communicate with our Board of Directors should send correspondence to the attention of our Secretary, Zosano Pharma Corporation, 34790 Ardentech Court, Fremont, California 94555, and should include with the correspondence evidence that the sender of the communication is one of our stockholders. Satisfactory evidence would include, for example, contemporaneous correspondence from a brokerage firm indicating the identity of the stockholder and the number of shares held. Our Secretary will review all correspondence confirmed to be from stockholders in conjunction with the Chairman of the Board of Directors, who will decide whether or not to forward the correspondence or a summary of the correspondence to the full Board of Directors or a committee thereof. The Secretary and the Chairman of the Board of Directors will review all stockholder correspondence, but the decision to relay that correspondence to the full Board of Directors or a committee thereof will rest entirely within the discretion of the Chairman. Our Board of Directors believes that this process will suffice to handle the relatively low volume of communications we have historically received from our stockholders. If the volume of communications increases such that this process becomes burdensome to our Chairman, our Board of Directors may elect to adopt more elaborate screening procedures.

### **Director Compensation**

Only our independent directors receive compensation for service on the Board of Directors. Beginning with 2015, each of our independent directors received annual compensation as follows:

- for serving as a member of our Board of Directors, an annual cash retainer of \$35,000 and an annual grant of a non-statutory stock option to purchase a number of shares of our common stock equal to

[Table of Contents](#)

approximately 0.033% of our then outstanding common stock on a fully-diluted basis (at a per share exercise price equal to fair market value on the date of grant) vesting in equal monthly installments over a period of one year;

- for serving as the chairperson of the Audit Committee of the Board of Directors, an annual cash retainer of \$10,000; for serving as the chairperson of the Compensation Committee of the Board of Directors, an annual cash retainer of \$7,000; and for serving as the chairperson of the Nominating and Corporate Governance Committee of the Board of Directors, an annual cash retainer of \$7,000; and

In May 2016, concurrent with the appointment of Mr. Walker to the Board of Directors, the Board of Directors approved an annual cash retainer of \$25,000 for service as chairperson of the Board of Directors.

The cash fees described above are paid in monthly installments, in arrears. Non-employee directors are reimbursed upon request for travel and other out-of-pocket expenses incurred in connection with their attendance at meetings of the Board of Directors and of committees of the Board of Directors on which they serve.

In addition, it is our policy to grant to an independent director upon his or her initial election to our Board of Directors a non-statutory stock option to purchase a number of shares of our common stock equal to between, depending on his or her qualifications, approximately 0.125% and approximately 1.0% of our then outstanding common stock on a fully-diluted basis (at a per share exercise price equal to fair market value on the date of grant), with 25% of the shares vesting on the first anniversary of the date of election to the Board and the remaining shares vesting in equal monthly installments over the following three-year period.

The following table sets forth information regarding compensation awarded to, earned by or paid to each of our non-employee directors who served during 2015. See “Executive Compensation” for a discussion of the compensation of Mr. Lamba and Dr. Alataris in their capacities as executive officers.

<u>Name</u>	<u>Fees Earned or Paid in Cash</u>	<u>Option Awards (1)</u>	<u>Total</u>
M. James Barrett, Ph.D. (2)	\$ —	\$ —	\$ —
Joseph P. Hagan	27,460	223,591	251,051
Bruce D. Steel	—	—	—
Troy Wilson, Ph.D., J.D.	42,497	30,180	72,677
Kleanthis G. Xanthopoulos, Ph.D.	43,787	60,360	104,147

(1) Represents the aggregate grant date fair value of stock options and restricted stock awards granted in fiscal year 2015 in accordance with ASC Topic 505-50. The assumptions we use in calculating these amounts are discussed in note 12 to notes to financial statements appearing elsewhere in this report.

(2) Dr. Barrett resigned from our Board of Directors effective January 22, 2016.

The table below sets forth the aggregate number of outstanding option awards held as of December 31, 2015 by each of our current non-employee directors who was serving as of that date.

<u>Name</u>	<u>Options Outstanding at Fiscal Year End (#)</u>
M. James Barrett, Ph.D.	—
Joseph P. Hagan	28,000
Bruce D. Steel	—
Troy Wilson, Ph.D., J.D.	28,301 (1)
Kleanthis G. Xanthopoulos, Ph.D.	28,301

(1) Dr. Xanthopoulos transferred this non-statutory option to purchase 28,301 shares of common stock to a family trust in July 2013.

## Our Management

Our executive officers, their positions and their ages as of October 1, 2016 are set forth below:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Konstantinos Alataris, Ph.D.	46	President, Chief Executive Officer, and Director
Georgia Erbez	49	Chief Business Officer and Interim Chief Financial Officer (1)
Winnie W. Tso	55	Chief Financial Officer (1)
Donald Kellerman, Pharm.D.	61	Vice President, Clinical Development and Medical Affairs
Hayley Lewis	41	Vice President, Regulatory Affairs and Quality
Eric Scharin	50	Vice President, Operations and Engineering

- (1) Effective May 13, 2016, Ms. Tso began a medical leave of absence and on June 15, 2016, Ms. Erbez was appointed Interim Chief Financial Officer. On September 7, 2016, Ms. Erbez was appointed Chief Business Officer.

**Konstantinos Alataris, Ph.D.** has served as our President since September 2015 and as our Chief Executive Officer since January 2016 and has been a member of our Board of Directors since February 2016. Dr. Alataris was the founder and held the roles of President, Chief Executive Officer and Chief Commercial Officer with Nevro Corp. (NYSE:NVRO), a company that developed an innovative, evidenced-based neuromodulation platform for the treatment of chronic pain. Under Dr. Alataris' leadership, Nevro advanced from product concept to clinical testing to successful market launch and international commercialization. Dr. Alataris has also served as Executive Chairman of the Board of Directors at IRRAS AB, a CNS medical device and drug delivery company and Head of Digital Healthcare Strategy at mc10inc a wearable sensor company. Prior to Nevro, he was Vice President at Bay City Capital, a healthcare focused venture capital firm based in San Francisco. He holds Master's degrees in Science and Business and a Ph.D. in Bioengineering with emphasis in Neuroscience from the University of Southern California.

**Georgia Erbez** has served as our Chief Business Officer and Interim Chief Financial Officer since September 2016. Previously, Ms. Erbez served as our interim Chief Financial Officer. From May 2016 until September 2016, Ms. Erbez served as Senior Vice President and Chief Financial Officer of Revolution Medicines, a drug development company. From November 2015 to March 2016, Ms. Erbez served as Executive Vice President and Chief Financial Officer of Asterias Biotherapeutics, a development stage biotechnology company, and from September 2012 to November 2014, Mr. Erbez served as Vice President, Chief Financial Officer, Secretary and Treasurer of Raptor Pharmaceutical Corp., a commercial-stage biopharmaceutical company. Prior to Raptor, from March 2008 to September 2012, Ms. Erbez was a founder and Managing Director of Beal Advisors, a boutique investment bank providing advisory and capital acquisition services to emerging growth companies. Ms. Erbez also served as Managing Director and Consultant at Collins Stewart LLC from April 2011 to January 2012. From 2005 to 2008, Ms. Erbez was a Senior Vice President in the life sciences investment banking group at Jefferies & Co. From 1998 to 2002, she was with the healthcare investment banking group at Cowen and Co., most recently as Director. From 1997 to 1998, Ms. Erbez was an associate at Hambrecht & Quist, where she provided investment banking services to life sciences companies and healthcare services. From July 1989 to January 1997, Ms. Erbez was with Alex Brown & Sons in the healthcare investment banking group, where she focused on life sciences, medical technology and healthcare services companies. Ms. Erbez holds a B.A. in International Relations with an emphasis in Economics from the University of California at Davis.

**Winnie W. Tso** has served as our Chief Financial Officer since April 2014. From January 2014 to April 2014, Ms. Tso served as a consultant to us. Prior to joining us in January 2014, Ms. Tso served as Vice President, Finance and Corporate Controller of SciClone Pharmaceuticals, a publicly-traded specialty biopharmaceutical company, in 2013. Prior to that, Ms. Tso served in various Vice President and Principal Accounting Officer positions from 2009 to 2013, including at Velti plc where Ms. Tso helped lead Velti's U.S. public offering raising in excess of \$150 million in equity financing. Prior to Velti, Ms. Tso held senior finance positions at

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[Table of Contents](#)

several publicly-traded biopharmaceutical companies, including ARYx Therapeutics, Titan Pharmaceuticals and Genelabs Technologies, where she was responsible for building the finance and accounting infrastructures and implementing systems of internal controls. Ms. Tso is a Certified Management Accountant, a Certified Financial Manager, a Certified Public Accountant licensed in the State of California and a member of the American Institute of Certified Public Accountants. Ms. Tso received her B.S. degree in Business Administration from the Haas School of Business at the University of California, Berkeley.

**Donald Kellerman, Pharm.D.** has served as our Vice President of Clinical Operations since July 2015. Prior to joining us, Dr. Kellerman served as Senior Vice President of Clinical Development and Regulatory Affairs at Tonix Pharmaceuticals from April 2014 to April 2015. Previously, from 2008 to 2013, Dr. Kellerman served as Senior Vice President of Clinical Development and Medical Affairs at MAP Pharmaceuticals, Inc. (acquired by Allergan, Inc.). Dr. Kellerman also held the position of Senior Vice President of Development at Inspire Pharmaceuticals, Inc. from 1999 to 2008, where he was responsible for all aspects of drug development, including clinical research, regulatory affairs, project management and biostatistics. He also led groups responsible for running several clinical programs in the respiratory, ophthalmology and cardiovascular areas. In addition, Dr. Kellerman has served in various clinical and project leadership positions at Glaxo Wellcome, Sepracor, Inc., and E.R. Squibb and Sons, Inc. He has more than 25 years of experience in the development of prescription pharmaceuticals and has lead- or co-authored more than 80 publications. Dr. Kellerman holds Doctor of Pharmacy and Bachelor of Science degrees from the College of Pharmacy at the University of Minnesota.

**Hayley Lewis** has served as our Vice President of Regulatory Affairs and Quality since October 2015. Prior to joining the Company, Ms. Lewis was Vice President of Regulatory Affairs and Quality at Carbylan Therapeutics from May 2014 until May 2015. While at Carbylan, Ms. Lewis was part of the executive team that took the company public in April 2015, as well as being responsible for all regulatory and quality activities, both internally and for Carbylan's external development programs. From 2003 to 2014, Ms. Lewis held positions of increasing responsibility, most recently as the Senior Director of Regulatory Affairs at Depomed, Inc. During her tenure, she led the company in the approvals of three NDAs, Proquin<sup>®</sup>, Glumetza<sup>®</sup>, and Gralise<sup>®</sup>, as well as approvals of several supplemental NDAs for Gralise<sup>®</sup>, Cambia<sup>®</sup>, Zipsor<sup>®</sup> and Lazanda<sup>®</sup>, including a line extension for Glumetza<sup>®</sup>, CMC, and labeling changes for the neurology and pain product lines for Depomed's portfolio. Ms. Lewis received a B.S. in Pharmaceutical Sciences from the University of Greenwich, and completed the Executive Program for Women Leaders at the Stanford Graduate School of Business.

**Eric Scharin** has served as our Vice President of Operations and Engineering since April, 2015. He held a key role in the approval of five commercial pharmaceutical products, most recently Sumavel<sup>®</sup> DosePro<sup>®</sup> and Zohydro<sup>®</sup> ER in his role as Sr. Director of Engineering and Product Industrialization at Zogenix from 2007 to 2015. Prior to Zogenix, Mr. Scharin served as Director of Manufacturing at Tercica from 2003 to 2007, where he led the CM&C team which developed the successful MAA for Increlex (IGF-1). Mr. Scharin has also served in manufacturing, validation, process development, and engineering roles at Sensus Drug Development, Covance Biotechnology Services, and Biogen. Mr. Scharin received an M.S.C.E.P. degree from the Massachusetts Institute of Technology and a B.S. in Chemical Engineering from the California Institute of Technology.

**EXECUTIVE COMPENSATION****Executive Summary**

The compensation of our executive officers is determined by the Compensation Committee of our Board of Directors, and discussed by the Compensation Committee throughout the year. Our formal annual compensation review process generally takes place during the first quarter of each fiscal year, after the results of the previous fiscal year are known. Annual variable compensation and discretionary cash bonuses for the completed fiscal year, if any, and long-term equity-based incentive compensation, if any, are awarded by the Compensation Committee on a discretionary basis, generally during the first fiscal quarter, after a review of the previous fiscal year's results.

Our Compensation Committee is comprised entirely of non-employee directors, all but one of whom our Board of Directors has determined is independent within the meaning of the rules of The NASDAQ Stock Market. The members of the Compensation Committee have substantial managerial experience and wide contacts in the biotechnology and pharmaceutical industries and in the broader healthcare industry, upon which they rely in making their determinations. The Compensation Committee also takes into account publicly available information concerning the compensation practices of other companies in the biotechnology and pharmaceutical industries. This information is used by the Compensation Committee informally and primarily for purposes of comparison to ascertain whether our compensation practices for our executive officers are broadly competitive.

Our Chief Executive Officer makes recommendations with regard to the compensation of our executive officers other than himself, which are reviewed by the Compensation Committee. Executive officers do not participate in the process of establishing their own annual compensation.

The Compensation Committee does not have a formal benchmarking policy or a practice of establishing the amount of any element of our executive officers' compensation by reference to a fixed range of percentages or percentiles of the compensation of any peer or comparison group. During 2015, following our initial public offering, the Compensation Committee retained Radford, an Aon Hewitt Company, to assist the Compensation Committee in assessing the form and amount of executive compensation.

Our Compensation Committee has reviewed our compensation programs and believes that our compensation programs have not encouraged or rewarded excessive or inappropriate risk taking.

**Summary Compensation Table**

The following table sets forth information regarding compensation earned by our Chief Executive Officer and our two most highly compensated executive officers other than our Chief Executive Officer who served as executive officers as of December 31, 2015. We refer to these individuals as our named executive officers.

	Year	Salary	Non-equity incentive plan compensation	Option Awards	Total
Vikram Lamba	2015	\$424,360	\$ 85,000 (2)	—	\$ 509,360
<i>Chief Executive Officer</i> (1)	2014	412,000	181,276 (3)	—	593,276
Konstantinos Alataris, Ph.D.	2015	105,288	18,750 (2)	1,297,504 (5)(6)	1,421,542
<i>President</i> (4)					
Laxmi Peri	2015	201,205	34,810 (2)	251,459 (5)(6)	487,474
<i>Senior Vice President Operations</i> (7)					

(1) Mr. Lamba was terminated and his employment with the Company was terminated on January 6, 2016. He was succeeded as our President and Chief Executive Officer by Dr. Alataris.

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[Table of Contents](#)

- (2) Represents cash bonus awarded in respect of 2015 and paid in March 2016. Bonus amounts were determined pursuant to a bonus program adopted by our compensation committee in February 2015 and based on achievement of company performance and individual goals and other factors deemed relevant by our compensation committee.
- (3) Represents cash bonus awarded in respect of 2014 and paid in March 2015. Bonus amounts were determined pursuant to applicable employment agreements and based on achievement of individual and company performance goals and other factors deemed relevant by our compensation committee and board of directors.
- (4) Dr. Alataris joined the Company on September 21, 2015.
- (5) Represents the aggregate grant date fair value of option awards granted in fiscal year 2015 in accordance with ASC 718, Compensation—Stock Compensation.
- (6) The aggregate grant date fair value of option awards granted in fiscal year 2015 includes the impact of the options exchanged pursuant to the 2015 Stock Option Exchange Program. (See Note 12, Stock-Based Compensation for a description of the 2015 Stock Option Exchange Program).
- (7) Laxmi Peri joined the Company on April 27, 2015. His employment was terminated on March 24, 2016.

### **Narrative Disclosure to Summary Compensation Table**

We review compensation annually for all of our employees, including our executives. In setting executive base salaries and bonuses and granting equity incentive awards, we consider compensation for comparable positions in the market, the historical compensation levels of our executives, individual performance as compared to our expectations and objectives, our desire to motivate our employees to achieve short- and long- term results that are in the best interests of our stockholders, and a long-term commitment to our company. We do not target a specific competitive position or a specific mix of compensation among base salary, bonus or long-term incentives.

Our board of directors has historically determined our executives' compensation. Our compensation committee typically has reviewed and discussed management's proposed compensation with the President and Chief Executive Officer for all executives other than our President and Chief Executive Officer. Based on those discussions and its discretion, the compensation committee then has recommended the compensation for each executive officer. Our board of directors, without members of management present, has discussed the compensation committee's recommendations and ultimately approved the compensation of our executive officers. Effective upon the closing of our initial public offering in January 2015, our compensation committee is responsible for approving the compensation and benefits of our executive officers.

We had a formal employment agreement with Vikram Lamba, our former Chief Executive Officer and have such an agreement with Konstantinos Alataris, our current President and Chief Executive Officer. We also had an executed employment offer letter with Laxmi Peri, our Senior Vice President, Operations. Mr. Lamba's employment agreement provided for an initial base salary of \$400,000, subject to increase from time to time, and in the fiscal year 2015, we paid Mr. Lamba an annual base salary of \$424,360. Mr. Lamba's employment agreement provided for a target annual bonus of 40% of his annual base salary, to be determined by the board of directors in its discretion based on company performance against goals established annually by the compensation committee, as well as the company's then prevailing cash position. Dr. Alataris' employment agreement provides for an initial base salary of \$375,000, subject to increase from time to time. In January 2016, we amended Dr. Alataris' employment agreement to reflect his capacity to serve as our Chief Executive Officer starting January 2016 at a base salary of \$450,000. The amended employment agreement provides for a target annual bonus of 40% of his annual base salary for 2015, and a target annual bonus of 50% of his annual base salary for 2016, to be determined by the board of directors in its discretion based on company performance against goals established annually by the compensation committee, as well as the company's then prevailing cash position. Mr. Peri's employment offer letter provided for an initial annual base salary of \$295,000, subject to increase from time to time. Mr. Peri's employment offer letter provided for a target annual bonus of 30% of his annual base salary. On January 6, 2016, Mr. Lamba's employment was terminated without cause by the board of directors. On

[Table of Contents](#)

January 6, 2016, Dr. Alataris was appointed by the board of directors to serve as our Chief Executive Officer. As a result of a company-wide workforce reduction plan, Mr. Peri's employment was terminated on March 24, 2016.

**Outstanding Equity Awards at Year End**

The following table sets forth information regarding outstanding stock options held by our named executive officers as of December 31, 2015.

	<b>Number of Securities Underlying Unexercised Options (#) exercisable</b>	<b>Number of Securities Underlying Unexercised Options (#) unexercisable</b>	<b>Option Exercise Price (\$)</b>	<b>Option Expiration Date</b>	<b>Option Grant Date</b>
Vikram Lamba	120,869	20,637 (1)	\$ 1.54	07/1/2017 (2)	07/1/2012
Konstantinos Alataris	—	209,394	\$ 2.26	12/15/2025	12/15/2015
Laxmi Peri	—	40,000 (3)	\$ 2.26	12/15/2025 (4)	12/15/2015

- (1) This option was exercisable for 25% of the underlying shares on the first anniversary of the grant date, and thereafter became exercisable for the remaining underlying shares in equal monthly installments over three years, resulting in the option being exercisable for 100% of the underlying shares on the fourth anniversary of the grant date; provided that if Mr. Lamba was terminated without cause or resigned for good reason (as these terms are defined in his employment agreement), then the option would become exercisable for an additional 18.75% of the total underlying shares. On January 6, 2016, Mr. Lamba was terminated without cause and this option was accelerated in full.
- (2) Pursuant to its terms, this option expires 90 days following the termination of employment with the Company. Mr. Lamba was terminated on January 6, 2016 and due to such termination this option was accelerated in full. This option will expire on April 6, 2016.
- (3) This option becomes exercisable for 25% of the underlying shares on the first anniversary of the grant date, and thereafter becomes exercisable for the remaining underlying shares in equal monthly installments over three years, resulting in the option being exercisable for 100% of the underlying shares on the fourth anniversary of the grant date. Pursuant to its terms, this option expires 90 days following the termination of employment with the Company. Mr. Peri was terminated on March 24, 2016 and due to such termination, this option will expire on June 24, 2016.
- (4) In connection with Mr. Peri's termination, the Board of Directors of the Company approved the acceleration of Mr. Peri's unvested options such that the option became exercisable for 25% of the underlying shares on March 24, 2016.

**Employment Agreements, Severance and Change in Control Arrangements**

Pursuant to the terms of Mr. Lamba's employment agreement, if we terminated Mr. Lamba's employment without cause or Mr. Lamba resigned for good reason, as these terms are defined in the employment agreement, then Mr. Lamba was entitled to receive certain severance payments, including nine months' salary, pro rata bonus payment in respect of those nine months, and acceleration of vesting of a portion of his outstanding stock option. If within a year after a change of control, as defined in the employment agreement, Mr. Lamba's employment was terminated without cause or Mr. Lamba resigned for good reason, then Mr. Lamba's stock option would vest in full. As a result of the termination of Mr. Lamba's employment without cause, as defined in the employment agreement, effective January 6, 2016, Mr. Lamba received nine months of salary, pro rata bonus payment in respect of those nine months, and acceleration of vesting of all of his outstanding stock option in accordance with his employment agreement.

Pursuant to the terms of Mr. Alataris' employment agreement, if we terminate Mr. Alataris' employment without cause or Mr. Alataris resigns for good reason, as these terms are defined in the employment agreement, then Mr. Alataris is entitled to received certain severance payments, including twelve month's salary, an amount

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[Table of Contents](#)

equal to the annual bonus awarded in the prior calendar year, and acceleration of vesting of a portion of his outstanding stock options. If within a year after a change of control, as defined in the employment agreement, Mr. Alataris' employment is terminated without cause or Mr. Alataris resigns for good reason, then Mr. Alataris' stock options will vest in full.



## INFORMATION ABOUT COMMON STOCK OWNERSHIP

### Stock Owned by Directors, Executive Officers and Greater-Than-5% Stockholders

The following table sets forth certain information with respect to beneficial ownership of our common stock, as of October 1, 2016, by:

- each person or entity, or group of affiliated persons or entities, known by us to beneficially own more than 5% of our common stock;
- each of our directors;
- each of our named executive officers; and
- all of our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of October 1, 2016 are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. To our knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws, each person named in the table has sole voting and investment power with respect to the shares set forth opposite such person's name. Except as otherwise indicated, the address of each of the persons in this table is c/o Zosano Pharma Corporation, 34790 Ardentech Court, Fremont, California 94555.

Each stockholder's percentage ownership is determined in accordance with Rule 13d-3 under the Exchange Act and is based on 16,815,997 shares of our common stock outstanding as of October 1, 2016. Amounts under the heading "Right to Acquire" represent shares that may be acquired upon exercise of outstanding stock options exercisable within 60 days of October 1, 2016.

Name of Beneficial Owner (1)	Total Shares Beneficially Owned	Percentage
<i>5%+ Stockholders:</i>		
BMV Direct SOTRS LP (2) 17190 Bernardo Center Drive San Diego, CA 92128	2,442,429	14.52%
New Enterprise Associates 12, Limited Partnership (3) Chevy Chase, MD 20815 5425 Wisconsin Avenue, Suite 800	2,052,805	12.21%
FMR LLC and affiliates (4) 245 Summer Street Boston, Massachusetts 02210	1,795,043	10.67%
Amzak Capital Management, LLC (5) 980 North Federal Highway; Suite 315 Boca Raton, FL 33432	1,724,859	9.99%
Eli Lilly and Company (6) Lilly Corporate Center Indianapolis, IN	1,363,636	8.11%
Eventide Asset Management, LLC (7) 1 International Place, 35 <sup>th</sup> Floor Boston, MA 02110	888,300	5.28%
<i>Directors and Named Executive Officers:</i>		
Vikram Lamba (8)	—	*
Konstantinos Alataris, Ph.D. (9)	382,167	2.24%
Laxmi Peri (10)	—	*
Joseph "Jay" P. Hagan (11)	10,500	*
Bruce D. Steel	—	*
John P. Walker (12)	194,506	1.15%
Troy Wilson, Ph.D., J.D. (13)	20,098	*
Kleanthis Xanthopoulos, Ph.D. (14)	79,702	*
<i>Current directors and executive officers as a group (13 persons) (15)</i>	937,782	5.37%

[Table of Contents](#)

\* Less than 1%

- (1) Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished by such owners or information included in public filings with the SEC, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities.
- (2) Based on information disclosed in the Schedule 13G filed by BioMed Realty Trust, Inc. with the SEC on January 19, 2016, BMV Direct SO LP holds 545,447 shares of common stock and BMV Direct SOTRS LP holds 1,896,982 shares of common stock. The sole general partner of BMV Direct SOTRS LP is BioMed Realty Holdings, Inc. The sole shareholder of BioMed Realty Holdings, Inc. and the sole general partner of BMV Direct SO LP is BioMed Realty, L.P. The sole general partner of BioMed Realty, L.P. is BioMed Realty Trust, Inc. BioMed Realty Trust, Inc. has sole voting and dispositive power with respect to the shares directly held by BMV Direct SOTRS LP and BMV Direct SO LP. Bruce D. Steel is a limited partner with a variable economic interest in each of BMV Direct SOTRS LP and BMV Direct SO LP. Mr. Steel disclaims beneficial ownership in the shares directly held by each of BMV Direct SOTRS LP and BMV Direct LP except to the extent of his pecuniary interest therein.
- (3) Consists of 2,052,805 shares of common stock owned by New Enterprise Associates 12, Limited Partnership, or NEA 12. The shares directly held by NEA 12 are indirectly held by NEA Partners 12, Limited Partnership (“NEA Partners 12”), the sole general partner of NEA 12, NEA 12 GP, LLC (“NEA 12 GP”), the sole general partner of NEA Partners 12, and each of the individual managers of NEA 12 GP. The individual managers of NEA 12 GP are M. James Barrett, Peter J. Barris, Forest Baskett, Patrick J. Kerins, Krishna “Kittu” Kolluri and Scott D. Sandell. NEA Partners 12, NEA 12 GP and the managers share voting and dispositive power with regard to the shares of the securities directly held by NEA 12. M. James Barrett and all other indirect holders of these shares disclaim beneficial ownership of such portion of these shares in which such indirect holders have no pecuniary interest.
- (4) Based on information disclosed in the Schedule 13G filed by FMR LLC with the SEC on December 10, 2015. FMR LLC has the sole power to dispose or direct the disposition of all of such shares and the sole power to vote or direct the vote of none of such shares. Neither FMR LLC nor Edward C. Johnson 3d nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act (“Fidelity Funds”) advised by Fidelity Management & Research Company (“FMR Co.”), a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds’ Boards of Trustees. FMR Co. carries out the voting of the shares under written guidelines established by the Fidelity Funds’ Boards of Trustees.
- (5) Consists of: (i) 1,275,000 shares of common stock and (ii) 449,859 shares of common stock issuable upon exercise of outstanding warrants exercisable within the 60-day period following October 1, 2016. Michael D. Kazma may be deemed to share voting and investment power with respect to the securities held by Amzak.
- (6) Based on information disclosed in the Schedule 13G filed with the SEC on February 9, 2015. Eli Lilly and Company has the sole power to dispose or direct the disposition of, and the sole power to vote, all of such shares.
- (7) Based on information disclosed in the Schedule 13G filed with the SEC on February 12, 2016, Eventide Asset Management, LLC, a Delaware limited liability company, is the beneficial owner of 888,300 shares of common stock by virtue of being the investment adviser to registered investment companies (mutual funds). The Eventide Gilead Fund owned 616,300 shares of common stock as of February 12, 2016, which represented 5.2% of the share class.
- (8) Mr. Lamba’s employment as our Chief Executive Officer was terminated effective January 6, 2016.
- (9) Consists of: (i) 127,389 shares of common stock held by The Alataris Family Trust and (ii) 254,778 shares of common stock issuable upon exercise of outstanding warrants exercisable within the 60-day period following October 1, 2016. Dr. Alataris, the trustee of The Alataris Family Trust, may be deemed to have investment discretion and voting power over the securities held by The Alataris Family Trust.
- (10) Mr. Peri’s employment as our Senior Vice President, Operations was terminated effective March 24, 2016.

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[Table of Contents](#)

- (11) Consists of 10,500 shares of common stock issuable upon exercise of outstanding options exercisable within the 60-day period following October 1, 2016.
- (12) Consists of: (i) 63,700 shares of common stock, (ii) 127,400 shares of common stock issuable upon exercise of outstanding warrants exercisable within the 60-day period following October 1, 2016 and (iii) 3,406 shares of common stock issuable upon exercise of outstanding options exercisable within the 60-day period following October 1, 2016.
- (13) Consists of: (i) 3,000 shares of common stock and (ii) 17,098 shares of common stock issuable upon exercise of outstanding options exercisable within the 60-day period following October 1, 2016.
- (14) Consists of: (i) 21,920 shares of common stock, (ii) 31,840 shares of common stock issuable upon exercise of outstanding warrants exercisable within the 60-day period following October 1, 2016 and (iii) 25,942 shares of common stock issuable upon exercise of outstanding options exercisable within the 60-day period following October 1, 2016. A portion of the securities reported for Dr. Zanthopoulos are held by the Xanthopoulos Family Trust, for which Dr. Zanthopoulos may be deemed to exercise voting and investment control.
- (15) Consists of: (i) 284,454 shares of common stock, (ii) 550,908 shares of common stock issuable upon exercise of outstanding warrants exercisable within the 60-day period following October 1, 2016 and (iii) 106,170 shares of common stock issuable upon exercise of outstanding options exercisable within the 60-day period following October 1, 2016.

**Policy Regarding Hedging**

We have adopted a policy that prohibits our officers, directors and employees from entering into any short sale of our securities, buying or selling publicly traded options on our common stock or hedging their positions in our securities, including through the use of instruments such as prepaid variable forwards, equity swaps, collars or exchange funds.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Our executive officers and directors and persons who own beneficially more than 10% of our equity securities are required under Section 16(a) of the Securities Exchange Act of 1934 to file reports of ownership and changes in their ownership of our securities with the SEC. They must also furnish copies of these reports to us. Based solely on a review of the copies of reports furnished to us and written representations that no other reports were required, we believe that for 2015 our executive officers, directors and 10% beneficial owners complied with all applicable Section 16(a) filing requirements, except that Dr. Alataris filed one late Form 4 with respect to a grant of options on September 21, 2015.

## CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

The following is a description of transactions since January 1, 2014 and any currently proposed transactions to which we have been or will be a party, and in which the amounts involved exceeded or will exceed \$120,000 (except as otherwise indicated) and any of our directors, executive officers or beneficial owners of more than five percent (5%) of our voting securities, or any of their respective affiliates or immediate family members, had or will have a direct or indirect material interest, which have not already been described in the “Executive Compensation” section of this proxy statement. We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, from unrelated third parties.

### Agreements with Our Stockholders

#### *Real Property Lease with BMR*

In April 2012, in connection with our April 2012 recapitalization, we issued 1,236,769 shares of our common stock and a four year non-callable secured promissory note in the original principal amount of \$8,556,533 to BioMed Realty Holdings, Inc., or BMR Holdings, and 107,545 shares of our common stock to BioMed Realty, L.P., each of which is an affiliate of our landlord, BMR-34790 Ardentech Court LP. As a result, BMR Holdings and BioMed Realty, L.P. together held approximately 23.8% of our voting securities following the recapitalization. We issued these securities to BMR Holdings and BioMed Realty, L.P. in exchange for reduction of future rent payments pursuant to an amendment to our lease agreement with BMR-34790 Ardentech Court LP, cancellation of an unsecured convertible promissory note issued to BioMed Realty, L.P. in July 2011 and cancellation of a stock purchase warrant issued to BioMed Realty, L.P. in July 2011.

We also have an operating lease with BMR-34790 Ardentech Court LP, which is an affiliate of BMV Direct SOTRS LP and BMV Direct SO LP, for a 55,000 square foot facility in Fremont, California, where we operate our manufacturing operations and house our engineering, research and development and administrative employees. For the years ended December 31, 2014 and 2015, we recorded rent expense for BMR-34790 Ardentech Court LP in the amount of approximately \$620,000. In April 2012, we amended the lease agreement to reduce future rent obligations to amounts ranging from approximately \$600,000 to \$891,000 per year over a new lease term of seven years in exchange for a potential reduction of premises from a recapturable premises clause. In June 2015, we entered into another amendment to the lease, pursuant to which BMR-34790 Ardentech Court LP’s option to recapture a specified portion of the leased premises (comprising approximately 29,348 square feet of the approximate total 55,588 square feet of leased premises) has been suspended. We had the option until December 31, 2015 to extend the term of the lease. As of December 31, 2015, we did not exercise this option and as a result, the terms of the previous amendment entered in April 2012 remain in effect.

#### *February 2014 Bridge Loan*

In February 2014, we issued and sold convertible promissory notes, which we refer to as the February 2014 bridge notes, in the aggregate original principal amount of \$2.5 million to our stockholders BMV Direct SOTRS LP, BMV Direct SO LP and New Enterprise Associates 12, Limited Partnership. Each of BMV Direct SOTRS LP, BMV Direct SO LP and New Enterprise Associates 12, Limited Partnership then owned, and as of the date of this proxy statement owns, more than five percent (5%) of our voting securities. The following is the original principal amount of February 2014 bridge notes that were issued to our directors, executive officers and holders of more than five percent (5%) of our voting securities, and their affiliates or immediate family members:

- BMV Direct SOTRS LP, in the original principal amount of approximately \$1.1 million;
- BMV Direct SO LP, in the original principal amount of approximately \$250,000; and
- New Enterprise Associates 12, Limited Partnership, in the original principal amount of approximately \$1.2 million.

## [Table of Contents](#)

As consideration for our issuance of the February 2014 bridge notes, each investor paid us an amount equal to the original principal amount of the note issued to the investor. The February 2014 bridge notes matured on September 9, 2014 and accrued simple interest at the annual rate of 8%. In June 2014, we amended the February 2014 bridge notes to provide that any failure by us to pay any amount under the February 2014 bridge notes during the period from maturity of the February 2014 bridge notes through the date that the Hercules loan is repaid in full would not constitute a default under the February 2014 bridge notes. In September 2014, we amended the February 2014 bridge notes to extend the date by which a qualified financing must occur in order for the February 2014 bridge notes to convert into equity securities to December 31, 2014, and in December 2014, we amended the February 2014 bridge notes to further extend the date by which a qualified financing must occur in order for the February 2014 bridge notes to convert into equity securities to March 31, 2015. As of January 30, 2015, the aggregate outstanding principal and accrued interest under the February 2014 bridge notes was approximately \$2.7 million. Upon the closing of our initial public offering of common stock on January 30, 2015, which constituted a qualified financing as defined under the terms of the notes, the principal and all unpaid and accrued interest on each note automatically converted into shares of our common stock at a conversion price equal to \$9.35 per share (or 85% of the initial public offering price), resulting in the issuance of 122,882 shares of common stock BMV Direct SOTRS LP, 28,603 shares of common stock to BMV Direct SO LP, and 135,700 shares of common stock to New Enterprise Associates 12, Limited Partnership.

### ***December 2014 Bridge Loan***

In December 2014, we issued and sold convertible promissory notes, which we refer to as the December 2014 bridge notes, in the aggregate original principal amount of \$1.3 million to our stockholders BMV Direct SOTRS LP and New Enterprise Associates 12, Limited Partnership. Each of BMV Direct SOTRS LP and New Enterprise Associates 12, Limited Partnership then owned, and as of the date of this proxy statement owns, more than five percent (5%) of our voting securities. The following is the original principal amount of December 2014 bridge notes that were issued to our directors, executive officers and holders of more than five percent (5%) of our voting securities, and their affiliates or immediate family members:

- BMV Direct SOTRS LP, in the original principal amount of approximately \$710,000; and
- New Enterprise Associates 12, Limited Partnership, in the original principal amount of approximately \$620,000.

As consideration for our issuance of the December 2014 bridge notes, each investor paid us an amount equal to the original principal amount of the note issued to the investor. The December 2014 bridge notes matured on June 1, 2017 and accrued simple interest at the annual rate of 8%. As of January 30, 2015, the aggregate outstanding principal and accrued interest under the December 2014 bridge notes was approximately \$1.4 million. Upon the closing of our initial public offering of common stock on January 30, 2015, which constituted a qualified financing as defined under the terms of the notes, the principal and all unpaid and accrued interest on each note automatically converted into shares of our common stock at a conversion price equal to \$9.35 per share (or 85% of the initial public offering price), resulting in the issuance of 76,731 shares of common stock BMV Direct SOTRS LP and 67,679 shares of common stock to New Enterprise Associates 12, Limited Partnership.

### ***Private Placement with Eli Lilly and Company***

In November 2014, we entered into a stock purchase agreement with Eli Lilly and Company, or Lilly, pursuant to which Lilly agreed to purchase up to \$15.0 million worth of our common stock in a private placement concurrent with the closing of our initial public offering, at a price per share equal to the initial public offering price. On January 30, 2015, pursuant to the stock purchase agreement and concurrent with the closing of our initial public offering, we issued and sold 1,363,636 shares of our common stock to Lilly at a price per share of \$11.00 in a private placement, for an aggregate cash purchase price of \$15.0 million. We received net proceeds of approximately \$14.5 million from the sale of shares to Lilly in the private placement, after payment by us of a private placement fee to the representatives of the underwriters of our initial public offering. The shares of

## [Table of Contents](#)

common stock issuable to Lilly under the stock purchase agreement were deemed beneficially owned by Lilly in accordance with Rule 13d-3 under the Exchange Act upon the parties' entry into the stock purchase agreement in November 2014, making Lilly a beneficial owner of more than five percent (5%) of our voting securities at that time. As of the date of this proxy statement, Lilly continues to own more than five percent (5%) of our voting securities.

### ***Interests of Directors in our Financial Relationships***

One of our directors, Bruce D. Steel, may be deemed to have indirect material interests in our financial relationships with certain of our stockholders based on his association with such stockholders:

- Mr. Steel is a limited partner with a variable economic interest in each of BMV Direct SOTRS LP and BMV Direct SO LP, which entitles him to a percentage of certain distributions of these entities. Mr. Steel does not have voting or dispositive control of either of these entities. Mr. Steel disclaims beneficial ownership in our securities directly held by these entities except to the extent of his pecuniary interest therein.

### ***Participation in our Initial Public Offering***

BMV Direct SO LP purchased 26,543 shares, or an aggregate amount of \$291,973 worth, of our common stock in our initial public offering in January 2015, and New Enterprise Associates 12, Limited Partnership purchased 23,457 shares, or an aggregate amount of \$258,027 worth, of our common stock in our initial public offering in January 2015, in each case at the initial public offering price of \$11.00 per share. The shares purchased by BMV Direct SO LP and New Enterprise Associates 12, Limited Partnership in our initial public offering were subject to lock-up agreements pursuant to which these investors agreed, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the 180-day period following January 26, 2015, except with the prior written consent of the representatives of the underwriters for the initial public offering.

### ***2016 Private Placement***

On August 15, 2016, we entered into a securities purchase agreement with a group of investors including Mr. Walker and Dr. Xanthopoulos, who are members of our Board of Directors, Ms. Erbez, our Chief Business Officer and Interim Chief Financial Officer, Dr. Kellerman, our Vice President, Clinical Development and Medical Affairs, Ms. Lewis, our Vice President, Regulatory Affairs & Quality, and The Alataris Family Trust, the trustee of which is Dr. Alataris, a member of our Board of Directors and our President and Chief Executive Officer, pursuant to which we agreed to issue and sell to such investors: (i) shares of common stock at a price of \$1.32 per share, (ii) Series A warrants to purchase additional shares of common stock at a price of \$0.125 per share and (iii) Series B warrants to purchase additional shares of common stock at a price of \$0.125 per share. The Series A warrants have a per share exercise price of \$1.45 and will expire twelve months and one week from the date of issuance. The Series B warrants have a per share exercise price of \$1.55 and will expire five years from the date of issuance. The closing of the 2016 Private Placement occurred on August 19, 2016.

The table below sets forth the number of: (i) shares of our common stock, (ii) Series A warrants and (iii) Series B warrants purchased by our directors and officers (including their affiliates) in the 2016 Private Placement as well as the aggregate purchase price paid for these securities.

<b>Name of Investor</b>	<b>Shares of Common Stock</b>	<b>Series A Warrants</b>	<b>Series B Warrants</b>	<b>Aggregate Purchase Price</b>
The Alataris Family Trust	127,389	127,389	127,389	\$ 200,000.73
John P. Walker	63,700	63,700	63,700	\$ 100,009.00
Georgia Erbez	47,750	47,750	47,750	\$ 74,967.50
Kleanthis G. Xanthopoulos, Ph.D.	15,920	15,920	15,920	\$ 24,994.40
Donald J. Kellerman, Pharm.D.	15,920	15,920	15,920	\$ 24,994.40
Hayley Lewis	4,775	4,775	4,775	\$ 7,496.75

### **Indemnification of Officers and Directors**

Our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law. In addition, we have entered into indemnification agreements with certain of our directors that are broader in scope than the specific indemnification provisions contained in the Delaware General Corporation Law.

### **Policies and Procedures for Related Person Transactions**

While we did not have a written policy with respect to the review and approval of transactions with our directors, officers and principal stockholders prior to our initial public offering in January 2015, it was the practice of our Board of Directors to review all interested party transactions and not to authorize any such transaction unless the Board of Directors, excluding any interested directors, determined that the terms of the proposed transaction were as favorable or more favorable to our company than would have been available from an unrelated party in an arms' length negotiation.

Pursuant to the charter for our Audit Committee, which became effective upon the closing of our initial public offering in January 2015, our Audit Committee is responsible for reviewing and approving in advance any related person transactions. For the purposes of this policy, a "related person transaction" is any transaction between us or any of our subsidiaries and any (a) of our directors or executive officers, (b) nominee for election as a director, (c) person known to us to own more than five percent (5%) of any class of our voting securities, or (d) member of the immediate family of any such person, if the nature of such transaction is such that it would be required to be disclosed under Item 404 of Regulation S-K (or any similar successor provision).

In determining whether to approve a related person transaction, the Audit Committee will take into account, among other factors it deems appropriate, whether the related person transaction is on terms no less favorable than terms generally available to an unaffiliated third person under the same or similar circumstances and the extent of the related person's interest in the transaction.

## INFORMATION ABOUT OUR AUDIT COMMITTEE AND AUDITOR

### Audit Committee Report

The primary role of our Audit Committee is to assist our Board of Directors in fulfilling its oversight responsibilities by reviewing the financial information proposed to be provided to stockholders and others, the adequacy of the system of internal control over financial reporting and disclosure controls and procedures established by management and the Board of Directors, and the audit process and our independent auditor's qualifications, independence and performance.

Management is responsible for establishing and maintaining the company's system of internal controls and for preparation of the company's financial statements. Our independent registered public accounting firm, Marcum LLP, is responsible for performing an audit of our consolidated financial statements in accordance with generally accepted auditing standards and issuing an opinion on the financial statements. The Audit Committee has met and held discussions with management and our independent auditor, and has also met separately with our independent auditor, without management present, to review the adequacy of our internal controls, financial reporting practices and audit process.

The Audit Committee has reviewed and discussed our audited consolidated financial statements for the year ended December 31, 2015 with management and the independent auditor. As part of this review, the Audit Committee discussed with Marcum LLP the communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, "Communication with Audit Committees."

The Audit Committee has received from Marcum LLP a written statement describing all relationships between that firm and Zosano Pharma Corporation that might bear on the auditor's independence, consistent with Public Company Accounting Oversight Board Ethics and Independence Rule 3526, "Communication with Audit Committees Concerning Independence." The Audit Committee has discussed the written statement with the independent auditor, and has considered whether the independent auditor's provision of any consultation and other non-audit services to Zosano Pharma Corporation is compatible with maintaining the auditor's independence.

Based on the above-mentioned reviews and discussions with management and the independent auditor, the Audit Committee recommended to the Board of Directors that Zosano Pharma Corporation's audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the Securities and Exchange Commission.

Joseph "Jay" Hagan, *Chair*  
Troy Wilson, Ph.D., J.D.  
Kleanthis G. Xanthopoulos, Ph.D.

### Our Auditor

Marcum LLP has been selected by the Audit Committee of the Board of Directors as the independent registered public accounting firm to audit our financial statements for the year ending December 31, 2016. Marcum LLP also served as our auditor for the years ended December 31, 2014 and December 31, 2015. We expect that representatives of Marcum LLP will attend the annual meeting, will have an opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.



[Table of Contents](#)

**Fees for Professional Services**

The following table represents aggregate fees billed to us for the years ended December 31, 2015 and 2014 by Marcum LLP, our independent registered public accounting firm:

	Year ended December 31,	
	2015	2014
Annual audit fees (1)	\$ 133,000	\$ 279,782
Audit-related fees	—	—
Tax fees	—	—
All other fees	—	—
Total fees	\$ 133,000	\$ 279,782

- (1) “Audit fees” include fees for audit services primarily related to the audit of our annual consolidated financial statements; the review of our quarterly consolidated financial statement; comfort letters, consents and assistance with the review of documents filed with the SEC; and other accounting services necessary to comply with the standards of the Public Company Accounting Oversight Board (United States).

**Pre-Approval Policies and Procedures**

Our Audit Committee’s pre-approval policies or procedures do not allow our management to engage Marcum LLP to provide any audit, review or attestation services or any permitted non-audit services without specific Audit Committee pre-approval of the engagement for those services. All of the services provided by Marcum LLP during 2015 were pre-approved.

**Whistleblower Procedures**

Our Audit Committee has adopted procedures for the treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential and anonymous submission by our directors, officers and employees of concerns regarding questionable accounting, internal accounting controls or auditing matters. These procedures are set forth in our Code of Ethics. See “Information About Our Board of Directors and Management—Code of Business Conduct and Ethics; Corporate Governance Guidelines” in this proxy statement.

## OTHER MATTERS

### **Other Business**

Neither we nor our Board of Directors intend to propose any matters of business at the annual meeting other than the proposals described in this proxy statement. Neither we nor our Board or Directors know of any matters to be proposed by others at the annual meeting.

### **Stockholder Proposals for 2017 Annual Meeting**

Stockholders who wish to present proposals pursuant to Rule 14a-8 promulgated under the Exchange Act for consideration at our 2017 annual meeting of stockholders must submit the proposals in proper form to us at the address set forth on the first page of this proxy statement not later than June 9, 2017 in order for the proposals to be considered for inclusion in our proxy statement and form of proxy relating to the 2017 annual meeting.

Stockholder proposals intended to be presented at our 2017 annual meeting submitted outside the processes of Rule 14a-8 must be received in writing by us no later than the close of business on August 4, 2017, nor earlier than July 5, 2017, together with all supporting documentation and information required by our bylaws. Proxies solicited by us will confer discretionary voting authority with respect to these proposals, subject to SEC rules governing the exercise of this authority.

In order to have a director candidate considered by the Nominating and Corporate Governance Committee of our Board of Directors, the recommendation must be submitted to our Secretary at the address set forth on the first page of this proxy statement no later than the close of business on August 4, 2017, nor earlier than July 5, 2017, and must include all supporting documentation and information required by our bylaws.



**IMPORTANT ANNUAL MEETING INFORMATION**

**Electronic Voting Instructions**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Central Time, on November 2, 2016.**

**Vote by Internet**

- Go to [www.investorvote.com/ZSAN](http://www.investorvote.com/ZSAN)
- Or scan the QR code with your smartphone
- Follow the steps outlined on the secure website

**Vote by telephone**

- Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone
- Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an X as shown in this example. Please do not write outside the designated areas.



**Annual Meeting Proxy Card**

q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

**A Proposals — The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposal 2.**

1. Election of Directors:

**For Withhold**

01 - Bruce Steel



2. Ratification of the appointment of Marcum LLP as Zosano Pharma Corporation's independent registered public accounting firm for fiscal year 2016.

**For Against Abstain**

**B Non-Voting Items**

**Change of Address** — Please print your new address below.

[Empty box for change of address]

**Comments** — Please print your comments below.

[Empty box for comments]

**Meeting Attendance**  
Mark the box to the right if you plan to attend the Annual Meeting.

**C Authorized Signatures — This section must be completed for your vote to be counted. — Date and Sign Below**

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) — Please print date below.

[Date box with slashes: / /]

Signature 1 — Please keep signature within the box.

[Signature 1 box]

Signature 2 — Please keep signature within the box.

[Signature 2 box]



q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q



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**Proxy — Zosano Pharma Corporation**

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**Proxy Solicited by Board of Directors for Annual Meeting — November 2, 2016**

Konstantinos Alataris and Georgia Erbez, or any of them, each with the power of substitution, are hereby authorized to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Annual Meeting of Stockholders of Zosano Pharma Corporation to be held on November 2, 2016 at 8:30 a.m., Pacific time at the Company's headquarters located at 34790 Ardentech Court, Fremont, CA 94555 or at any postponement or adjournment thereof.

**Shares represented by this proxy will be voted as directed by the stockholder. If no such directions are indicated, the Proxies will vote FOR the reelection of Mr. Steel as a Class II director and FOR the ratification of Marcum LLP as the Company's independent registered public accounting firm.**

**The Proxies are authorized to vote in their discretion upon such other business as may properly come before the meeting.**

(Items to be voted appear on reverse side.)