HealthSpring, Inc.
Form DEF 14A
April 16, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

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

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

HealthSpring, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):
þ No fee required.
o 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:

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

(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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o Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

9009 Carothers Parkway, Suite 501
Franklin, Tennessee 37067
(615) 291-7000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 27, 2010

Dear Stockholder:

On Thursday, May 27, 2010, HealthSpring, Inc. will hold its annual meeting of stockholders at its corporate headquarters located at 9009 Carothers Parkway, Franklin, Tennessee. The meeting will begin at 10:00 a.m., local time.

Only stockholders that owned our common stock at the close of business on April 7, 2010 are entitled to notice of and may vote at this meeting. A list of our record stockholders will be available at our corporate headquarters at 9009 Carothers Parkway, Suite 501, Franklin, Tennessee, during ordinary business hours for 10 days prior to the annual meeting. At the meeting, we will consider the following proposals described in detail in the accompanying proxy statement:

1. To elect two Class II directors nominated by the board of directors to serve three year terms or until their respective successors have been duly elected and qualified;

2. To approve the HealthSpring, Inc. Amended and Restated 2006 Equity Incentive Plan;
3. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2010; and
4. To transact such other business as may properly come before the meeting or any postponement or adjournment of the meeting.

References to HealthSpring, the Company, we, us, or our in this notice and the accompanying proxy statement r HealthSpring, Inc. and its affiliates unless otherwise indicated.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, TO ENSURE THE PRESENCE OF A QUORUM, PLEASE VOTE OVER THE INTERNET OR BY TELEPHONE AS INSTRUCTED IN THESE MATERIALS OR COMPLETE, DATE, AND SIGN A PROXY CARD AS PROMPTLY AS POSSIBLE. IF YOU ATTEND THE MEETING AND WISH TO VOTE YOUR SHARES PERSONALLY, YOU MAY DO SO AT ANY TIME BEFORE THE PROXY IS EXERCISED.

By Order of the Board of Directors,

J. Gentry Barden
Senior Vice President, General Counsel, and Secretary

Franklin, Tennessee
April 16, 2010

HEALTHSPRING, INC.
9009 Carothers Parkway, Suite 501
Franklin, Tennessee 37067

Proxy Statement for Annual Meeting of Stockholders
to be held on May 27, 2010

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER
MEETING TO BE HELD ON THURSDAY, MAY 27, 2010
The Company s Proxy Statement, form of Proxy Card, and 2009 Annual Report to Stockholders are available at http://phx.corporate-ir.net/phoenix.zhtml?c=194529&p=proxy.

QUESTIONS AND ANSWERS

1. Q: WHEN WAS THIS PROXY STATEMENT FIRST MAILED OR MADE AVAILABLE TO STOCKHOLDERS?

A: This proxy statement was first mailed or made available to stockholders on or about April 16, 2010. Our 2009 Annual Report to Stockholders is being mailed or made available with this proxy statement. The annual report is not part of the proxy solicitation materials.

2. Q: WHY DID I RECEIVE A ONE-PAGE NOTICE IN THE MAIL REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS THIS YEAR INSTEAD OF A FULL SET OF PROXY MATERIALS?

A: Pursuant to rules adopted by the Securities and Exchange Commission (SEC), the Company has elected to provide access to our proxy materials and annual report over the Internet. Accordingly, we are sending to many of our stockholders of record and beneficial owners a notice of Internet availability of the proxy materials instead of sending a paper copy of the proxy materials and annual report. All stockholders receiving the notice will have the ability to access the proxy materials and annual report on a website referenced in the notice or to request a printed set of proxy materials and annual report. Instructions on how to access the proxy materials and annual report over the Internet or to request a printed copy may be found in the notice and in this proxy statement. In addition, the notice contains instructions on how you may request to access proxy materials and annual report in printed form by mail or electronically on an ongoing basis.

3. Q: WHAT IS THE PURPOSE OF THE ANNUAL MEETING?

A: At the annual meeting, stockholders will act upon the matters outlined in the notice of meeting on the cover page of this proxy statement: the election of two Class II directors nominated by the board of directors; the approval of the HealthSpring, Inc. Amended and Restated 2006 Equity Incentive Plan; and the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2010. In addition, following the formal business of the meeting, our management will provide a business overview and be available to respond to questions from our stockholders.

4. Q: WHO MAY ATTEND THE ANNUAL MEETING?

A: Stockholders of record as of the close of business on April 7, 2010, or their duly appointed proxies, may attend the meeting. Street name holders (those whose shares are held through a broker or other nominee) should bring a copy of a brokerage statement reflecting their ownership of our common stock as of the record date. Space

limitations may make it necessary to limit attendance to stockholders and valid picture identification may be required. Cameras, recording devices, and other electronic devices are not permitted at the meeting. Registration will begin at 9:30 a.m., local time.

5. Q: WHO IS ENTITLED TO VOTE AT THE ANNUAL MEETING?

A: Only stockholders of record as of the close of business on April 7, 2010 are entitled to receive notice of and participate in the annual meeting. As of the record date, there were 57,943,648 shares of our common stock outstanding. Every stockholder is entitled to one vote for each share held as of the record date. Cumulative voting is not permitted with respect to the election of directors or any other matter to be considered at the annual meeting.

6. Q: WHO IS SOLICITING MY VOTE?

A: The Company pays the cost of soliciting proxies. We have retained MacKenzie Partners, Inc. to assist with the solicitation of proxies on our behalf. MacKenzie Partners, Inc. will be paid approximately $12,500 for these and other advisory services in connection with the annual meeting. Solicitation initially will be made by mail. Forms of proxies and proxy materials may also be distributed through brokers, custodians, and other like parties to the beneficial owners of shares of our common stock, in which case we will reimburse these parties for their reasonable out-of-pocket expenses. Proxies may also be solicited in person or by telephone, facsimile, electronic mail, or other electronic medium by MacKenzie Partners, Inc. or by certain of our directors, officers, and employees, without additional compensation.

7. Q: ON WHAT MAY I VOTE?

A: You may vote on the election of two Class II directors nominated to serve three year terms on our board of directors, the approval of the HealthSpring, Inc. Amended and Restated 2006 Equity Incentive Plan, and the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2010.

8. Q: HOW DOES THE BOARD RECOMMEND I VOTE ON THE PROPOSALS?

A: The board unanimously recommends that you vote **FOR** each of the Class II director nominees, **FOR** the approval of the HealthSpring, Inc. Amended and Restated 2006 Equity Incentive Plan, and **FOR** the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2010.

9. Q: HOW WILL VOTING ON ANY OTHER BUSINESS BE CONDUCTED?

A: It is not expected that any matter not referred to herein will be presented for action at the annual meeting. If any other matters are properly brought before the annual meeting, including, without limitation, a motion to adjourn the annual meeting to another time and/or place for the purpose of, among other matters, permitting dissemination of information regarding material developments relating to any of the proposals or soliciting additional proxies in favor of the approval of any of the proposals, the persons named on the accompanying Proxy Card will vote the shares represented by such proxy upon such matters in their discretion. Should the annual meeting be reconvened, all proxies will be voted in the same manner as such proxies would have been voted when the annual meeting was originally convened, except for the proxies effectively revoked or withdrawn prior to the time proxies are voted at such reconvened meeting.

10. Q: HOW DO I VOTE IF MY SHARES ARE REGISTERED DIRECTLY IN MY NAME?

A: You may vote in person at the annual meeting or authorize the persons named as proxies on the Proxy Card to vote your shares by returning the Proxy Card by mail, through the Internet, or by telephone. **Although we offer**

four different voting methods, we encourage you to vote through the Internet as we believe it is the most cost-effective method for the Company. We also recommend that you vote as soon as possible, even if you are planning to attend the annual meeting, so that the vote count will not be delayed. Both the Internet and the telephone provide convenient, cost-effective alternatives to returning your Proxy Card by mail. If you vote your shares through the Internet, you may incur costs associated with electronic access, such as usage charges from Internet access providers. If you choose to vote your shares through the Internet or by telephone, there is no need for you to mail back your Proxy Card.

To Vote Over the Internet:

Log on to the Internet and go to the website www.proxyvote.com. Have your Proxy Card available when you access the Website. You will need the control number from your Proxy Card to vote.

To Vote By Telephone:

On a touch-tone telephone, call 1-800-690-6903 24 hours a day, 7 days a week. Have your Proxy Card available when you make the call. You will need the control number from your Proxy Card to vote.

To Vote By Proxy Card:

Complete and sign the Proxy Card and return it to the address indicated on the Proxy Card.

If you received a notice of Internet availability of the proxy materials instead of a paper copy of the proxy materials and annual report, you should follow the voting instructions set forth in the notice.

You have the right to revoke your proxy at any time before the meeting by: (i) notifying our Secretary in writing, at 9009 Carothers Parkway, Suite 501, Franklin, Tennessee 37067; (ii) voting in person; (iii) submitting a later-dated Proxy Card; (iv) submitting another vote by telephone or over the Internet; or (v) if applicable, submitting new voting instructions to your broker or nominee. If you have questions about how to vote or revoke your proxy, you should contact our Secretary at 9009 Carothers Parkway, Suite 501, Franklin, Tennessee 37067. For shares held in street name, refer to Question 11 below.

11. Q: HOW DO I VOTE MY SHARES IF THEY ARE HELD IN THE NAME OF MY BROKER (STREET NAME)?

A: If your shares are held by your broker or other nominee, often referred to as held in street name, you will receive a form from your broker or nominee seeking instruction as to how your shares should be voted. You should contact your broker or other nominee with questions about how to provide or revoke your instructions.

12. Q: WHAT IS THE VOTE REQUIRED TO APPROVE THE PROPOSALS?

A: ***Election of Directors:*** Each of the Class II director nominees must receive affirmative votes from a plurality of the votes cast at the annual meeting to be elected. This means that the two nominees receiving the greatest number of affirmative votes of the shares present in person or represented by proxy at the annual meeting and entitled to vote will be elected as Class II directors.

Approval of Amended and Restated 2006 Equity Incentive Plan: The New York Stock Exchange (NYSE) listing standards require that the HealthSpring, Inc Amended and Restated 2006 Equity Incentive Plan be approved by a majority of the votes cast on the proposal, provided that the total votes cast on the proposal represent more than 50% of all the securities entitled to vote.

Ratification of KPMG LLP: The ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year ending December 31, 2010 must receive affirmative votes from the holders of a majority of the shares present in person or represented by proxy at the annual meeting and entitled to vote.

13. Q: WHAT CONSTITUTES A QUORUM ?

A: The presence at the meeting, in person or by proxy, of the holders of a majority of the aggregate voting power of the common stock outstanding on the record date will constitute a quorum. There must be a quorum for business to be conducted at the meeting. Failure of a quorum to be represented at the annual meeting will necessitate an adjournment or postponement and will subject the Company to additional expense. Votes

withheld from any nominee for director, abstentions, and broker nonvotes are counted as present or represented for purposes of determining the presence or absence of a quorum.

14. Q: WHAT IF I ABSTAIN FROM VOTING?

A: If you attend the meeting or send in your signed Proxy Card, but abstain from voting on any proposal, you will still be counted for purposes of determining whether a quorum exists. If you abstain from voting on the election of directors, your abstention will have no effect on the outcome. If you abstain from voting on the HealthSpring, Inc. Amended and Restated 2006 Equity Incentive Plan or the ratification of the appointment of the independent registered public accounting firm, your abstention will have the same legal effect as a vote against these proposals.

15. Q: WILL MY SHARES BE VOTED IF I DO NOT SIGN AND RETURN MY PROXY CARD OR VOTE BY TELEPHONE OR OVER THE INTERNET?

A: If you are a registered stockholder and you do not sign and return your Proxy Card or vote by telephone or over the Internet, your shares will not be voted at the annual meeting. Questions concerning stock certificates and registered stockholders may be directed to American Stock Transfer & Trust Company at 59 Maiden Lane, New York, New York 10038, (800) 937-5449. If your shares are held in street name and you do not issue instructions to your broker, your broker may vote your shares at its discretion on routine matters, but may not vote your shares on non-routine matters. Under NYSE rules, the proposal relating to the ratification of the appointment of the independent registered public accounting firm is deemed to be a routine matter and brokers and nominees may exercise their voting discretion without receiving instructions from the beneficial owner of the shares. Proposals 1 and 2 are non-routine matters, however.

16. Q: WHAT IS A BROKER NONVOTE ?

A: Under NYSE rules, brokers and nominees may exercise their voting discretion without receiving instructions from the beneficial owner of the shares on proposals that are deemed to be routine matters. If a proposal is a non-routine matter, a broker or nominee may not vote the shares on the proposal without receiving instructions from the beneficial owner of the shares. If a broker turns in a proxy card expressly stating that the broker is not voting on a non-routine matter, such action is referred to as a broker nonvote. The ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm is deemed to be a routine matter. Proposals 1 and 2 are non-routine matters.

17. Q: WHAT IS THE EFFECT OF A BROKER NONVOTE?

A: Broker nonvotes will be counted for the purpose of determining the presence of a quorum, but will not be counted for determining the number of votes cast, as a broker nonvote is not considered entitled to vote on a matter. A broker nonvote will not affect the outcome of Proposal 1 and will reduce the number of votes required for approval of Proposals 2 and 3.

18. Q: WHO WILL COUNT THE VOTES?

A: One of our officers, most likely our Secretary, will count the votes and act as an inspector of election.

19. Q: CAN I PARTICIPATE IF I AM UNABLE TO ATTEND?

A: If you are unable to attend the meeting in person, we encourage you to send in your Proxy Card or to vote by telephone or over the Internet. We will not be broadcasting our annual meeting telephonically or over the Internet.

20. Q: WHERE CAN I FIND THE VOTING RESULTS OF THE ANNUAL MEETING?

A: We intend to announce preliminary voting results at the annual meeting and publish final results in a Current Report on Form 8-K that will be filed with the SEC following the annual meeting. All reports we file with the SEC are available when filed. Please refer to Question 23 below.

21. Q: WHEN ARE STOCKHOLDER PROPOSALS DUE IN ORDER TO BE INCLUDED IN OUR PROXY MATERIALS FOR THE NEXT ANNUAL MEETING?

A: Any stockholder proposal must be submitted in writing to J. Gentry Barden, Senior Vice President, General Counsel, and Secretary, HealthSpring, Inc., 9009 Carothers Parkway, Suite 501, Franklin, Tennessee 37067, prior to the close of business on December 17, 2010, to be considered timely for inclusion in next year s proxy statement and form of proxy. Such proposal must also comply with SEC regulations, including Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials.

22. Q: WHEN ARE OTHER STOCKHOLDER PROPOSALS DUE?

A: Our bylaws contain an advance notice provision that requires stockholders to deliver to us notice of a proposal to be considered at an annual meeting not less than one hundred twenty (120) nor more than one hundred fifty (150) days before the date of the first anniversary of the prior year s annual meeting. Such proposals are also subject to informational and other requirements set forth in our bylaws, a copy of which is available under the Investor Relations Corporate Governance section of our website, www.healthspring.com.

23. Q: HOW CAN I OBTAIN ADDITIONAL INFORMATION ABOUT THE COMPANY?

A: **We will provide copies of this proxy statement and our 2009 Annual Report to Stockholders, including our Annual Report on Form 10-K for the year ended December 31, 2009, without charge to any stockholder who makes a written request to our Secretary at HealthSpring, Inc., 9009 Carothers Parkway, Suite 501, Franklin, Tennessee 37067.** Our Annual Report on Form 10-K and other SEC filings also may be accessed on the world wide web at www.sec.gov or on the Investor Relations section of the Company s website at www.healthspring.com. Our website address is provided as an inactive textual reference only. The information provided on or accessible through our website is not part of this proxy statement and is not incorporated herein by this or any other reference to our website provided in this proxy statement.

24. Q: HOW MANY COPIES SHOULD I RECEIVE IF I SHARE AN ADDRESS WITH ANOTHER STOCKHOLDER?

A: The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, commonly referred to as householding, potentially provides extra convenience for stockholders and cost savings for companies. The Company and some brokers may be householding our proxy materials by delivering a single proxy statement and annual report to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker or us that they or we will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, or if you are receiving multiple copies of the proxy statement and annual report and wish to receive only one, please notify your broker if your shares are held in a brokerage account or us if you are a stockholder of record. You can notify us by sending a written request to our Secretary at HealthSpring, Inc., 9009 Carothers Parkway, Suite 501, Franklin, Tennessee 37067, or by calling the Secretary at (615) 291-7000. In addition, we will promptly deliver, upon written or oral request to the address or telephone number above, a separate copy of the annual report and proxy statement to a stockholder at a shared address to which a single copy of the documents was delivered.

CORPORATE GOVERNANCE

We believe that effective corporate governance is critical to our ability to create long-term value for our stockholders. We have adopted and implemented charters, policies, procedures, and controls that we believe promote and enhance corporate governance, accountability, and responsibility, and a culture of honesty and integrity. Our corporate governance guidelines, code of business conduct and ethics, and various other governance related policies and board committee charters are available on the Investor Relations section of our website at www.healthspring.com under Corporate Governance.

Board Independence and Operations

We currently have eight board members, five of whom are independent under applicable standards. Our board of directors consults with the Company s legal counsel to ensure that the board members independence determinations are consistent with all relevant securities and other laws and regulations regarding the definition of independent director, including but not limited to those set forth in the NYSE listing standards. To assist in the board members independence determinations, each director completes, on an annual basis, materials designed to identify any relationships that could affect the director s independence. The board has determined that each of Messrs. Bruce M. Fried, Robert Z. Hensley, Russell K. Mayerfeld, Joseph P. Nolan, and Martin S. Rash is an independent director consistent with the objective standards of applicable laws and regulations, and that such persons do not otherwise have any relationship (either directly or indirectly as a partner, stockholder, or officer of an organization that has a material relationship with us) that, in the opinion of the board of directors, would impair their independence. The board has not established categorical standards or guidelines by which to analyze the subjective aspects of these determinations, but

considers all relevant facts and circumstances known to the board.

The board of directors and its committees meet periodically during the year as appropriate. No director attended fewer than 75% of the 2009 meetings of the board of directors and its committees on which such director served. The board of directors is generally responsible for establishing our corporate policies and reviewing and assessing our corporate objectives and strategies and other major transactions and capital commitments. During 2009, the board of directors met five times.

Governance Structure and Risk Management

The chairman of the board of directors, Herbert A. Fritch, is also the Company s chief executive officer. The chairman, in consultation with the Company s general counsel and other directors, establishes board meeting agendas and leads board meetings. The board believes that combining the chairman and chief executive officer roles fosters accountability, efficient decision-making, and unified leadership and direction for the board. Our chief executive officer is also the director most familiar with our business and industry and, therefore, is believed by the board to be best suited to identify strategic priorities and lead the discussion and oversight of our corporate strategies. The board has also created the presiding director position for purposes of instituting independent, non-executive oversight of the board. Our policy, which is included within our corporate governance guidelines, is that the directors periodically meet in executive sessions and that our independent non-management directors meet at least once a year in an executive session including only such non-management directors. These executive sessions are held when determined by the presiding director and, when held, are chaired by the presiding director. The presiding director also performs such other duties as the board may from time to time delegate to him to assist the board in the fulfillment of its responsibilities. Currently, Mr. Mayerfeld, in his capacity as chair of the nominating and corporate governance committee, is also the presiding director.

The board of directors is actively involved in oversight of risks that could materially affect the Company and its operations. This oversight is conducted primarily through the committees of the board, as disclosed in the descriptions of each of the committees below, but the full board has retained the responsibility for general oversight of risks. The board satisfies this responsibility through periodic reports regarding the committees considerations and actions, as well as though regular reports from officers responsible for oversight of particular risks within the Company, including reports from a Company officer specifically identified as responsible for risk management, monitoring, and reporting.

Board Committee Composition

We currently have three standing committees of our board of directors: an audit committee; a compensation committee; and a nominating and corporate governance committee. The audit committee consists of three persons, none of whom is employed by us and each of whom is independent as defined under the independence requirements of the NYSE and the SEC applicable to audit committee members. In addition, the board has determined that Mr. Hensley, the chairman of our audit committee, is an audit committee financial expert within the meaning of the applicable SEC regulations and that each member of the audit committee has the accounting and financial expertise required by NYSE listing standards. The compensation committee and nominating and corporate governance committee consist of three and four persons, respectively, none of whom is employed by us and each of whom is independent as defined under the rules of the NYSE. Each of our committees operates under a charter adopted by our board of directors. It is the policy of the board and each committee to periodically review its performance and the effectiveness of its charter and policies, as applicable.

The composition of our board committees as of the date of this proxy statement is set forth below:

Name of Director	Audit	Compensation	Nominating and Corporate Governance
Bruce M. Fried	Member		Member
Robert Z. Hensley	**Chair**	Member	
Russell K. Mayerfeld	Member		**Chair**
Joseph P. Nolan		Member	Member
Martin S. Rash		**Chair**	Member

Audit Committee. The audit committee met eight times in 2009. The audit committee is responsible for, among other matters:

selecting the Company s independent registered public accounting firm;

pre-approving all audit and permitted non-audit services to be performed by such firm;

approving the overall scope of the audit;

assisting the board of directors in monitoring the integrity of our financial statements, the independent registered public accounting firm s qualifications and independence, and the performance of the independent registered public accounting firm;

monitoring the performance of our internal audit function;

meeting to review and discuss the annual and quarterly financial statements and reports with management and the independent registered public accounting firm;

reviewing and discussing each earnings press release, as well as financial information and any earnings guidance provided to analysts and rating agencies;

monitoring our legal and regulatory compliance policies and reviewing reports of our chief compliance officer;

overseeing policies with respect to risk assessment and risk management;

meeting separately and periodically with management, internal auditors, and the independent registered public accounting firm;

reviewing with the independent registered public accounting firm any audit problems or difficulties and management s response; and

reviewing and approving certain related party transactions.

Compensation Committee. The compensation committee met seven times in 2009. The compensation committee is responsible for, among other matters:

reviewing employee compensation philosophies, policies, plans, and programs;

reviewing and overseeing the evaluation of executive officer performance and other related matters;

reviewing and approving the actual compensation of each of our executive officers;

reviewing and approving employment contracts, severance agreements, and other similar arrangements with our officers;

reviewing the Company s compensation practices and policies for executives and other employees as they relate to risk management policies and procedures;

administering our equity incentive plans and other incentive compensation plans or arrangements; and

recommending the Compensation Discussion and Analysis to the board of directors for inclusion in the proxy statement and incorporation by reference in the Annual Report on Form 10-K.

The full board is responsible for reviewing and approving non-employee director compensation. Additional information regarding the process undertaken by the compensation committee in the determination of executive compensation and its other functions is included under Executive and Director Compensation Compensation Discussion and Analysis.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee met four times in 2009. The nominating and corporate governance committee is responsible for, among other matters:

evaluating the composition, size, and governance of our board of directors and its standing committees;

making recommendations regarding future planning and the appointment of directors to our standing committees;

evaluating and recommending candidates for election to our board of directors, including those candidates properly presented by our stockholders;

overseeing the performance and self-evaluation process of our board of directors and its standing committees;

reviewing management succession plans;

reviewing and monitoring compliance with our code of business conduct and ethics and our corporate governance guidelines; and

reviewing and developing our corporate governance policies and providing recommendations to the board of directors regarding possible changes.

Selection of Board Nominees and Director Qualifications

The nominating and corporate governance committee may utilize a variety of methods for identifying nominees for director. Candidates may come to the attention of the nominating and corporate governance committee through current board members, stockholders, members of management, and other persons. During 2009, the nominating and corporate governance committee engaged Korn/Ferry International, an executive and director search firm, to help identify and evaluate potential director candidates. The Company would like to add one or more independent directors to serve on the board. A stockholder who desires for the nominating and corporate governance committee to consider a nomination for director must comply with the notice, timing, and other requirements set forth in the Company s bylaws. Each nomination submitted by a stockholder must include the name and address of the nominee and all other information with respect to the nominee as required to be disclosed in the proxy statement for the election of directors under applicable rules of the SEC, including the nominee s consent to being named as a nominee and to serving as a director, if elected. It is the policy of the Company that all nominees be evaluated in the same manner.

The nominating and corporate governance committee reviews the qualifications of potential director candidates in accordance with the committee s charter and our corporate governance guidelines. The committee s consideration of a candidate as a director includes an assessment of the individual s understanding of the Company s business, the individual s professional and educational background, skills, and abilities and potential time commitment, and whether such characteristics are consistent with our corporate governance guidelines and other criteria established by the nominating and corporate governance committee from time to time. To make an effective contribution to the Company, a director must possess experience in one or more of the following:

- business or management for complex and large consolidated companies or institutions;
- accounting or finance for complex and large consolidated companies or institutions;
- leadership, strategic planning, or crisis response for complex and large consolidated companies or institutions;
- the healthcare industry, generally;
- the managed care or Medicare industries, in particular; or
- other significant and relevant areas deemed by the nominating and corporate governance committee to be valuable to the Company.

Although the Company has not adopted a formal policy with regard to the consideration of diversity in identifying director nominees, diversity as to race, gender, national origin, professional experience, education, perspective, and other attributes is a factor in the committee s nominating process. In particular, the board seeks independent directors with diverse backgrounds and experiences based on the belief that such diversity will enhance the quality of the board s deliberations and decisions.

The nominating and corporate governance committee will consider all of a candidate s qualifications and decide whether such qualifications fulfill the needs of the Company and the board at that time. The committee will then confer and reach a collective assessment as to the qualifications and suitability of the candidate for board membership. If the nominating and corporate governance committee determines that the candidate is suitable and meets the criteria for board membership, the candidate will be invited to meet with the senior management of the Company and other members of the board of directors, both to allow the candidate to obtain further information about the Company and to give management and the other directors a basis to provide input to the nominating and corporate governance committee regarding the candidate. On the basis of the nominating and corporate governance committee s assessment, and taking into consideration input from other board members and senior management, the nominating and corporate governance committee will formally consider whether to recommend the candidate s nomination for election to the board of directors.

It is our policy that each director should take reasonable steps to keep informed on corporate governance best practices and their application in the managed care and Medicare environments. Additionally, prior to accepting re-nomination, each director is required to evaluate themselves as to whether they satisfy the criteria described above. The board intends to monitor the mix of skills and experience of its directors in order to ensure that the board has the necessary tools to perform its oversight functions effectively. The nominating and corporate governance committee may also adopt such procedures and criteria not inconsistent with our corporate governance guidelines as it considers advisable for the assessment of director candidates.

Code of Business Conduct and Ethics

The Company has a code of business conduct and ethics that complies with the NYSE listing standards and is applicable to all directors, officers, and employees of the Company. The code of business conduct and ethics is available on the Investor Relations, Corporate Governance section of the Company s website at www.healthspring.com. The Company intends to post amendments to or waivers, if any, from its code of business conduct and ethics (to the extent applicable to the Company s directors or its chief executive officer, principal financial

officer, or principal accounting officer) at this location on its website.

Corporate Governance Guidelines

The Company has adopted corporate governance guidelines that we believe reflect the board s commitment to a system of governance that enhances corporate responsibility and accountability. The corporate governance guidelines are available on the Investor Relations, Corporate Governance section of the Company s website at www.healthspring.com.

Policy Regarding Communications with the Board of Directors

Stockholders and any other interested party may communicate with any of the Company s directors, including the chair of any of the board committees, the presiding director, or the non-management directors as a group by writing to them c/o HealthSpring, Inc., 9009 Carothers Parkway, Suite 501, Franklin, Tennessee 37067. The Secretary, or if applicable the Company s chief compliance officer, will review all such communications and direct appropriate communications to the appropriate director.

Policy Regarding Director Attendance at Annual Meetings of Stockholders

We have adopted a policy, that is included within our corporate governance guidelines, stating that directors are strongly encouraged to attend HealthSpring s annual meetings of stockholders. All of our directors attended the 2009 annual meeting of stockholders, either in person or by telephone.

Compensation Committee Interlocks and Insider Participation

The compensation committee of the board of directors is currently composed of Martin S. Rash (Chair), Robert Z. Hensley, and Joseph P. Nolan. None of these persons has at any time been an officer or employee of HealthSpring or any of its subsidiaries. There are no other relationships among HealthSpring s executive officers, members of the compensation committee, or entities whose executives serve on the compensation committee that require disclosure under applicable SEC regulations.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act) requires our directors, executive officers, and greater than 10% stockholders to file initial reports of ownership and reports of changes in ownership of any of our securities with the SEC, the NYSE, and us. Based solely upon the copies of Section 16(a) reports that we have received from such persons for their transactions in 2009 and written representations to the Company that we have received from such persons that no other reports were required, we believe that there has been compliance with all Section 16(a) filing requirements applicable to such directors, executive officers, and greater than 10% beneficial owners for 2009.

AUDIT COMMITTEE REPORT

The audit committee consists of three independent, non-employee directors and operates under a written charter, adopted by the board of directors, which is posted on the Investor Relations section of the Company s website with certain of our other governance documents at www.healthspring.com.

The primary purposes of the audit committee are to assist the board of directors in fulfilling its responsibility to oversee (i) the integrity of the financial statements of HealthSpring; (ii) HealthSpring s compliance with legal and regulatory requirements; (iii) the independent registered public accountants qualifications, independence, and performance; and (iv) the performance of HealthSpring s internal audit and compliance functions. The audit committee is directly responsible for the appointment, compensation, and oversight of the work of the independent registered public accounting firm. The independent registered public accounting firm and the Company s internal auditors and chief compliance officer report directly to the audit committee and meet with the audit committee regularly, including at formal audit committee meetings with and without management of the Company present.

Management of the Company has the primary responsibility for the preparation of the financial statements. Management is also responsible for maintaining adequate internal control over financial reporting and disclosure procedures designed to provide reasonable assurance that the Company is in compliance with accounting standards and applicable laws and regulations. The Company s independent registered public accounting firm is responsible for auditing the financial statements and for auditing the effectiveness of our internal control over financial reporting.

In the performance of its oversight function, the audit committee reviewed and discussed the audited financial statements for 2009 and the Company s internal accounting controls and the overall quality of the Company s financial reporting with management, the internal auditors, and the independent registered public accounting firm. At the conclusion of the process, management also provided the audit committee with, and the audit committee reviewed, a draft report on the effectiveness of the Company s internal control over financial reporting. The Company s management represented to the audit committee that the financial statements were prepared in accordance with U.S. generally accepted accounting principles. The audit committee discussed with the Company s management the critical accounting policies applied by the Company in the preparation of its financial statements. The audit committee also discussed with the Company s management the process for reviewing and supporting certifications by the chief executive officer and the chief financial officer.

The audit committee discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. In addition, the audit committee received the written disclosures and letter from the independent registered public accounting firm required

by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm s communications with the audit committee concerning independence, and has discussed with the independent registered public accounting firm its independence.

The audit committee also reviewed the following, all of which are included in our Annual Report on Form 10-K for the year ended December 31, 2009: Management s Report on Internal Control over Financial Reporting; KPMG LLP s Report of Independent Registered Public Accounting Firm; and KPMG LLP s Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting.

Based on the reviews and discussions referred to above, the audit committee recommended to the board of directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009, for filing with the SEC.

Robert Z. Hensley (Chair)
Bruce M. Fried
Russell K. Mayerfeld

The foregoing report of the audit committee does not constitute soliciting material and shall not be deemed incorporated by reference by any general statement incorporating by reference the proxy statement into any filing by HealthSpring under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed to be filed under such acts.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee has proposed KPMG LLP, who conducted our audit for 2009, to be our independent registered public accounting firm for 2010 (see Proposal 3). Representatives of KPMG LLP will attend our annual meeting, will have the opportunity to make a statement at the meeting if they desire to do so, and will be available to respond to your questions.

FEES BILLED TO THE COMPANY BY KPMG LLP DURING 2009 AND 2008

Audit Fees. The aggregate audit fees and out-of-pocket expenses billed by KPMG LLP relating to the 2009 integrated audit and quarterly reviews totaled $1,799,391. The comparable total for 2008 was $1,660,900. Audit fees include fees related to professional services rendered by KPMG LLP in connection with the audit of our annual consolidated financial statements, the review of our interim consolidated financial statements, fees for audit services in connection with statutory and regulatory filings of our regulated HMO and insurance subsidiaries, and the audit of our internal control over financial reporting.

Audit-Related Fees. There were no audit-related fees billed by KPMG LLP for products or services in 2009. Audit-related fees billed by KPMG LLP for products or services in 2008 totaled $5,000.

Tax Fees. Tax fees billed by KPMG LLP in 2009 totaled $16,455 and were for professional services rendered for tax advice in 2009. There were no fees billed by KPMG LLP for professional services rendered for tax compliance, tax advice, or tax planning for 2008.

All Other Fees. There were no fees paid by us to KPMG LLP for other products or services in 2009 or 2008.

The audit committee charter requires, among other things, the audit committee to pre-approve all audit and non-audit services (subject to permitted *de minimis* exceptions) to be performed for the Company by its independent registered public accounting firm, including the fees and terms thereof. If a request for these services is made between audit committee meetings, the audit committee has delegated the authority to the chair of the audit committee to approve such services and, in his absence or unavailability, to such other available audit committee member. Any decisions between meetings to pre-approve any services are confirmed by the audit committee at its next scheduled meeting. All services performed for the Company by KPMG LLP in 2009 were pre-approved by the audit committee or otherwise in accordance with the procedures described above.

PROPOSAL 1 ELECTION OF DIRECTORS

The current board of directors of HealthSpring consists of eight directors. Our board of directors is divided into three classes, Class I, Class II, and Class III, with each class serving staggered three-year terms. The terms of the Class II directors expire in 2010, and we have nominated two Class II directors for re-election at the annual meeting. Martin S. Rash, who has served as a Class II director since 2005, is not standing for re-election at the annual meeting, and his service as a director and as a member of our compensation and nominating and corporate governance committees will cease on the date of the annual meeting. As of such date, the board of directors will be reduced in size to seven. Upon the recommendation of our nominating and corporate governance committee, our board of directors recommends that the nominees listed below be elected as Class II members of the board of directors at the annual meeting. Each of our nominees is currently serving as a Class II director.

Each of the nominees, if re-elected, will serve a three year term as a Class II director until the annual meeting of stockholders in 2013 or until his respective successor is duly elected and qualified. If a nominee becomes unable or unwilling to accept nomination or election, the person or persons voting the proxy will vote for such other person or persons as may be designated by the board of directors, unless the board of directors chooses to reduce the number of directors serving on the board. The board of directors has no reason to believe that any of the nominees will be unable or unwilling to serve as a Class II director if re-elected.

Information concerning the nominees proposed by the board of directors for re-election, and our directors whose terms do not expire at the meeting, is set forth below.

Class II Director Nominees (Standing for Election at the Annual Meeting)

Benjamin Leon, Jr., Age 65

Director Since 2007

Benjamin Leon, Jr. has served as one of the Company s directors since October 2007. Mr. Leon s appointment to the board was negotiated as a condition under the Stock Purchase Agreement, dated August 9, 2007, entered into by and among a wholly-owned subsidiary of the Company, Leon Medical Centers Health Plans, Inc. (LMC Health Plans), and the stockholders of LMC Health Plans, pursuant to which the Company acquired all of the outstanding capital stock of LMC Health Plans. From 2002 until its acquisition by the Company in October 2007, Mr. Leon was the chairman and chief executive officer of LMC Health Plans. Since its founding in 1996, Mr. Leon has also served as chairman and, until 2008, as chief executive officer of Leon Medical Centers, Inc., which currently operates seven Medicare-only medical centers in Miami-Dade County, Florida and is the exclusive medical center provider for LMC Health Plans. Mr. Leon was selected to serve as a director of the Company in connection with the Company s acquisition of LMC Health Plans and because of his extensive experience as a chief executive of Medicare managed care plans and providers.

Dr. Sharad Mansukani, Age 40

Director Since 2007

Dr. Sharad Mansukani has served as one of the Company s directors since June 2007 and has been a part-time employee of the Company, serving as the Company s Executive Vice President Chief Strategy Officer, since November 2008. Dr. Mansukani also serves as a senior advisor of TPG Capital (formerly Texas Pacific Group), a private equity investment firm (TPG), and serves on the faculties at University of Pennsylvania and Temple University schools of medicine. Dr. Mansukani previously served as senior advisor to the administrator of the Centers for Medicare & Medicaid Services (CMS) from 2003 to 2005, and as senior vice president and chief medical officer of Health Partners, a non-profit Medicaid and Medicare health plan owned at the time by certain Philadelphia-area hospitals, from 1999 to 2003. Dr. Mansukani completed a residency and fellowship in ophthalmology at the University of Pennsylvania School of Medicine and a fellowship in quality management and managed care at the Wharton School of Business. Dr. Mansukani serves as a director of IASIS Healthcare, LLC, an owner and operator of acute care hospitals, Moksha8 Pharmaceuticals, Inc., a pharmaceutical company specializing in emerging markets, and Surgical Care Affiliates, an operator of ambulatory surgery centers, all of which are TPG portfolio companies. Dr. Mansukani was selected to serve as a director of the Company because of his broad knowledge of the Medicare industry, provider relationships, and strategic planning expertise.

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Class III Directors (Terms Expire in 2011)

Robert Z. Hensley, Age 52
Director Since 2006

Robert Z. Hensley has served as one of the Company s directors since the Company s initial public offering in February 2006. From July 2002 to September 2003, Mr. Hensley was an audit partner at Ernst & Young LLP in Nashville, Tennessee. He served as an audit partner at Arthur Andersen LLP in Nashville, Tennessee from 1990 to 2002, and he was the office managing partner of the Nashville, Tennessee office of Arthur Andersen LLP from 1997 to July 2002. Mr. Hensley is the founder and an owner of two real estate and rental property development companies, each of which is located in Destin, Florida. He also serves as a director of Advocat, Inc., a provider of long-term care services to nursing home patients and residents of assisted living facilities, COMSYS IT Partners, Inc., an information technology services company, and Spheris, Inc., a provider of medical transcription technology and services. Mr. Hensley also serves on the board of GTCR portfolio company Capella Healthcare, a private company and an operator of acute care hospitals. Since June 2008, Mr. Hensley has also served as a senior advisor to the healthcare and transaction advisory services groups of Alvarez and Marsal, LLC, a professional services company. Mr. Hensley holds a Master of Accountancy degree and a B.S. in Accounting from the University of Tennessee. Mr. Hensley is a certified public accountant. Mr. Hensley was selected to serve as a director of the Company because of his extensive background in public accounting and auditing and his experience in serving as a director of other public companies. The Company has designated Mr. Hensley as its audit committee financial expert under SEC regulations.

Russell K. Mayerfeld, Age 56
Director Since 2006

Russell K. Mayerfeld has served as one of the Company s directors since February 2006. Mr. Mayerfeld has served as the managing member of Excelsus LLC, an advisory services firm, since 2004. Mr. Mayerfeld was managing director, investment banking, of UBS LLC and its predecessors from May 1997 to April 2003, and managing director, investment banking, of Dean Witter Reynolds Inc. from 1988 to 1997. Mr. Mayerfeld also serves on the boards of several private companies. Mr. Mayerfeld served as a director of Fremont General Corporation, a financial services holding company engaged in commercial and real estate lending, from May 2004 to January 2008. Mr. Mayerfeld holds an M.B.A. from Harvard University and a B.S. in Accountancy from the University of Illinois. Mr. Mayerfeld was selected to serve as a director of the Company because of his business experience, particularly in regulated industries, extensive financial expertise, including with respect to acquisitions, divestitures, and capital structures, and prior experience in serving as a director for other companies.

Class I Directors (Terms Expire in 2012)

Bruce M. Fried, Age 60
Director Since 2006

Bruce M. Fried has served as one of the Company s directors since June 2006. Mr. Fried has been a partner at the law firm of Sonnenschein Nath & Rosenthal LLP in their Washington, D.C. office since January 2003. From 1998 to January 2003, Mr. Fried was a partner at the law firm of Shaw Pittman LLP. Prior to returning to private law practice, Mr. Fried served in various capacities for the federal agency formerly known as the Health Care Finance Administration, or HCFA, now known as CMS, including as director of HCFA s Office of Managed Care. Mr. Fried counsels and represents health plans, physician organizations, hospital groups, and other healthcare organizations with regard to Medicare, Medicaid, HIPAA, and other federal healthcare programs and policies. He serves as a director of Fidelis SeniorCare, Inc. and as a director of other civic and charitable organizations. Mr. Fried holds a J.D. from the University of Florida College of Law and a B.A. from the University of Florida. Mr. Fried was selected to serve as a director of the Company because of his more than 25 years of experience in health care law and policy, in both the public and private sectors, including as a senior official for the predecessor agency to CMS.

Herbert A. Fritch, Age 59
Director Since 2005
Herbert A. Fritch has served as the Chairman of the Board of Directors and Chief Executive Officer of the Company and its predecessor, NewQuest, LLC, since the commencement of operations in September 2000. He also served as our President from commencement of operations until October 2008. Beginning his career in 1973 as an actuary, Mr. Fritch has over 30 years of experience in the managed healthcare business. Prior to founding NewQuest, LLC, Mr. Fritch founded and served as president of North American Medical Management, Inc., or NAMM, an independent physician association management company, from 1991 to 1999. NAMM was acquired by PhyCor, Inc., a physician practice management company, in 1995. Mr. Fritch also served as vice president of managed care for PhyCor following PhyCor s acquisition of NAMM. Prior to founding NAMM, Mr. Fritch served as a regional vice president for Partners National Healthplans from 1988 to 1991, where he was responsible for the oversight of seven HMOs in the southern region. Mr. Fritch holds a B.A. in Mathematics from Carleton College. Mr. Fritch is a fellow of the Society of Actuaries and a member of the Academy of Actuaries. Mr. Fritch was selected to serve as a director of the Company because of his position as founder and strategic leader of the Company, his business judgment, and his extensive knowledge of the managed healthcare industry.
Joseph P. Nolan, Age 45
Director Since 2004
Joseph P. Nolan has served as one of the Company s directors since November 2004. Mr. Nolan joined GTCR Golder Rauner, LLC, or GTCR, which was the majority investor in our 2005 recapitalization transaction, in 1994 and became a principal in 1996. Mr. Nolan is currently the Head of the Healthcare Services Group of GTCR and a member of the firm s administrative and investment committees. Mr. Nolan was previously on the board of Province Healthcare Company, an operator of non-urban acute care hospitals, and currently serves as a director of several private GTCR portfolio companies including Capella Healthcare, an operator of acute care hospitals, and APS Healthcare, a provider of disease management and behavioral services. Mr. Nolan holds an M.B.A. from the University of Chicago and a B.S. in Accountancy from the University of Illinois. Mr. Nolan was initially selected to serve as a director of the Company because of his position as principal of GTCR, the Company s former private equity sponsor, and continues to serve because of his extensive financial and business expertise and knowledge of the Company.
THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR EACH OF THE CLASS II DIRECTOR NOMINEES.

PROPOSAL 2 APPROVAL OF THE HEALTHSPRING, INC. AMENDED AND RESTATED 2006 EQUITY INCENTIVE PLAN

Our Board of Directors has adopted, and recommends that you approve, the HealthSpring, Inc. Amended and Restated 2006 Equity Incentive Plan (the Amended Plan). The HealthSpring, Inc. 2006 Equity Incentive Plan (the Original Plan) was approved by the Board of Directors in January 2006 and ratified by our stockholders at our 2006 annual meeting of stockholders.

The amendments incorporated in the Amended Plan, among other things:

- increase the number of shares available for issuance under the Original Plan by 3,250,000 (see Shares Available for Awards under the Plan below);
- modify the permissible performance goals associated with performance awards under the Amended Plan (see Performance Awards below);
- modify the change in control provisions to provide the compensation committee of the board of directors greater flexibility in administering the Amended Plan in the event of a change in control (see Change in Control below); and
- extend the term of the Original Plan to the tenth anniversary of the effective date of the Amended Plan.

The changes made in the Amended Plan also include conforming amendments required by changes in law, including Section 409A of the Internal Revenue Code of 1986 (the Code), and other miscellaneous changes and clarifications to plan language. NYSE Rules require us to obtain stockholder approval of material amendments to equity compensation plans, such as the increase in shares available for issuance under the Original Plan.

The primary purpose of the Amended Plan is to promote the interests of the Company and its stockholders by, among other things, (i) attracting and retaining key officers, employees, and directors of, and consultants to, the Company and its subsidiaries and affiliates, (ii) motivating those individuals by means of performance-related incentives to achieve long-range performance goals, (iii) enabling such individuals to participate in the long-term growth and financial success of the Company, (iv) encouraging ownership of stock in the Company by such individuals, and (v) linking their compensation to the long-term interests of the Company and its stockholders.

The Original Plan authorized the issuance of up to 6,250,000 shares. Increasing the number of shares available for issuance under the Amended Plan will enable the Company to continue to attract, retain, and motivate key officers, employees, and directors. We currently believe the authorization of additional shares will enable us to implement our long-term stock incentive program for three or more years.

As of March 1, 2010:

- 1,508,691 shares were available for grant in the aggregate from all of our pre-existing equity incentive plans (1,087,019 available under the Original Plan and 421,672 available under our Management Stock Purchase Plan);
- awards were outstanding representing a total of 702,869 shares that are full-value restricted share awards (including 78,328 shares purchased pursuant to our Management Stock Purchase Plan);
- options to purchase a total of 4,421,845 shares were outstanding;
- the weighted-average exercise price for all outstanding options was $18.19; and
- the weighted-average remaining term for all outstanding options was 7.41 years.

Commitment to Pay-for-Performance Principles

Beginning with annual awards in 2011, the Company commits that at least 50% of the equity awards (in terms of number of shares) made to the Company s named executive officers (as defined by SEC regulations) pursuant to the Amended Plan will be in the form of performance-based equity awards that are earned or paid out based on the

achievement of performance targets. The performance criteria to be measured and the difficulty of the achievement, among other matters, will be disclosed in the Company s proxy statement for each annual meeting of stockholders in accordance with applicable SEC regulations.

Summary of Amended Plan

The following is a brief summary of the principal features of the Amended Plan, which is qualified in its entirety by reference to the full text of the Amended Plan itself, a copy of which is attached hereto as *Annex A* and incorporated herein by reference.

Shares Available for Awards under the Plan. Under the Amended Plan, awards may be made in common stock of the Company. Subject to adjustment as provided by the terms of the Amended Plan, and assuming the requisite stockholder approval of this Proposal at the Annual Meeting, the maximum number of shares with respect to which new awards may be granted under the Amended Plan after the effective date shall be the sum of (i) 3,250,000 and (ii) the number of shares available for grant under the Amended Plan as of the end of day on the date of the Annual Meeting. The number of shares with respect to which incentive stock options may be granted after the effective date shall be no more than 1,000,000. Grants of restricted shares and restricted share units after the effective date shall aggregate no more than 1,750,000 shares. Shares of common stock subject to an award under the Amended Plan that expire unexercised or are canceled, forfeited, settled in cash, or otherwise terminated without a delivery of shares of common stock to the participant, shall again become available for awards under the Amended Plan and the share reserve will be insize:6px;margin-top:0px;margin-bottom:0px">

the ability of our Board of Directors to issue preferred stock with voting or other rights or preferences;

limitations on the ability of stockholders to amend our charter documents, including stockholder supermajority voting requirements;

the inability of stockholders to act by written consent or to call special meetings;

requirements that special meetings of our stockholders may only be called by the Board of Directors; and

advance notice procedures our stockholders must comply with in order to nominate candidates for election to our Board of Directors or to place stockholders proposals on the agenda for consideration at meetings of stockholders.

On September 20, 2011, our Board of Directors approved the adoption of a stockholder rights plan. The rights plan was implemented through our entry into a rights agreement with Continental Stock Transfer & Trust Company, as rights agent, and the declaration of a non-taxable dividend distribution of one preferred stock purchase right (each, a Right) for each outstanding share of our common stock. The dividend was paid on October 7, 2011 to holders of record as of that date. Each right is attached to and trades with the associated share of common stock. The rights will become exercisable only if a person acquires beneficial ownership of 17.5% or more of our common stock (or, in the case of a person who beneficially owned 17.5% or more of our common stock on the date the rights plan was adopted, such person acquires beneficial ownership of any additional shares of our common stock) or after the date of the Rights Agreement, commences a tender offer that, if consummated, would result in beneficial ownership by a person of 17.5% or more of our common stock. The rights will expire on September 20, 2016, unless the rights are earlier redeemed or exchanged.

In addition, Section 203 of the Delaware General Corporation Law generally prohibits us from engaging in a business combination with any person who owns 15% or more of our common stock for a period of three years from the date such person acquired such common stock, unless board or stockholder approval is obtained. These provisions could make it difficult for a third party to acquire us, or for members of our Board of Directors to be replaced, even if doing so would be beneficial to our stockholders.

Any delay or prevention of a change of control transaction or changes in our Board of Directors or management could deter potential acquirors or prevent the completion of a transaction in which our stockholders could receive a substantial premium over the then current market price for their shares.

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We do not intend to pay cash dividends on our common stock in the foreseeable future.

We have never declared or paid any cash dividends on our common stock or other securities, and we currently do not anticipate paying any cash dividends in the foreseeable future. Accordingly, investors should not invest in our common stock if they require dividend income. Our stockholders will not realize a return on their investment unless the trading price of our common stock appreciates, which is uncertain and unpredictable.

Future sales of our common stock may cause our stock price to decline.

As of the date of this prospectus, we had 34,741,520 shares of our common stock outstanding, including the 4,000,000 shares of our common stock that were issued upon the closing of our recent registered direct public offering. We also had outstanding an aggregate of 2,749,498 options to purchase shares of common stock, of which 2,329,498 shares were exercisable, common stock purchase warrants to purchase 1,523,370 shares of common stock, the shares of common stock underlying the warrants registered in this Registration Statement and the 1,200,000 shares of common stock underlying the warrants to be issued upon the closing of our recent registered direct public offering. We have further registered for future sale: (i) 3,688,828 shares of common stock that we may issue under our 2006 Stock Incentive Plan and (ii) 729,610 shares of common stock underlying our outstanding stock options that were granted pursuant to written agreements. The outstanding options make up a portion of the shares registered both under and outside of our 2006 Stock Incentive Plan. Sales of restricted shares or shares underlying stock options, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock.

The trading price of the shares of our common stock could be highly volatile.

The market price of our common stock has fluctuated in the past and is likely to fluctuate in the future. Market prices for early-stage pharmaceutical companies have historically been particularly volatile. Some of the factors that may cause the market price of our common stock to fluctuate include:

- developments concerning our clinical studies and trials and our pre-clinical studies;
- announcements of product development successes and failures by us or our competitors;
- new products introduced or announced by us or our competitors;
- adverse changes in the abilities of our third-party manufacturers to provide drug or product in a timely manner or to meet FDA requirements;
- changes in reimbursement levels;
- changes in financial estimates by securities analysts;
- actual or anticipated variations in operating results;
- expiration or termination of licenses (particularly our licenses from Brookhaven and Northwestern), research contracts or other collaboration agreements;

conditions or trends in the regulatory climate and the biotechnology and pharmaceutical industries;

intellectual property, product liability or other litigation against us;

changes in the market valuations of similar companies;

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changes in pharmaceutical company regulations or reimbursements as a result of healthcare reform or other legislation;

changes in economic conditions; and

sales of shares of our common stock, particularly sales by our officers, directors and significant stockholders, or the perception that such sales may occur.

In addition, equity markets in general, and the market for emerging pharmaceutical and life sciences companies in particular, have experienced substantial price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies traded in those markets. In addition, changes in economic conditions in the United States, Europe or globally could impact our ability to grow profitably. Adverse economic changes are outside our control and may result in material adverse impacts on our business or financial results. These broad market and industry factors may materially affect the market price of our shares, regardless of our own development and operating performance. In the past, following periods of volatility in the market price of a company s securities, securities class-action litigation has often been instituted against that company. Such litigation, if instituted against us, could cause us to incur substantial costs and divert management s attention and resources, which could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to maintain our listing on the Nasdaq Capital Market.

Nasdaq listing rules require that listed companies maintain certain standards, including having $2.5 million in stockholder equity and/or $35 million total market value of listed securities, along with maintaining a bid price of at least $1.00 per share. If we are unable to maintain these values, our common stock could be delisted from the Nasdaq Capital Market. While we would attempt, in such a case, to seek alternative listing for our common stock, such delisting would immediately affect the liquidity, and likely the value, of our common stock.

We may allocate the net proceeds from this offering in ways that you and other shareholders may not approve.

We currently intend to use the net proceeds of this offering to fund our product development efforts and for general corporate purposes. See *Use of Proceeds*. However, because of the factors described above, we cannot at this time determine with specificity the particular uses of the proceeds from this offering. As a result, our management will retain broad discretion in the allocation and use of the net proceeds from this offering and could spend the proceeds in ways that do not necessarily improve our operating results or enhance the value of our common stock.

You will experience immediate and substantial dilution in the net tangible book value per share of the common stock you purchase.

Since the price per share of our common stock being offered is substantially higher than the net tangible book value per share of our common stock as of June 30, 2012, you will suffer substantial dilution in the net tangible book value of the common stock you purchase in this offering. See *Dilution* for a more detailed discussion of the dilution you will incur if you purchase common stock in this offering.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements , as that term is defined in the Private Securities Litigation Reform Act of 1995. These include statements regarding our expectations, beliefs, plans or objectives for future operations and anticipated results of operations. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, believes , anticipates , proposes , plans , expects , intends , may , and other similar expressions are intended to ident forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements made in this prospectus are based on current expectations that involve numerous risks and uncertainties.

The successful development of CPP-109, CPP-115 or any other product we may acquire, develop or license is highly uncertain. We cannot reasonably estimate or know the nature, timing, or estimated expenses of the efforts necessary to complete the development of, or the period in which material net cash inflows are expected to commence due to the numerous risks and uncertainties associated with developing such products, including the uncertainty of:

- the scope, rate of progress and expense of our pre-clinical studies, proof-of-concept studies and clinical studies and trials and other product development activities;
- our ability to complete our studies on a timely basis and within the budgets we establish for such trials;
- whether our studies and trials will be successful;
- the results of our pre-clinical studies and clinical studies and trials, and the number and scope of such studies and trials that will be required for us to seek and obtain approval of NDAs for CPP-109 and CPP-115;
- the expense of filing, and potentially prosecuting, defending and enforcing any patent claims and other individual property rights;
- whether others develop and commercialize products competitive to our products;
- changes in the laws and regulations affecting our business;
- our ability to attract and retain skilled employees; and
- changes in general economic conditions and interest rates.

Our current plans and objectives are based on assumptions relating to the development of our current product candidates. Although we believe that our assumptions are reasonable, any of our assumptions could prove inaccurate. In light of the significant uncertainties inherent in the forward-looking statements made herein, which reflect our views only as of the date of this prospectus, you should not place undue reliance upon such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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USE OF PROCEEDS

We estimate that the net proceeds of this offering will be approximately $6.2 million. We currently expect to use the net proceeds of this offering for the following purposes:

- to fund our product development efforts; and
- for general corporate purposes.

Due to the factors set forth above, we cannot currently determine with absolute certainty how we will use the proceeds from this offering. As a result, our management will retain broad discretion in the allocation and use of the net proceeds from this offering. We will pay all of the costs associated with registering the securities covered by this prospectus.

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DILUTION

Purchasers of the securities offered by this prospectus will suffer immediate and substantial dilution in the net tangible book value per share of the common stock they purchase. Our net tangible book value as of June 30, 2012 was approximately $6.4 million, or approximately $0.21 per share of our common stock. Net tangible book value per share represents the amount of total tangible assets less total liabilities, divided by the number of shares of our common stock outstanding as of June 30, 2012.

On August 28, 2012, we entered into subscription agreements with investors who agreed to purchase from us an aggregate of 4,000,000 shares of our common stock, along with common stock purchase warrants to purchase an aggregate of 1,200,000 shares of our common stock (at an exercise price of $2.08 per share), for a combined price of $1.50 per share and corresponding warrant. We anticipate that the net proceeds of this offering will be approximately $5.5 million. We closed this offering on August 30, 2012. After adjusting for the closing of this registered direct public offering, the net tangible book value of our common stock at June 30, 2012 would have been approximately $12.0 million, or approximately $0.34 per share.

Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers in this offering and the net tangible book value per share of our common stock immediately after this offering. After giving effect to the sale of 6,000,000 shares of common stock in this offering at an exercise price of $1.04 per share, our further adjusted net tangible book value as of June 30, 2012 would have been approximately $18.2 million, or approximately $0.45 per share of our common stock. This represents an immediate increase in net tangible book value of $0.13 per share of common stock to our already existing stockholders and an immediate dilution in net tangible book value of $0.70 per share of common stock to purchasers in this offering. The following table illustrates this per share dilution:

Public offering price per share		$ 1.04
Net tangible book value per share as of June 30, 2012, as adjusted	$ 0.34	
Increase per share attributable to this offering	$ 0.11	
Net tangible book value per share, as further adjusted, as of June 30, 2012		$ 0.45
Dilution per share to investors participating in this offering		$ 0.59

The above table is based on 34,741,520 shares outstanding as of June 30, 2012 (including the shares of common stock that we issued upon the closing of our recent registered direct public offering) and excludes:

- The 6,000,000 shares of common stock offered hereby that are issuable upon the exercise of the warrants issued as part of our May 2012 public offering;
- 2,019,888 shares of our common stock subject to outstanding options under our 2006 Stock Incentive Plan having a weighted average exercise price of $1.19 per share;
- 729,610 shares of our common stock subject to outstanding options outside of our 2006 Stock Incentive Plan having a weighted average exercise price of $0.69 per share;
- 1,239,270 shares of our common stock that have been reserved for issuance in connection with our 2006 Stock Incentive Plan;
- 1,523,370 shares of our common stock that have been reserved for issuance upon exercise of outstanding warrants at an exercise price of $1.30 per share; and
- 1,200,000 shares of our common stock that have been reserved for issuance upon exercise of outstanding warrants at an exercise price of $2.08 per share.

To the extent that any outstanding options or warrants are exercised, new options are issued under our 2006 Stock Incentive Plan, or we otherwise issue additional shares of common stock in the future, at a price less than the public offering price, there will be further dilution to new investors.

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PLAN OF DISTRIBUTION

We will deliver shares of our common stock upon exercise of the common stock purchase warrants that we issued in our May 2012 public offering. As of the date of this prospectus, these warrants were exercisable for a total of 6,000,000 shares of our common stock, and no more of these warrants will be issued. We will not issue fractional shares upon exercise of these warrants. Each of these warrants contains instructions for exercise. In order to exercise any of these warrants, the holder must deliver to us or our transfer agent the information required in the warrants, along with payment for the exercise price of the shares to be purchased. We will then deliver shares of our common stock in the manner described below in the section titled *Description of Securities we are offering May 2012 Warrants* .

DESCRIPTION OF SECURITIES WE ARE OFFERING

Our authorized capital currently consists of 100,000,000 shares of common stock, par value $0.001 per share, and 5,000,000 shares of preferred stock, par value $0.001 per share. As of the date of this prospectus, we had 34,741,520 shares of our common stock outstanding, including the 4,000,000 shares of our common stock that we issued on August 30, 2012 upon the closing of our registered direct public offering. There are no shares of preferred stock outstanding.

We are a Delaware corporation, and were incorporated on July 24, 2006. We are the successor by merger to Catalyst Pharmaceutical Partners, Inc., a Florida corporation, which was incorporated in January 2002.

Common Stock

The following summary of the material features of our common stock does not purport to be complete and is subject to, and qualified in its entirety by the provisions of our Certificate of Incorporation, our Bylaws and other applicable law. See *Where You Can Find Additional Information* .

Each holder of common stock is entitled to one vote for each share held of record on all matters presented to our stockholders, including the election of directors. In the event of our liquidation, dissolution, or winding-up, the holders of common stock are entitled to share ratably and equally in our assets, if any, that remain after paying all debts and liabilities and the liquidation preferences of any outstanding preferred stock. The common stock has no preemptive or cumulative rights and no redemption or conversion provisions.

Holders of our common stock are entitled to receive dividends if, as, and when declared by our Board of Directors out of funds legally available therefor, subject to the dividend and liquidation rights of any preferred stock that may be issued and outstanding, all subject to any dividend restrictions in our credit facilities. No dividend or other distribution (including redemptions and repurchases of shares of capital stock) may be made, if after giving effect to such distribution, we would not be able to pay our debts as they come due in the usual course of business, or if our total assets would be less than the sum of our total liabilities plus the amount that would be needed at the time of a liquidation to satisfy the preferential rights of any holders of preferred stock.

Provisions of the Certificate and Bylaws

A number of provisions of our certificate of incorporation and bylaws concern matters of corporate governance and the rights of stockholders. Certain of these provisions, as well as the ability of our board of directors to issue shares of preferred stock and to set the voting rights, preferences and other terms thereof, may be deemed to have an anti-takeover effect and may discourage takeover attempts not first approved by the board of directors (including takeovers which certain stockholders may deem to be in their best interests). To the extent takeover attempts are discouraged, temporary fluctuations in the market price of the common stock, which

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may result from actual or rumored takeover attempts, may be inhibited. These provisions, together with the classified board of directors (which we are proposing to declassify) and the ability of the board to issue preferred stock without further stockholder action, also could delay or frustrate the removal of incumbent directors or the assumption of control by stockholders, even if such removal or assumption would be beneficial to our stockholders. These provisions also could discourage or make more difficult a merger, tender offer or proxy contests, even if they could be favorable to the interests of stockholders, and could potentially depress the market price of the common stock. The board of directors believes that these provisions are appropriate to protect our interest and the interests of our stockholders.

Issuance of Rights. On September 20, 2011, the Board of Directors approved the adoption of a stockholder rights plan. The rights plan was implemented through our entry into a rights agreement with Continental Stock Transfer & Trust Company, as rights agent, and the declaration of a non-taxable dividend distribution of one preferred stock purchase right (each, a Right) for each outstanding share of our common stock. The dividend was paid on October 7, 2011 to holders of record as of that date. Each right is attached to and trades with the associated share of common stock. The rights will become exercisable only if a person acquires beneficial ownership of 17.5% or more of our common stock (or, in the case of a person who beneficially owned 17.5% or more of our common stock on the date the rights plan was adopted, such person acquires beneficial ownership of any additional shares of our common stock) or after the date of the Rights Agreement, commences a tender offer that, if consummated, would result in beneficial ownership by a person of 17.5% or more of our common stock. The rights will expire on September 20, 2016, unless the rights are earlier redeemed or exchanged.

Meetings of Stockholders. The bylaws provide that a special meeting of stockholders may be called only by the board of directors unless otherwise required by law. The bylaws provide that only those matters set forth in the notice of the special meeting may be considered or acted upon at that special meeting, unless otherwise provided by law. In addition, the bylaws set forth certain advance notice and informational requirements and time limitations on any director nomination or any new business which a stockholder wishes to propose for consideration at an annual meeting of stockholders.

No Stockholder Action by Written Consent. The certificate provides that any action required or permitted to be taken by our stockholders at an annual or special meeting of stockholders must be effected at a duly called meeting and may not be taken or effected by a written consent of stockholders in lieu thereof.

Amendment of the Certificate. The certificate provides that an amendment thereof must first be approved by a majority of the board of directors and (with certain exceptions) thereafter approved by the holders of a majority of the total votes eligible to be cast by holders of voting stock with respect to such amendment or repeal; provided, however, that the affirmative vote of 80% of the total votes eligible to be cast by holders of voting stock, voting together as a single class, is required to amend provisions relating to the establishment of the board of directors and amendments to the certificate.

Amendments of Bylaws. The certificate provides that the board of directors or the stockholders may amend or repeal the bylaws. Such action by the board of directors requires the affirmative vote of a majority of the directors then in office. Such action by the stockholders requires the affirmative vote of the holders of at least two-thirds of the total votes eligible to be cast by holders of voting stock with respect to such amendment or repeal at an annual meeting of stockholders or a special meeting called for such purposes, unless the board of directors recommends that the stockholders approve such amendment or repeal at such meeting, in which case such amendment or repeal shall only require the affirmative vote of a majority of the total votes eligible to be cast by holders of voting stock with respect to such amendment or repeal.

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May 2012 Warrants

The following summary description of the material features of the warrants we issued in May 2012 is necessarily general and is qualified in its entirety by reference to the form of warrant, a copy of which has been filed with the SEC as an exhibit to the registration statement of which this prospectus is a part. See *Where You Can Find More Information* .

Each warrant represents the right to purchase one share of common stock at an exercise price of $1.04 per share. Each warrant may be exercised after the date of issuance through and including the date that is five years after the warrant is first exercisable.

Exercise. The warrants may be exercised on or prior to the expiration date at the offices of the company, with the delivery of a written notice in the form attached to the warrant completed and executed as indicated, accompanied by full payment of the exercise price for the number of warrants being exercised in the form discussed below. Within three trading days, certificates representing the shares of common stock purchased will be delivered to the warrantholder, or at the warrantholder s request, the warrant shares will be credited to the warrantholder s account with the Depository Trust Company. The warrants may be exercised in whole or in part.

Payment. The holder shall pay the exercise price in immediately available funds; provided, however, if at any time there is (i) no effective registration statement registering the relevant common stock and (ii) no effective registration statement registering the resale of or no current prospectus available for the resale of the relevant common stock by the holder, the holder may elect to satisfy its obligation to pay the exercise price through a cashless exercise .

Fractional Shares. No fractional shares will be issued upon an exercise of the warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the exercise price.

Limitations on Exercise. The number of shares of our common stock that may be acquired by a holder upon any exercise of a warrant shall be limited so that the total number of shares of our common stock then beneficially owned by such holder does not exceed 9.99% of the total number of issued and outstanding shares of our common stock (including for such purpose the shares of common stock issuable upon such exercise). Our obligation to issue shares of common stock upon the exercise of a warrant shall be suspended until such time, if any, as shares of common stock may be issued in compliance with such limitation. This limitation on exercise will not apply to any holder who owned more than the percentage limitation of our shares set forth above prior to the issuance of the warrants in this offering.

Adjustment. The exercise price and the number of shares underlying the warrants are subject to appropriate adjustment in the event of stock splits, stock dividends on our common stock, stock combinations or similar events affecting our common stock. In addition, in the event we consummate any merger, consolidation, sale or other reorganization event in which our common stock is converted into or exchanged for securities, cash or other property, then following such event, the holders of the warrants will be entitled to receive upon exercise of such warrants the kind and amount of securities, cash or other property which the holders would have received had they exercised such warrants immediately prior to such reorganization event.

Rights as Stockholders. The warrant holders do not have the rights or privileges of holders of common stock and any voting rights until they exercise their warrants and receive shares of common stock. After the issuance of shares of common stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record in all matters to be voted on by stockholders.

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Certain Anti-Takeover Matters

We are subject to the provisions of Section 203 of the Delaware General Corporation Law, or Delaware law, regulating corporate takeovers. In general, these provisions prohibit a Delaware corporation from engaging in any business combination with any interested stockholders for a period of three years following the date that the stockholder became an interested stockholder, unless:

- either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder is approved by our board of directors before the date the interested stockholder attained that status;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participates do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after that date, the business combination is approved by our board of directors and authorized at a meeting of stockholders, and not by written consent, by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by any of these entities or persons.

A Delaware corporation may opt out of this provision either with an express provision in its original certificate of incorporation or in an amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out of this provision. The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

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Limitation of Liability and Indemnification Matters

Our certificate of incorporation limits the liability for monetary damages for breach of fiduciary duty by members of our Board of Directors, except for liability that cannot be eliminated under Delaware law. Under Delaware law, our directors have a fiduciary duty to us which is not eliminated by this provision in our certificate of incorporation. In addition, each of our directors is subject to liability under Delaware law for breach of their duty of loyalty for acts or omissions which are found by a court of competent jurisdiction to be not in good faith or which involve intentional misconduct or knowing violations of law for actions leading to improper personal benefit to the director and for payments of dividends or approval of stock repurchases or redemptions that are prohibited by Delaware law. This provision does not affect our directors responsibilities under any other laws, such as federal securities laws.

Delaware law provides that the directors of a company will not be personally liable for monetary damages for breach of their fiduciary duty as directors, except for liability for any of the following:

any breach of a director s duty of loyalty to us or our stockholders;

acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

unlawful payment of dividends or unlawful stock repurchases or redemptions; or

any transaction from which the director derived an improper personal benefit.

Delaware law provides that the indemnification permitted thereunder shall not be deemed exclusive of any other rights to which our directors and officers may be entitled to under our bylaws, any agreement, a vote of stockholders or otherwise. Our certificate of incorporation and bylaws eliminate the personal liability of directors to the maximum extent permitted by Delaware law. In addition, our certificate of incorporation and bylaws provide that we may fully indemnify any person who is or was a party to or is threatened to be made a party to any threatened, pending or completed action, suit of proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that such person is or was one of our directors, officers, employees or other agents, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding.

Listing

Our common stock is listed on the Nasdaq Capital Market and trades under the symbol CPRX .

Transfer Agent and Registrar

Our transfer agent and registrar for our common stock is Continental Stock Transfer & Trust Company. They are located at 17 Battery Park, 8th Floor, New York, New York 10004. They can be reached via telephone at (212) 509-4000.

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LEGAL MATTERS

Akerman Senterfitt, Miami, Florida, has rendered an opinion with respect to the validity of the securities covered by this prospectus. Certain members, employees and of counsel of that firm beneficially own shares, warrants or options to acquire shares of our common stock.

EXPERTS

The audited financial statements incorporated by reference in this prospectus have been so incorporated by reference in reliance upon the report of Grant Thornton, LLP, independent registered public accountants, upon the authority of said firm as experts in accounting and auditing in giving said report.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the SEC s website at http://www.sec.gov. You may also read and copy any document we file at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the operating rules and procedures for the public reference room.

INCORPORATION OF INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference into this prospectus the information we have filed with the SEC. The information we incorporate by reference into this prospectus is an important part of this prospectus. Any statement in a document we incorporate by reference into this prospectus will be considered to be modified or superseded to the extent a statement contained in this prospectus or any other subsequently filed document that is incorporated by reference into this prospectus modifies or supersedes that statement. The modified or superseded statement will not be considered to be a part of this prospectus, except as modified or superseded.

We incorporate by reference into this prospectus the information contained in the documents below, which is considered to be a part of this prospectus:

- our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on March 30, 2012;
- our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed with the SEC on May 15, 2012;
- our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, filed with the SEC on August 14; 2012;
- our Current Reports on Form 8-K filed with the SEC on February 13, 2012, April 2, 2012, May 16, 2012, May 22, 2012, May 29, 2012, June 5, 2012, June 21, 2012, July 12, 2012, August 3, 2012, August 15, 2012 and August 28, 2012;
- our description of our common stock contained in our Registration Statement on Form 8-A, filed with the SEC on September 29, 2006, along with Amendment No. 1 thereto, filed with the SEC on October 18, 2006; and

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all documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, from the date of filing of such documents, before the filing of a post-effective amendment to this Registration Statement which indicates that all securities offered hereunder have been sold or which deregisters all securities then remaining unsold.

You may obtain a copy of any of these documents at no cost by requesting them from us or by writing or calling: Catalyst Pharmaceutical Partners, Inc., 355 Alhambra Circle, Suite 1500, Coral Gables, Florida, 33134, Attn: Investor Relations, or by calling (305) 529-2522. Copies of each of these filings are also available for no cost on our website, www.catalystpharma.com, or on the SEC s web site, www.sec.gov.