3D SYSTEMS CORP
Form DEF 14A
March 29, 2017

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

3D SYSTEMS CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.
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(1) Title of each class of securities to which transaction applies:

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333 Three D Systems Circle

Rock Hill, SC 29730

March 29, 2017

Dear Fellow Stockholder:

Please join us at the Annual Meeting of Stockholders of 3D Systems Corporation.

Time:	Tuesday, May 16, 2017, at 11:00 a.m., Eastern Time.
Place:	3D Systems Corporation, 333 Three D Systems Circle, Rock Hill, South Carolina 29730.

At the meeting, stockholders will vote on the following items:

- The election of ten directors;
- The approval, on an advisory basis, of the compensation paid to our named executive officers;
- An advisory vote on the frequency of future advisory votes on executive compensation;
- The approval of the amendment and restatement of the 2015 Incentive Plan, which would increase the number of shares reserved for issuance thereunder by 7,140,011 shares; and to re-approve individual award limits and performance measures under the plan for purposes of Section 162(m) of the Internal Revenue Code; and
- Ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2017.

In addition, stockholders will consider and act upon any other matters that may be properly brought before the Annual Meeting or at any adjournments or postponements thereof.

We encourage you to attend the Annual Meeting so that we can review the past year with you, listen to your suggestions, and answer any questions that you may have. Whether or not you plan to attend the Annual Meeting, please vote your shares as soon as possible so that your vote will be counted.

On behalf of your Board of Directors, we thank you for your continued support.

Sincerely,

Vyomesh I. Joshi

President and Chief Executive Officer

333 Three D Systems Circle

Rock Hill, SC 29730

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

March 29, 2017

The Annual Meeting of Stockholders of 3D Systems Corporation, a Delaware corporation, will be held:

When: Tuesday, May 16, 2017, at 11:00 a.m., Eastern Time;

Where: 3D Systems Corporation, 333 Three D Systems Circle, Rock Hill, South Carolina, 29730;

Why: For the following purposes:

- The election of ten directors;
- The approval, on an advisory basis, of the compensation paid to our named executive officers;
- An advisory vote on the frequency of future advisory votes on executive compensation;
- The approval of the amendment and restatement of the 2015 Incentive Plan, which would increase the number of shares reserved for issuance thereunder by 7,140,011 shares; and to re-approve individual award limits and performance measures under the plan for purposes of Section 162(m) of the Internal Revenue Code; and
- Ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2017.

In addition, stockholders will consider and act upon any other matters that may be properly brought before the Annual Meeting or any adjournments or postponements thereof.

The Proxy Statement accompanying this Notice of Annual Meeting describes these items of business in greater detail.

The record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting is March 20, 2017. We are mailing a Notice of Internet Availability of Proxy Materials commencing on or about April 4, 2017 to all stockholders of record as of the record date. We will send you copies of the accompanying Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2016 upon request by following the instructions in our Notice of Internet Availability of Proxy Materials.

We encourage you to cast your votes on the proposals to be considered at the Annual Meeting electronically by using the website that hosts our Proxy Statement and Annual Report as described on the Notice of Internet Availability. If you have requested delivery of a printed version of the materials, you will receive a proxy card that you may use to vote your shares. You may also vote by telephone as set forth on your proxy card or the Notice of Internet Availability. Regardless of whether you plan to attend the Annual Meeting, we encourage you to vote your shares electronically on the internet, by proxy card or by telephone in case your plans change. Please vote today to ensure that your votes are counted.

If you hold our shares in street name, please follow the instructions set forth below in *How to Vote* below, and vote your shares.

If you are a stockholder of record and attend the Annual Meeting in person, you will be able to vote your shares personally at the Annual Meeting if you so desire, even if you previously voted.

By Order of the Board of Directors

Andrew M. Johnson
Secretary

Rock Hill, South Carolina
March 29, 2017

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333 Three D Systems Circle

Rock Hill, South Carolina 29730

PROXY STATEMENT

Dated March 29, 2017

For the Annual Meeting of Stockholders

To Be Held on May 16, 2017

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 16, 2017:

This Proxy Statement, our Annual Report on Form 10-K for the year ended December 31, 2016 (2016 Annual Report) and a form of proxy card are available at www.envisionreports.com/DDD.

GENERAL INFORMATION

We plan to hold our 2017 Annual Meeting of Stockholders (the Annual Meeting) at the following time and place and for the following purposes:

When: 11:00 a.m., Eastern Time, on May 16, 2017;

Where: 3D Systems Corporation, 333 Three D Systems Circle, Rock Hill, South Carolina 29730;

Why: For the following purposes:

The election of ten directors;

The approval, on an advisory basis, of the compensation paid to our named executive officers;

- An advisory vote on the frequency of future advisory votes on executive compensation;

- The approval of the amendment and restatement of the 2015 Incentive Plan, which would increase the number of shares reserved for issuance thereunder by 7,140,011 shares; and to re-approve individual award limits and performance measures under the plan for purposes of Section 162(m) of the Internal Revenue Code; and

- Ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2017.

In addition, stockholders will consider and act upon any other matters that may be properly brought before the Annual Meeting or any adjournments or postponements thereof.

3D System Corporation (the Company, we, and us) is furnishing this Proxy Statement in connection with the solicitation of proxies by our Board of Directors (the Board of Directors or Board) for use at the Annual Meeting and any adjournments or postponements of the Annual Meeting.

This Proxy Statement and related materials are first being made available on or about April 4, 2017. For directions to the location of the Annual Meeting, please call (803) 326-3995.

RECORD DATE, VOTING SECURITIES AND QUORUM

The record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting is the close of business on March 20, 2017.

Our common stock, par value $0.001 per share (the Common Stock), is our only outstanding class of voting securities. As of the record date for the Annual Meeting, there were 113,754,508 shares of Common Stock issued and outstanding. Each such share of Common Stock is entitled to one vote on each matter to be voted on at the Annual Meeting.

Holders of record of shares of our Common Stock outstanding as of the close of business on the record date are entitled to notice of and to vote at the Annual Meeting. A list of the stockholders of record as of the record date will be kept at our principal office at 333 Three D Systems Circle, Rock Hill, South Carolina 29730 for a period of 10 days prior to the Annual Meeting.

A majority of the shares of Common Stock outstanding on the record date that are present in person or represented by proxy will constitute a quorum for the transaction of business at the Annual Meeting.

HOW TO VOTE

You are considered to be a holder of record of each share of Common Stock that is registered in your name on the records of our transfer agent. If you are a stockholder of record, we will send you a Notice of Internet Availability of Proxy Materials. Please follow the instructions in that Notice in order to cast your vote.

Most of you hold your shares in a brokerage account or bank or through another nominee holder. In that case, your broker, bank or other nominee is generally considered to be the holder of record of those shares, and you are considered the beneficial owner of shares held in street name. As a beneficial owner, you generally have the right to instruct your broker, bank or other nominee how to vote your shares. In this Proxy Statement, we refer to these stockholdings as street-name holdings and to you as a street-name holder.

You should expect your broker, bank or other nominee to send you a voting instruction form either by regular mail or in an email. Your broker, bank or other nominee is required to vote your shares pursuant to your instructions. In limited circumstances, your nominee may, but is not required to, vote your shares in the absence of specific voting instructions from you for matters that are considered routine. We understand that the ratification of the selection of BDO USA, LLP (BDO) as our independent registered accounting firm is the only routine proposal on which stockholders are being asked to vote at the Annual Meeting. Accordingly, if you do not give voting instructions to your broker, bank or other nominee, it will be entitled to vote your shares in its discretion on the ratification of the appointment of BDO; however, it will not vote your shares in connection with (i) the election of directors, (ii) the advisory vote on the compensation of our named executive officers, (iii) the advisory vote on the frequency of future advisory votes on executive compensation or (iv) the approval of the amendment and restatement of the 2015 Incentive Plan.

Accordingly, street-name holders need to be mindful of the following:

For your vote to be counted with respect to each of the proposals except the ratification of BDO s appointment, you will need to communicate your voting instructions to your broker, bank or other nominee before the date of our Annual Meeting.

You may also give your broker, bank or other nominee instructions on voting your shares as to the ratification of BDO s appointment. If you provide no instructions, that person may, but is not required to, exercise its discretion in voting on the ratification of the appointment of BDO as our auditors.

If your broker, bank or other nominee exercises that discretion, your shares will be treated as present at the meeting for all quorum purposes.

To ensure that you as a street-name holder are able to participate in our upcoming Annual Meeting, please review our proxy materials and follow the instructions for voting your shares on the voting instruction form that you will be receiving from your nominee.

Voting your shares is important, among other things, to ensure that we get the minimum quorum required for the Annual Meeting. Your affirmative participation in the voting process also fosters your active participation as a stockholder and helps us avoid the need and the added expense of having to contact you to solicit your vote and helps us avoid the need of having to reschedule the Annual Meeting. We hope that you will exercise your legal rights and fully participate in our future.

You are encouraged to review this Proxy Statement and our 2016 Annual Report before you cast your vote.

Whether you are a stockholder of record or a street-name holder, you may vote any shares of Common Stock that you are entitled to vote:

electronically on the internet;

by mail by using a proxy card or voting instruction form that will be furnished to you; or

by using a toll-free telephone number that will be furnished to you.

For a discussion of the mechanics of each of these means of voting, please see *How to Cast Your Vote if You are a Stockholder of Record,* *How to Cast Your Vote if You are a Street-Name Holder,* and *Other Voting and Stockholder Matters* below.

VOTING MATTERS

Once a quorum of the shares entitled to vote is present in person or represented by proxy at the Annual Meeting, the votes required to approve the matters to be considered at the Annual Meeting are as follows:

Election of Directors. Each director is elected by the affirmative vote of the majority of the votes cast for such director at the Annual Meeting.

Advisory Vote on the Compensation of Our Named Executive Officers. The affirmative vote of a majority of shares present at the Annual Meeting and entitled to vote thereon, is required to approve this matter.

Advisory Vote on the Frequency of Future Advisory Votes on NEO Compensation. The frequency (every one year, two years or three years) receiving the greatest number of votes will be considered the frequency recommended by the stockholders.

Amendment and Restatement of 2015 Incentive Plan. The affirmative vote of a majority of shares present at the Annual Meeting and entitled to vote thereon, is required to approve this matter.

Ratification of Selection of Auditors. The affirmative vote of a majority of shares present at the Annual Meeting and entitled to vote thereon, is required to approve this matter.

If you specify how your shares are to be voted on a matter, the shares represented by your proxy or other voting instructions will be voted in accordance with your instructions. If you are a stockholder of record and you do not give specific voting instructions when you grant an otherwise valid proxy, your shares will be voted as follows:

FOR the election of the ten nominees for director named below;

FOR the approval, on an advisory basis, of the compensation paid to our named executive officers;

- EVERY ONE YEAR on the frequency of future advisory votes on executive compensation;

- FOR the approval of the amendment and restatement of the 2015 Incentive Plan; and

- FOR the ratification of the selection of BDO as our independent registered public accounting firm for 2017.

We do not know of any other matters to be presented for consideration at the Annual Meeting. However, if any other matters are properly presented for consideration, the proxy holders will vote your shares on those matters in accordance with the Board of Directors recommendations. If the Board of Directors does not make a recommendation on any such matters, the proxy holders will be entitled to vote in their discretion on those matters.

PROPOSAL ONE

ELECTION OF DIRECTORS

At the Annual Meeting, the stockholders will elect ten directors to serve until the 2018 Annual Meeting and until their successors are elected and qualified. The Board of Directors, based upon the recommendation of the Corporate Governance and Nominating Committee (the Governance Committee), has designated as nominees for election the ten individuals named in the table below, all of whom currently serve as directors. Karen E. Welke, also a current director, provided notice to the Company on March 14, 2017 that she would not stand for re- election to the Board of Directors, and, as such, was not nominated for re-election at the Annual Meeting. Additionally, Daniel S. Van Riper, also a current director of the Company, is retiring from the Board of Directors and will not stand for re-election at the Annual Meeting, but instead will serve as a Director Emeritus for a one-year term commencing on the date of the Annual Meeting. Pursuant to the Company s Amended and Restated By-Laws (the By-Laws), the Board of Directors has approved a reduction of the size of the Board of Directors from twelve to ten directors to remove the vacancies created by Ms. Welke and Mr. Van Riper s departures effective immediately upon the adjournment of the Annual Meeting. Proxies cannot be voted for a greater number of nominees than named below.

In nominating each of those individuals, the Governance Committee and the Board considered, among other things, the Board s Corporate Governance Guidelines and Qualifications for Nomination to the Board, which were adopted in 2004 and most recently amended in May 2016, and are posted on our website at www.3DSystems.com. These qualifications include, among other factors, a candidate s ethical character, experience and diversity of background as well as whether the candidate is independent under applicable listing standards and financially literate. In considering the nomination of these individuals, the Governance Committee and the Board also took into consideration the following additional factors relating to each director since the 2016 Annual Meeting:

- such director s contributions to the Board;
- any material change in such director s employment or responsibilities with any other organization;
- such director s attendance at meetings of the Board and the Board committees on which such director serves and such director s participation in the activities of the Board and such committees;
- the absence of any relationships with the Company or another organization, or any other circumstances that have arisen, that might make it inappropriate for the director to continue serving on the Board; and
- the director s age and length of service on the Board. We have not adopted a retirement policy for directors.

The background and experience of each of the nominees for director that the Governance Committee and the Board considered in evaluating each nominee is set forth opposite their respective names in *Information Concerning Nominees* below. See also *Corporate Governance Matters* below, which discloses additional information about the nominees and our corporate governance policies and practices.

The Governance Committee and the Board considered each nominee s overall business experience, contributions to Board activities during 2016 and independence in their evaluation of each nominee in conjunction with the factors discussed above, but did not otherwise give greater weight to any of the factors cited above compared with any of the others. While the Board considers diversity of background and experience in its nomination decisions, we do not maintain a diversity policy relating to the composition of our Board of Directors. The Board believes that each of the nominees for director is well qualified to continue to serve as a director of the Company and that the nominees provide the mix of experience that is required to enable the Board to perform its functions.

If any nominee becomes unavailable for any reason or if a vacancy should occur before the election (which events are not anticipated), the holders of your proxy may vote shares represented by a duly executed proxy in favor of such other person as they may determine. Alternatively, in lieu of designating a substitute, the Board may reduce the number of directors.

The Board of Directors unanimously recommends that you vote FOR each of the nominees listed in the table below.

Information Concerning Nominees

The following table sets forth for each nominee for director, his or her business experience, the year in which he or she first became a director, his or her age as of the record date for the Annual Meeting, and any directorships in publicly owned companies or registered investment companies that such nominee has held during the past five years.

Name	Business Experience	Director Since	Age
William E. Curran	Currently retired, Mr. Curran has served as a director of Profound Medical, a public company developing a treatment for prostate cancer using ablative ultrasound and guided by magnetic resonance imaging and thermometry, since 2012. Previously, Mr. Curran served as non-executive Chairman and Director of Resonant Medical, an early-stage privately owned company specializing in three-dimensional ultrasound image-guided adaptive radio therapy products, until May 2010 at which time Resonant was sold to Elekta A.B. He also served until May 2009 as a director of Ventracor, a global medical device company which produced an implantable blood pump, at which time the directors brought in an administrator under Australian law. For more than five years prior to 2004, he held diverse functional and senior management positions with Philips Electronics and Philips Medical Systems. His experience at Philips Medical Systems, a medical device manufacturer, included positions as Chief Operating Officer and Chief Financial Officer, and while at Philips Electronics North America he served as President and Chief Executive Officer as well as Chief Financial Officer. Mr. Curran brings to our Board wide experience in operations, finance and executive management both in the United States and abroad.	2008	68
Thomas W. Erickson	Mr. Erickson has been President and Chief Executive Officer of ECG Ventures, Inc., an investment firm, since 1987. He has also served as Chairman of Western Dental Services, Inc., a dental services provider, from November 2012 to September 2015; Interim Chief Executive Officer of Western Dental Services, Inc. from April 2013 to January 2014 and Chairman of the Board of Inmar, Inc., a reverse logistics and revenue recovery company, from April 2010 to February 2014. Mr. Erickson has also served as a Senior Advisor to New Mountain Capital, LLC, a private equity firm; Chairman and Interim President of National Medical Health Card Systems, Inc., a publicly traded pharmacy benefits manager; Chairman of the Board of PathWays, Inc., an operator of post-acute care facilities; Chairman of the Board of TransHealthcare, Inc., a health care services company; Chairman and Interim Chief Executive Officer of LifeCare Holdings, Inc., an operator of long-term acute care hospitals; Interim President and Chief Executive	2015	66

Name	Business Experience	Director Since	Age
	Officer of Luminex Corporation, a publicly traded biotechnology company; and Interim President and Chief Executive Officer of Omega Healthcare Investors, Inc., a publicly traded healthcare focused real estate investment trust. Mr. Erickson was also co-founder, President and Chief Executive Officer of CareSelect Group, Inc., a physician practice management company. Mr. Erickson is currently a Director of American Renal Associates, Luminex Corporation, and Syncreon Group Holdings Limited. Mr. Erickson brings to our Board extensive executive management and operational experience, particularly in the healthcare industry.		
Charles W. Hull	Mr. Hull serves as the Executive Vice President and Chief Technology Officer of the Company. He is a founder of the Company and has served as Chief Technology Officer since 1997 and as Executive Vice President since 2000. He has also previously served in various other executive capacities, including Chief Executive Officer, Vice Chairman of the Board of Directors and President and Chief Operating Officer. As one of our founders and a director since 1993, Mr. Hull brings to our Board a broad understanding of the technologies of our industry as well as a wide-ranging historical perspective on our strategy and growth.	1993	77
William D. Humes	Mr. Humes served as Chief Financial Officer of Ingram Micro Inc., a Fortune 100 company and the world s largest wholesale technology distributor and a global leader in supply-chain and mobile device lifecycle services, from 2005 until 2016, at which time Ingram Micro Inc. was acquired and taken private by HNA Group. Following HNA s acquisition of Ingram Micro Inc., Mr. Humes transitioned from Chief Financial Officer to the board of directors of the newly acquired subsidiary. While Chief Financial Officer of Ingram Micro, he was responsible for the company s global finance organization including financial planning and analysis, controllership, internal audit, tax, treasury and risk management. Prior to being named Chief Financial Officer, Mr. Humes held positions of increasing responsibility for Ingram Micro after joining in 1998 as Senior Director, Worldwide Financial Planning, Reporting and Accounting. Before joining Ingram Micro, Mr. Humes was at PricewaterhouseCoopers LLP for nine years, where he took an accelerated path to senior manager. During his tenure at the firm, he was responsible for managing all aspects of professional services to numerous multinational and technology-sector companies. Mr. Humes brings to our Board wide experience in finance, operations and executive management.	2014	52
Vyomesh I. Joshi	Mr. Joshi has served as the President and Chief Executive Officer of the Company since April 2016. From 2001 to 2012, he was Executive Vice President of Hewlett-Packard s (HP)	2016	63

Name	Business Experience	Director Since	Age
	Imaging and Printing Group, following two decades of research, engineering and management in HP s imaging and printing systems businesses. Mr. Joshi currently serves on the board of directors of Harris Corporation and formerly served on the board of directors at Yahoo! Inc. and Wipro Ltd. Mr. Joshi brings to our Board extensive executive management, corporate strategy and international operational experience.		
Jim D. Kever	Mr. Kever has been a Principal in Voyent Partners, LLC, a venture capital firm, since 2001. He is also a director of Luminex Corporation, a manufacturer of laboratory testing equipment. He previously served as a director of Tyson Foods, Inc., an integrated processor of food products, until 2015; as director of Emdeon Business Services LLC and EBS Master, a provider of healthcare revenue and payment cycle solutions, until 2011; as a director of Transaction Systems Architects, Inc., a supplier of electronic payment software products and network integration solutions, until 2007; and as the President and Co-Chief Executive Officer of the Transaction Services Division of WebMD Corporation (formerly Envoy Corporation), an internet healthcare services company, from 1995 to 2001. Prior to 1995 he served as Envoy Corporation s Executive Vice President, Secretary and General Counsel. Mr. Kever brings to our Board wide experience in operations, finance and executive management.	1996	64
Charles G. McClure, Jr.	Mr. McClure has served as a Managing Partner of Michigan Capital Advisors since 2014 and has more than 35 years of experience in the transportation industry. Prior to founding Michigan Capital Advisors, Mr. McClure served as Chairman of the Board, CEO and president of Meritor, Inc. from 2004 through 2013. From 2002 through 2004, Mr. McClure served as CEO, president and member of the Board of Federal Mogul Corp. Mr. McClure joined Federal Mogul in 2001 as president, COO and a member of the Board. Before joining Federal Mogul, Mr. McClure served as president, CEO and a member of the Board of Detroit Diesel. He joined Detroit Diesel in 1997 after 14 years in a variety of management positions with Johnson Controls. Mr. McClure currently sits on the Boards of DTE Energy and Penske Corporation. He previously sat on the Boards of R.L. Polk, General Cable Corporation and Remy International. He is an Ex-Officio member of the Executive Committee of the Detroit Regional Chamber of Commerce and a past Chair of the Chamber. Additionally, McClure is a member of the Board of Trustees of Henry Ford Health Systems, Board of Directors of Invest Detroit and a member of Business Leaders for Michigan. Mr. McClure brings to our Board broad experience in operations and executive management and significant expertise in the automotive industry, a key vertical for our Company.	2017	63

Name	Business Experience	Director Since	Age
G. Walter Loewenbaum, II	Mr. Loewenbaum has served as the Chairman of the Board of Directors of the Company since 1999. Mr. Loewenbaum also serves as the Chairman of the Board of Luminex Corporation, a manufacturer of laboratory testing equipment. Mr. Loewenbaum brings to our Board wide experience in operations, finance and executive management and, as a major stockholder, perspective on strategy and growth for the benefit of our stockholders.	1999	72
Kevin S. Moore	Mr. Moore has been with The Clark Estates, Inc., a private investment firm and a major company stockholder, for more than 20 years, where he is currently President and a director. He is also a director of Aspect Holdings, LLC, The Clark Foundation and the National Baseball Hall of Fame & Museum, Inc. and Vice Chairman of the Board of Trustees of Mary Imogene Bassett Hospital. Mr. Moore brings to our Board wide experience in operations, finance and executive management and, as President of a major stockholder, perspective on strategy and growth for the benefit of our stockholders.	1999	62
Jeffrey Wadsworth	Dr. Wadsworth has served as President and Chief Executive Officer of Battelle, the world s largest independent research and development enterprise (Battelle), since January 2009. He formerly was Executive Vice President, Global Laboratory Operations at Battelle, Director of Oak Ridge National Laboratory and Chief Executive Officer and President of UT-Battelle LLC and Senior Vice President for U.S. Department of Energy Science Programs at Battelle. Previously, he was director of Homeland Security Programs at Battelle and part of the White House Transition Planning Office for the newly formed U.S. Department of Homeland Security. From 1992 to 2002, Dr. Wadsworth was at the Lawrence Livermore National Laboratory in Livermore, California, where from 1995 he was Deputy Director for Science and Technology. Prior to that, he was with Lockheed Missiles and Space Company, Research and Development Division. He was elected to the U.S. National Academy of Engineering in 2005, has been elected Fellow of three technical societies, and holds numerous awards and honors. Dr. Wadsworth currently serves on the board of directors of Carpenter Technologies and on the board of trustees at The Ohio State University. Dr. Wadsworth brings to our Board a strong background in the defense industry and significant leadership experience in the research and development arena, particularly with respect to innovation and strategy matters.	2017	66

CORPORATE GOVERNANCE MATTERS

Our Board of Directors is committed to sound and effective corporate governance practices, to diligently exercising its oversight responsibilities with respect to our business and affairs consistent with the highest principles of business ethics, and to meeting the corporate governance requirements that apply to us.

Corporate Governance Guidelines

In 2004, the Board adopted Corporate Governance Guidelines that address various governance matters, including, among others, the functions of the Board, Board committees, director qualification standards and the director nomination process; director responsibilities; director access to management and independent advisors; director stock ownership; director orientation and continuing education; management succession; and an annual performance evaluation of the Board. The Governance Committee, discussed below, is responsible for overseeing these Guidelines, periodically assessing their adequacy and modifying them to meet new circumstances. These Guidelines were most recently revised and approved by the Board of Directors as of May 17, 2016, and they are posted on our website at *www.3DSystems.com* under Investor Relations and then under Corporate Governance.

Director Independence

Nine of our 12 directors are independent directors. Under the corporate governance standards of the New York Stock Exchange (the NYSE), at least a majority of our directors, and all of the members of the Audit Committee, Compensation Committee and Governance Committee, must meet the test of independence. The NYSE standards provide that, to qualify as an independent director, in addition to satisfying certain bright-line criteria, the Board must affirmatively determine that a director has no material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company). The Board has affirmatively determined that Messrs. Curran, Humes, Kever, Loewenbaum, McClure, Moore and Wadsworth satisfy the bright-line criteria of the listing standards of the NYSE and that they have no material relationships with us. The Board also affirmatively determined that Mr. Van Riper and Ms. Welke, each of whom are not standing for re-election to the Board at the Annual Meeting, are independent. In making its determination, the Board and the Governance Committee reviewed the related party transactions relating to Mr. Humes that are disclosed on page 17 of this Proxy Statement, and the following relationships:

Mr. Joshi, our Chief Executive Officer (CEO), and Mr. Chuck Hull, one of our founders and our Chief Technology Officer, are also executive officers of the Company and as such are not independent directors.

Mr. Erickson, who was appointed to the Board on November 17, 2015, was party to a consulting agreement with the Company in 2016, as described further on page 17 of this Proxy Statement, and, as such, is not an independent director.

Risk Responsibility and Oversight

Consistent with Delaware law, our business is managed by our officers under the direction and oversight of the Board of Directors. In this regard, our management, including our corporate officers, is responsible for the day-to-day management of the risks facing us, including macroeconomic, financial, strategic, operational, public reporting, legal, regulatory, political, compliance, and reputational risks. They carry out this responsibility through a coordinated effort among themselves in the management of our business.

In exercising its oversight responsibilities, as permitted by law, the Board receives and relies on reports and other information provided by management, reviews and approves matters that it is required or permitted to approve by law or our Certificate of Incorporation or By-Laws, each as amended, and receives information relating to, and enquires into, such other matters as it deems appropriate, including our business plans, prospects and performance, succession planning, risk management and other matters for which it has oversight responsibility. The Board carries out its general oversight responsibility both by acting as a whole as well as through its committees. Among other things, the Board as a whole periodically reviews our processes for identifying, ranking and assessing risks that affect our organization as well as the output of those processes. The

Board as a whole also receives periodic reports from our management on various risks, including risks of the types mentioned above facing our businesses, risks presented by transactions that are presented to the Board for approval and risks arising out of our corporate strategy.

As discussed below, the Board also maintains several standing committees with oversight responsibility for various Board functions. Although the Board has ultimate responsibility for overseeing risk, its standing committees perform certain of its oversight responsibilities. For example, in accordance with its charter, the Audit Committee engages in ongoing discussions regarding major financial and accounting risk exposures and the process and system employed to monitor and control such exposures. In addition, consistent with its charter, the Audit Committee engages in periodic discussions with management concerning the process by which risk assessment and management are undertaken, and it exercises oversight with regard to the risk assessment and management processes related to, among other things, internal controls, credit, capital structure, liquidity and insurance programs. In carrying out these responsibilities, the Audit Committee, among other things, regularly reviews with the Internal Audit Director the audits or assessments of significant accounting and audit risks conducted by Internal Audit personnel based on their audit plan, and the committee regularly meets in executive sessions with the Internal Audit Director. The Audit Committee also regularly reviews with management our internal control over financial reporting, including any significant deficiencies or material weaknesses. As part of these reviews, the Audit Committee reviews steps taken by management to monitor, control and mitigate risks. The Audit Committee also regularly reviews with the Chief Legal Officer significant legal, regulatory and compliance matters that could have a material impact on our financial statements or business. Finally, from time to time executives who are responsible for managing particular risks report to the Audit Committee on how those risks are being controlled and mitigated.

Other Board committees also exercise responsibility to oversee risk within their areas of responsibility and expertise. For example, as noted in the section below entitled *Risk Assessment of Compensation Policies and Practices*, the Compensation Committee oversees risk assessment and management with respect to our compensation policies and practices, and it exercises oversight with respect to our 401(k) plan.

In those cases in which committees have risk oversight responsibilities, the Chairs of the committees regularly report to the full Board the significant risks facing the Company, as identified by management, and the measures undertaken by management for controlling and mitigating those risks.

Risk Assessment of Compensation Policies and Practices

We have reviewed our material compensation policies and practices and have concluded that these policies and practices are not reasonably likely to have a material adverse effect on us. Specifically, our compensation programs contain many design features that mitigate the likelihood of inducing behavior that may be considered as excessive risk-taking. These features include:

- a balance of fixed and variable compensation, with variable compensation tied to defined objectives that are approved by the Compensation Committee;
- reasonable goals and objectives in our incentive programs;
- payouts to highly compensated employees and officers modified based upon individual performance, as assessed by management and approved by the Compensation Committee;
- the Compensation Committee s ability to exercise downward discretion in determining incentive program payouts; and
- the requirement that all conduct be in compliance with our Codes of Conduct and Ethics as a condition to the receipt of any incentive compensation.

Based on the foregoing, we believe that our compensation policies and practices do not create inappropriate or unintended risks. We also believe that our incentive compensation arrangements do not provide incentives that encourage risk-taking beyond our ability to effectively identify and manage significant risks, are compatible with effective internal controls and our risk management practices, and are supported by the oversight and administration of the Compensation Committee with regard to executive compensation programs.

Board Leadership Structure

The Board has separated the position of its Chairman from the position of CEO. As noted above, Mr. Loewenbaum, an independent director, serves as Chairman of the Board of Directors, a position that he has held since 1999.

Nevertheless, we do not have a policy regarding whether the Chairman and CEO roles should be combined or separated. Rather, our Board of Directors prefers to retain flexibility to choose its leadership structure and Chairman in any way that it deems best for us at any given time. The Board periodically reviews the appropriateness and effectiveness of its leadership structure given numerous factors. Currently, the Board believes that it is appropriate for Mr. Loewenbaum to remain as Chairman given his independence as a director, his background and experience and his significant holdings of our Common Stock, which enable him to reflect the views of stockholders in the deliberations of the Board of Directors. With the foregoing in mind, the Board believes that the current Board leadership structure has promoted decisive leadership, ensured clear accountability and enhanced our ability to communicate with a consistent voice to stockholders, customers, employees and other stakeholders. The Board also believes that it has assisted in the efficient conduct of Board meetings as the directors discuss key business and strategic matters and other critical issues.

While the Board believes that the separation of the positions of Chairman and CEO has been beneficial to the Company, the Board does not view any particular Board leadership structure as being preferable to any other. Accordingly, in the event that any future change in the Board s leadership structure occurs (which the Board does not currently expect to happen), the Board will take such actions with respect to its leadership structure as it then considers to be appropriate.

Succession Planning

We maintain a succession plan for the position of CEO and other executive officers. To assist the Board with this requirement, the CEO annually leads the Board of Directors in a discussion of CEO and senior management succession. The annual review includes an evaluation of the requirements for the CEO and each senior management position and an examination of potential permanent and interim candidates for CEO and senior management positions. Consistent with this plan, following the departure of Mr. Reichental, on October 29, 2015, the Board of Directors appointed Andrew M. Johnson as the Company s President and CEO on an interim basis. The Board charged its Executive Committee with leading the search for a permanent CEO, which it successfully accomplished with the hiring of Mr. Joshi on April 1, 2016. During the interim period, the Board also established an Executive Management Committee comprised of senior members of management to provide ongoing leadership and to support companywide operations and strategic initiatives.

Director Emeritus Program

Our Board has created a Director Emeritus program to avail itself of the counsel of retiring directors who have made and can continue to make a unique contribution to the deliberations of the Board. Under the program, the Board may, at its discretion, designate a retiring director as Director Emeritus for a period of one year. A Director Emeritus may provide advisory services as requested from time to time and may be invited to attend meetings of the Board or its committees, but may not vote, be counted for quorum purposes or have any of the duties or obligations imposed on our directors or officers under applicable law or otherwise be considered a director. Following Mr. Van Riper s retirement at the Annual Meeting, our Board has requested that he serve, and he has agreed to serve, as a Director Emeritus for a one-year term, effective as of the date of the Annual Meeting. Mr. Van Riper will receive $100,000 in compensation for his service as Director Emeritus and will be reimbursed his expenses in connection with his attendance of Board or Committee meetings.

Meetings and Meeting Attendance

During 2016, the Board of Directors held 16 meetings. In 2016, each member of the Board of Directors attended at least 75 percent of the aggregate number of meetings of the Board of Directors held during the period for which he or she has been a director and of the committees of the Board on which he or she served during the periods that he or she served. A discussion of the number of committee meetings held during 2016 appears below.

The Board holds executive sessions with only independent directors in attendance at its regular meetings and at other meetings when circumstances warrant those sessions. The CEO, any other non-independent director and other members of management are excused from these executive sessions. The Chairman of the Board or the Chairman of the Governance Committee presides over such independent sessions of the Board.

We encourage, but do not require, all incumbent directors and director nominees to attend our annual meetings of stockholders. All of the directors then in office attended our 2016 Annual Meeting of Stockholders.

Committees of the Board of Directors

The Board of Directors maintains an Audit Committee, a Compensation Committee, a Corporate Governance and Nominating Committee and an Executive Committee as standing committees of the Board. The current members of all NYSE-required committees are independent directors.

Each of these committees operates under a written charter that has been approved by the Board and is posted on our website. See *Availability of Information* on page 17 of this Proxy Statement. Each of these committees periodically reviews its written charter and updates its charter as necessary.

The table below provides membership information for each of the Board s standing committees as of the date of this Proxy Statement.

Director Name	**Audit Committee**	**Compensation Committee**	**Corporate Governance and Nominating Committee**	**Executive Committee**
William E. Curran	X*		X	X
Thomas W. Erickson				X*
Charles W. Hull				
William D. Humes	X			
Vyomesh I. Joshi				X
Jim D. Kever			X*	X
G. Walter Loewenbaum, II				X
Charles G. McClure, Jr.				
Kevin S. Moore	X	X*		X
Daniel S. Van Riper	X	X		
Jeffrey Wadsworth				
Karen E. Welke		X	X	

* Chairperson

Audit Committee

In addition to the risk oversight matters discussed above, the principal responsibilities of the Audit Committee are to assist the Board of Directors in fulfilling its oversight responsibilities for:

monitoring our systems of internal accounting and financial controls;

our public reporting processes;

the retention, performance, qualifications and independence of our independent registered public accounting firm;

the performance of our internal audit function;

the annual independent audit of our consolidated financial statements;

the integrity of our consolidated financial statements; and

our compliance with legal and regulatory requirements.

The Audit Committee has the ultimate authority and responsibility to select, evaluate and approve the terms of retention and compensation of, and, where appropriate, to replace our independent registered public accounting firm, subject to ratification of the selection of that public accounting firm by our stockholders at the Annual Meeting.

The Board of Directors has determined that each member of the Audit Committee is an audit committee financial expert as defined in the regulations of the Securities and Exchange Commission and, therefore, meets the requirement of the listing standards of the NYSE of having accounting or related financial management expertise. Each of the Audit Committee members also meets the heightened standards of independence applicable to audit committee members as prescribed by the Securities and Exchange Commission.

The Audit Committee held nine meetings in 2016. It also held private sessions with our independent registered public accounting firm and the Internal Audit Director at several of its meetings. Our Internal Audit Director reports to the Chairman of the Audit Committee.

The report of the Audit Committee is set forth beginning on page 58 of this Proxy Statement.

Compensation Committee

In addition to the risk oversight matters discussed above, the principal responsibilities of the Compensation Committee are to:

- determine the compensation of our CEO (the CEO may not be present during voting or deliberations regarding his compensation);
- determine the compensation of all of our other executive officers, each direct report of the CEO, and any of our other employees or employees of any of our subsidiaries who have a base annual salary of $300,000 or more;
- administer our equity compensation plans and authorize the issuance of shares of Common Stock and other equity instruments under those plans; and
- perform the duties and responsibilities of the Board of Directors under our 401(k) Plans.

Each of the Compensation Committee members also (1) meets the heightened standards of independence applicable to compensation committee members as prescribed by the NYSE, (2) is a Non-Employee Director for purposes of Rule 16b-3 of the Securities Exchange Act of 1934, as amended, (the Exchange Act) and (3) is an Outside Director for purposes of Section 162(m) of the Internal Revenue Code, as amended (the Code). The Compensation Committee held 13 meetings in 2016, in addition to various unanimous consents.

The report of the Compensation Committee appears on page 35 of this Proxy Statement.

Compensation Committee Interlocks and Insider Participation

None of our current executive officers served during 2016 as a director of any entity with which any of our outside directors is associated or whose executive officers served as one of our directors, and none of the members of the Compensation Committee has been an officer or employee of the Company or any of our subsidiaries.

Corporate Governance and Nominating Committee

The principal responsibilities of the Governance Committee are to:

- assist the Board in identifying individuals qualified to become Board members;
- recommend to the Board nominees to be elected at annual meetings of stockholders;

fill vacancies or newly created directorships at other times;

recommend to the Board the corporate governance guidelines applicable to the Company;

lead the Board in its reviews of the performance of the Board and its committees; and

recommend to the Board nominations of the directors to serve on each committee.

The Governance Committee held six meetings in 2016.

Executive Committee

The principal responsibilities of the Executive Committee are to function on behalf of the Board of Directors during intervals between meetings of the Board, to the extent permitted by law, and to guide our strategic planning.

The Executive Committee held two meetings in 2016.

Stockholdings of Directors

Among the factors considered under our *Qualifications for Nomination to the Board* discussed above is an expectation that each director will hold during his or her term of office a meaningful number of shares of our Common Stock. Several of our directors beneficially own substantial numbers of shares of our Common Stock. See *Director Compensation* and *Security Ownership of Certain Beneficial Owners and Management* below.

Stockholder Communications with the Board of Directors

Stockholders and other interested persons may communicate with the Board by sending an email to BoardofDirectors@3DSystems.com or by sending a letter to the Board of Directors of 3D Systems Corporation, c/o Corporate Secretary, 333 Three D Systems Circle, Rock Hill, South Carolina 29730.

We believe that providing a method for interested parties to communicate directly with our independent directors, rather than to the full Board, provides a more confidential, candid and efficient method of relaying any interested party s concerns or comments. The presiding director of independent executive sessions of directors is the Chairman of the Board. The Chairman may be contacted by any party by sending a letter to the Chairman of the Board of Directors of 3D Systems Corporation, c/o Corporate Secretary, 333 Three D Systems Circle, Rock Hill, South Carolina 29730.

All communications must contain a clear notation indicating that they are a Stockholder-Board Communication or a Stockholder-Director Communication and must identify the author.

The office of the Corporate Secretary will receive the correspondence and forward appropriate correspondence to the Chairman of the Board or to any individual director or directors to whom the communication is directed. We reserve the right not to forward any communication that is hostile, threatening or illegal, does not reasonably relate to the Company or its business or is similarly inappropriate. The office of the Corporate Secretary has authority to discard or disregard any inappropriate communication or to take any other action that it deems to be appropriate with respect to any inappropriate communications.

We also welcome communications from our stockholders that are consistent with applicable law and are initiated through our Vice President, Investor Relations, who may be contacted at (803) 326-4010 or Investor.Relations@3dsystems.com.

Proxy Access

In December 2016, following the receipt of a stockholder proposal and input received from our stockholders, the Board amended the Company s By-Laws to adopt proxy access bylaws that permit up to 20 stockholders owning 3% or more of our Common Stock continuously for a period of at least 3 years to nominate up to the greater of two directors and 20% of the Board and include these nominees in our proxy materials.

Code of Conduct and Code of Ethics

Our Code of Conduct applies to all of our employees worldwide, including all of our officers. We separately maintain a Code of Ethics that applies to our CEO, Chief Financial Officer, principal accounting officer (which is currently the Chief Financial Officer), Controller and all other senior financial executives and to directors of the Company when acting in their capacity as directors.

These documents are designed to set high standards of business conduct and ethics for our activities and to help directors, officers and employees resolve ethical issues. The purpose of our Code of Conduct and our Code of Ethics is to provide assurance to the greatest possible extent that our business is conducted in a consistently legal and ethical manner. Employees may submit concerns or complaints regarding ethical issues on a confidential basis by means of a toll-free telephone call to an assigned voicemail box. We investigate all concerns and complaints.

We intend to disclose amendments to, or waivers from, any provision of the Code of Ethics that applies to our CEO, Chief Financial Officer, principal accounting officer or Controller and persons performing similar functions and that relates to any element of the Code of Ethics described in Item 406(b) of Regulation S-K by posting such information on our website. See *Availability of Information* on page 17 of this Proxy Statement. There have been no such waivers since the date of the proxy statement for our 2016 Annual Meeting.

Related Party Transaction Policy and Procedures

In addition to the provisions of our Code of Conduct and Code of Ethics that deal with conflicts of interest and related-party transactions, we have adopted a Related Party Transaction Policy that is designed to confirm our position that related-party transactions should be avoided except when they are in our interests and to require that certain types of transactions that may create conflicts of interest or other relationships with related parties are approved in advance by the Board of Directors and a committee composed of directors who are independent and disinterested with respect to the matter under consideration. This policy applies to transactions meeting the following criteria:

- the amount involved will or may be expected to exceed $120,000 in any calendar year;
- we or any of our subsidiaries would be a participant; and
- any person who is or was in the current or immediately preceding calendar year an executive officer, director, director nominee, greater than five percent beneficial owner of our Common Stock, or immediate family member of any of the foregoing, has or will have a direct or indirect interest.

In adopting this policy, the Board reviewed certain types of transactions and deemed them to be pre- approved even if the amount involved exceeds $120,000. These types of transactions include:

- employment arrangements with executive officers where such executive officer s employment in that capacity and compensation for serving as an executive officer has been approved by the Board, the Compensation Committee or another committee of independent directors;
- director compensation arrangements where such arrangement has been approved by the Governance Committee (or another committee of independent directors) and the Board;
- awards to executive officers and directors under compensatory plans and arrangements pursuant to our Amended and Restated 2004 Incentive Stock Plan (the 2004 Incentive Stock Plan), our 2015 Incentive Plan (together with the 2004 Incentive Stock Plan, the Plans) and our 2004 Restricted Stock Plan for Non-Employee Directors (the Directors Stock Plan), the exercise by any executive officer or director of any previously awarded stock option that is exercised in accordance with its terms and any grants or awards made to any director or executive officer under any other equity compensation plan that has been approved by our stockholders;
- certain transactions with other companies where a related party has a *de minimis* relationship (as described in the policy) with the other company and the amount involved in the transaction does not exceed the lesser of $500,000 or two percent of the other company s total annual revenue;

charitable contributions made by us to a charitable organization where a related party has a *de minimis* relationship and the amount involved does not exceed the lesser of $10,000 or two percent of the charitable organization s total annual receipts and charitable contributions under any matching program maintained by us that is available on a broad basis to employees generally; and

other transactions where all security holders receive proportional benefits.

Under the terms of our Related Party Transaction Policy, when considering whether to approve a proposed related party transaction, factors to be considered include, among other things, whether such transaction is on terms no more favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party s interest in the transaction. A copy of our Related Party Transaction Policy is posted on our website. See *Availability of Information* on page 17 of this Proxy Statement.

One of our directors, Mr. Humes, served as the Chief Financial Officer of Ingram Micro until December 2016. During 2016, we sold approximately $129,000 worth of products to Ingram Micro, which is one of our distributors. Mr. Humes did not receive any material benefit from these transactions.

On January 21, 2016, the Board approved a Consulting Agreement (the Consulting Agreement) between the Company and ECG Ventures, Inc., a consulting company owned by one of our directors, Mr. Erickson. The Consulting Agreement provided that Mr. Erickson would provide strategic and management consulting services to the Company in exchange for $75,000 a month plus reimbursement of expenses. In connection with the Consulting Agreement, Mr. Erickson was also awarded 25,000 shares of restricted stock that vested as scheduled on December 31, 2016. This agreement was terminated on May 1, 2016, Mr. Erickson having earned $318,750 under the agreement in addition to the restricted stock grant.

Policy on Hedging Transactions

Since 2005, our Insider Trading Policy has contained provisions that prohibit anyone who is employed by or associated with us from engaging in short-term or speculative transactions in our securities. This policy includes within its coverage short sales, which for directors and executive officers of the Company are prohibited by Section 16(c) of the Exchange Act. It also prohibits transactions in publicly traded options, such as puts, calls and other derivative securities, or other hedging transactions on a securities exchange or other organized market. Our Insider Trading Policy requires that our directors and executive officers pre-clear any transactions in our securities with our Chief Legal Officer or Assistant General Counsel.

Clawbacks of Incentive Compensation

As part of its Corporate Governance Guidelines, the Board has adopted a policy on the clawback of incentive compensation. We are pleased that it has not been necessary for us to invoke this policy. Under the terms of this policy, if the Board or an appropriate Board committee has determined that any fraud or intentional misconduct by one or more executive officers caused, directly or indirectly, the Company to restate its financial statements, subject to applicable law, the Board will take, in its sole discretion, such action as it deems necessary to remedy the misconduct and prevent its recurrence. The Board, subject to applicable law, may require reimbursement of any bonus or cash or equity incentive compensation awarded to such officers and/or effect the cancellation of unvested restricted stock or outstanding stock option awards previously granted to such officers in the amount by which such compensation exceeded any lower payment that would have been made based on the restated financial results.

In addition, each award granted under the 2015 Incentive Plan is subject to the condition that we may require that such award be returned, and that any payment made with respect to such award must be repaid, if such action is required under the terms of any recoupment or clawback policy of ours as in effect on the date that the payment was made, or on the date the award was granted or exercised or vested or earned, as applicable.

The Board recognizes that the Dodd-Frank legislation enacted in 2010 may, following rule making, require some modification of these policies. The Board intends to review any rules adopted as a result of that legislation and to adopt any modifications to these policies that become required by applicable law.

Availability of Information

As noted above:

- The Board of Directors has adopted a series of corporate governance documents, including Corporate Governance Guidelines, a Code of Conduct for our employees, a Code of Ethics for Senior Financial Executives and Directors and a Related Party Transaction Policy; and

- Each standing committee of the Board operates under a written charter that has been approved by the Board.

Each of these documents is available online and can be viewed on our website by going to *www.3DSystems.com* and clicking on About, then Investor Relations, then Governance and then selecting the appropriate document from the list on the web page.

DIRECTOR COMPENSATION

Director Compensation for 2016

The following table sets forth information concerning all compensation of each of our non-employee directors for their services as a director during the year ended December 31, 2016.

	Fees Earned or Paid in Cash ($)	Stock Awards(1) ($)	All Other Compensation(2) ($)	Total ($)
G. Walter Loewenbaum, II	300,000	99,991		399,991
William E. Curran	130,250	99,991		230,241
Peter H. Diamandis(3)	20,750			20,750
Thomas W. Erickson	109,946	292,741	318,750	870,937
William D. Humes	105,000	99,991		204,991
Jim D. Kever	85,250	99,991		185,241
Kevin S. Moore	133,125	99,991		233,116
Daniel S. Van Riper	121,500	99,991		221,491
Karen E. Welke	96,375	99,991		196,366

(1) Represents the aggregate grant date fair value of the restricted stock awards granted in 2016 to each director computed in accordance with stock-based accounting rules (Financial Standards Accounting Board (FASB) ASC Topic 718). The value of the restricted stock awards is determined by multiplying the number of shares awarded by the closing price of our Common Stock on the date of grant. The amounts in this column include awards of 3,000 shares of Common Stock made to directors in office under the Directors Stock Plan on May 17, 2016 minus the $3.00 purchase price for the shares covered by each award paid by the recipients. The amounts in this column also include awards of 4,824 shares of Common Stock made to directors in office under the 2015 Incentive Plan on May 17, 2016. Such awards were valued based on the closing market price of our Common Stock ($12.78 per share) on May 17, 2016, the date of grant. Also included is an award of 25,000 shares of Common Stock made to Mr. Erickson on February 1, 2016 pursuant to the Consulting Agreement between the Company and ECG Ventures, Inc., which is described in greater detail in *Related Party Transaction Policy and Procedures* above. Such award was valued based on the closing market price of our Common Stock ($7.71 per share) on February 1, 2016.

(2) The total amount paid to Mr. Erickson reflected in this column represents $318,750 in cash earned pursuant to the Consulting Agreement between the Company and ECG Ventures, Inc.

(3) Mr. Diamandis did not stand for re-election as a member of the Board at the Company s 2016 Annual Meeting of Stockholders. The amounts shown reflected prorated fees Mr. Diamandis earned for service during the portion of 2016 during which he served as a director.

Directors Fees

Director compensation is set by the Board, based upon the recommendation of the Governance Committee. We pay the following cash compensation to our non-employee directors:

Mr. Loewenbaum, as the Chairman of the Board of Directors, receives a fee of $300,000 per annum for serving as Chairman.

Non-employee directors (other than the Chairman of the Board) receive an annual retainer of $50,000.

Each member of the Audit Committee (other than its Chairman) receives a $10,000 annual retainer.

The Chairman of the Audit Committee receives an annual retainer of $30,000.

The Chairman of the Compensation Committee receives an annual retainer of $10,000.

The Chairman of the Governance Committee receives an annual retainer of $5,000.

The following meeting fees are paid to non-employee directors other than the Chairman of the Board:

A meeting fee of $2,000 for each regular or special Board meeting attended.

Members of the Audit Committee receive a fee of $2,000 for each committee meeting attended on a day other than a day on which the Board is holding a regularly scheduled Board meeting.

For meetings of other standing committees of the Board, members of those committees receive a fee of $1,500 for each committee meeting attended on a day other than a day on which the Board is holding a regularly scheduled Board meeting.

For meetings of any standing committee of the Board attended by a member of such committee on a day on which the Board is holding a regularly scheduled Board meeting, attendees receive 50% of the meeting fee that would otherwise be payable to such director.

A director who attends by invitation a meeting of a committee that he or she is not a member of is similarly entitled to receive a meeting fee.

As discussed below, non-employee directors are entitled to annual equity awards. Directors are also entitled to be reimbursed for their expenses of attendance at meetings of the Board of Directors or its committees.

Directors who are employees of the Company (Mr. Joshi and Mr. Hull) receive no additional compensation for service as a director.

Directors Stock Plan

Under the Directors Stock Plan, which our stockholders approved in May 2004, each director who is neither one of our officers or employees nor an officer or employee of any of our subsidiaries or affiliates (referred to in the Directors Stock Plan as a Non-Employee Director) is eligible to receive grants of Common Stock, as follows:

Annual Grants. Upon the adjournment of each annual meeting of the stockholders, each Non- Employee Director who has been elected a director at that annual meeting receives a grant of 3,000 shares of Common Stock.

Interim Grants. Any Non-Employee Director who is first elected a director other than at an annual meeting receives on the date of election a pro rata portion of the annual grant that the director would have received if elected at the preceding annual meeting.

Initial Grants. Each newly elected Non-Employee Director receives an initial grant of 1,000 shares of Common Stock when he or she is first elected to the Board.

Notwithstanding the stock grant amounts described above, the Directors Stock Plan limits the value of any award of shares made to an eligible director to $100,000 valued on the date of the award.

As a condition of each award under the Directors Stock Plan, each participant is required to pay an issue price equal to the $0.001 par value per share of Common Stock issued under the Directors Stock Plan, to execute an agreement to hold the shares covered by such grant in accordance with the terms and conditions of the Directors Stock Plan (including, without limitation, restrictions on transferability provided for in the Directors Stock Plan) and to comply with certain other terms and conditions of the grant. Except in limited circumstances provided for in the Directors Stock Plan, a Non-Employee Director is not permitted to sell, transfer, pledge or otherwise dispose of shares of Common Stock awarded under the Directors Stock Plan as long as (a) the Non-Employee Director remains a director of the Company or (b) a change of control as provided for in the Directors

Stock Plan has not occurred. Non-Employee Directors who hold shares of Common Stock under the Directors Stock Plan are entitled to voting rights and any dividends paid with respect to such shares. Shares of Common Stock issued under the Directors Stock Plan are fully vested when issued. Excluding grants to newly-elected directors, the Directors Stock Plan limits the number of equity awards that may be granted to any director in a single year to 3,000 shares.

The Directors Stock Plan authorizes the issuance of up to 600,000 shares of Common Stock for awards under the Directors Stock Plan, subject to further adjustment in the event of changes in the Common Stock by reason of any stock dividend, stock split, combination of shares, reclassification, recapitalization, merger, consolidation, reorganization or liquidation. At December 31, 2016, 82,219 shares of Common Stock remained available for issuance under this Directors Stock Plan.

The Directors Stock Plan does not prevent the Board of Directors from exercising its authority to approve the payment of additional fees to members of the Board of Directors, to adopt additional plans or arrangements relating to the compensation of directors or to amend the existing cash fees paid to directors.

2015 Incentive Plan

Non-Employee Directors are also eligible to receive grants of Common Stock under the 2015 Incentive Plan, which was approved by our stockholders in May 2015. Subject to adjustment from time to time pursuant to Section 3(a) of the 2015 Incentive Plan, not more than 10,000 shares of Common Stock, in the aggregate, may be made subject to awards under the 2015 Incentive Plan in respect of any Non-Employee Director during any year; provided, however, that up to 50,000 shares of Common Stock, in the aggregate, may be made subject to awards under the 2015 Incentive Plan during any year in respect of any Non-Employee Director who also provides consulting or other services to the Company in addition to the services provided as a member of the Board.

2016 Director Equity Awards

Director equity compensation is set by the Board, based upon the recommendation of the Governance Committee. Effective May 16, 2016, the Board revised the equity compensation policy for Non-Employee Directors to provide for annual grants of restricted stock to each director equal to the lesser of (i) 10,000 shares of Common Stock and (ii) $100,000 in total value of the shares of Common Stock. Pursuant to this policy our Non-Employee Directors were granted restricted stock awards with a value of $100,000 in 2016. Because our Directors Stock Plan limits the number of equity awards that may be granted to any director in a single year to 3,000 shares, equity awards granted to our directors in 2016 were made under both our Directors Stock Plan and our 2015 Incentive Plan. In 2016, each director received a grant of 3,000 shares under the Directors Stock Plan and a grant of 4,824 shares under the 2015 Incentive Plan. All shares of Common Stock issued to directors as compensation for their services as directors are fully vested when issued. Mr. Erickson s grant of 25,000 shares pursuant to the Consulting Agreement between the Company and ECG Ventures, Inc., was made under the 2015 Incentive Plan and vested in full on December 31, 2016.

EMPLOYEE COMPENSATION MATTERS

We maintain a compensation program for all of our employees that is based upon the following objectives:

- to attract employees, and retain current employees, with the skills and attributes that we need to promote the growth and success of our business;
- to motivate our employees to achieve our strategic objectives;
- to reward performance that benefits our goals and objectives;
- to create an alignment of interests between our employees and our stockholders; and
- to encourage our employees to conduct themselves in accordance with our values and Code of Conduct.

We use the same principles in attracting and retaining our executives. In 2017, we established a consistent and unified market-based job architecture that now serves as the framework for all employee compensation decisions company-wide.

All of our employees receive either fixed annual salaries or hourly wages for their services. Certain of them, including our executive officers, participate in annual incentive compensation programs that are approved by the Board of Directors or its committees as part of our annual budgeting process, and participants in those programs have fixed incentive compensation targets that are approved in advance. See *Executive Compensation* below. Other employees receive commissions at pre-established rates based on their sales or related customer activities that are intended to provide incentives to their achieving previously approved sales or service objectives.

Except with respect to his own compensation, our CEO oversees our employee compensation programs and makes recommendations to the Compensation Committee with respect to the compensation of each of his direct reports and other employees with base annual salaries of $300,000 or more. Generally, the manager of each reporting unit is annually allocated a salary pool for such reporting unit, and the manager determines how to allocate this pool among the employees in the reporting unit. Beginning with the 2017 fiscal year, we expect that our annual incentive pool, if funded, will be allocated similarly among reporting units for reporting unit managers to allocate among the employees in such reporting unit. Our CEO establishes target incentive bonuses for the current calendar year for each of his direct reports, and the manager of each reporting unit establishes target incentive bonuses for the current calendar year for each employee in the reporting unit eligible to participate in the annual incentive program. All employee compensation decisions by the CEO and reporting unit managers are now guided by the market-based job architecture established in 2017.

As discussed above under *Corporate Governance Matters Risk Assessment of Compensation Policies and Practices* , we believe that our compensation practices do not create inappropriate or unintended risks and that any such risks that do exist are not reasonably likely to result in a material adverse effect on us. We endeavor to manage any of these risks that may arise through our system of internal financial and operational controls and our Board and management oversight processes.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides detailed information and analysis regarding the compensation of our named executive officers as reported in the Summary Compensation Table and other tables located in the *Executive Compensation* section of this proxy statement.

Our Named Executive Officers (NEOs) for 2016

Name	Title
Vyomesh I. Joshi	President. Chief Executive Officer and Director
John N. McMullen	Executive Vice President and Chief Financial Officer
David R. Styka	Former Executive Vice President and Chief Financial Officer
Charles W. Hull	Executive Vice President and Chief Technology Officer
Andrew M. Johnson	Executive Vice President, Chief Legal Officer and Secretary
Kevin P. McAlea	Executive Vice President and General Manager, Metals & Healthcare

Say-on-Pay

The Dodd-Frank legislation enacted in 2010 provides stockholders with an advisory vote (say-on-pay) on the compensation of a company s named executive officers. We currently hold this say-on-pay vote every three years. At the 2014 Annual Meeting, the last time we held this say-on-pay vote, 82% of the votes cast on this proposal approved the compensation of our NEOs on an advisory basis. The Compensation Committee considered these results in its design of our executive compensation program for 2016 and will consider the results of future advisory votes on executive compensation as our compensation philosophy continues to evolve and compensation decisions are made each year. As noted in Proposal Three, which is an advisory vote on the frequency of future advisory votes on executive compensation, our Board of Directors is recommending that our stockholders approve an annual frequency for such futures advisory votes so that our stockholders will have an annual opportunity to provide feedback to our Board of Directors on our executive compensation practices.

Transitions Involving our Named Executive Officers

In October 2015, Avi Reichental, our former President and CEO, left the Company after 12 years of service. In connection with his departure, the Board of Directors appointed Andrew M. Johnson as the Company s President CEO on an interim basis. The Board charged its Executive Committee with leading the search for a permanent CEO, which it successfully accomplished with the hiring of Vyomesh I. Joshi on April 1, 2016. On July 1, 2016, John N. McMullen was appointed as our Executive Vice President and Chief Financial Officer. In connection with Mr. McMullen s appointment, David R. Styka, who had served as our Executive Vice President and Chief Financial Officer since May 14, 2015, assumed the role of Senior Vice President, Transformation Project Management Office. Mr. Styka s employment with the Company ended effective March 31, 2017; however, Mr. Styka is expected to continue to provide consulting services to the Company through March 2018.

Executive Summary

2016 was a transformational year for the Company. Since Mr. Joshi s appointment as CEO in April, the Company has developed a new, market-based business strategy that focuses on enabling digital manufacturing workflows in key verticals. In connection with Mr. Joshi s appointment and the shift in our business strategy, our Compensation Committee made certain changes to the elements of our executive compensation program that are described in greater detail below. These changes include making equity awards with performance-based vesting conditions to our executive officers for the first time. We believe the changes made in 2016 further tie the compensation of our executive officers to the Company s performance and are consistent with our executive compensation philosophy, which is intended to reward short and long-term performance that drives stockholder value.

2016 Business Highlights

- Vyomesh Joshi joined the company as Chief Executive Officer in April 2016 and during the year we rolled out a new strategy and evolved the organizational structure and leadership team to support this strategy.

- We are executing a market-based strategy focused on enabling digital manufacturing workflows in key verticals, and we have adjusted our product focus to shift more innovation resources to production solutions while driving cost improvements in supply chain and overall operations.

- We introduced several new products throughout 2016 with a focus on production solutions, including new direct metal and multi-jet printers, new materials for several of our printer lines, enhanced software solutions and expanded healthcare virtual surgical planning and simulation tools and services.

- During 2016, we put significant focus on and made improvements in quality, reliability and supply chain.

- Revenue from software and healthcare increased and we improved gross profit margin and operating expenses, which resulted in a 70% increase in non-GAAP earnings per share compared to 2015.

- We generated significant cash from operations and increased our total cash position 19% from December of 2015.

- Total stockholder return during 2016 was 53%.

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Summary of Key 2016 Compensation Actions for Named Executive Officers

- Granted equity awards with share price-based vesting conditions to our NEOs for the first time; these equity awards do not vest unless the closing price of our Common Stock is at least $30 or $40 per share on each of the trading days during the immediately prior 90 consecutive calendar days representing an increase in market capitalization of approximately 103% and 171%, respectively, based on the closing price of our Common Stock on the record date

- Made moderate merit increases to the base salaries of most of our NEOs

- Funded the 2016 Annual Incentive Plan at 40% of target for executive officers, which was comprised of 10% out of a possible 55% for the Company s achievement of pre-determined revenue, EBITDA, cash flow from operations and GAAP EPS performance targets and 30% out of a possible 45% for the achievement of personal objectives

- Implemented a profit sharing plan for all employees not participating in the Company s 2016 Annual Incentive Plan

- Entered into employment agreements with most of our NEOs

Looking Ahead to 2017

- 100% of the funding of the 2017 Annual Incentive Plan will be based on the Company s achievement of pre-determined revenue, cash flow from operations and non-GAAP EPS performance targets

- Establishment of a new market-based job architecture for all employees to ensure appropriate levels of pay at each employee classification across the Company

- A balanced scorecard approach to individual performance review will be implemented to determine allocation of the 2017 Annual Incentive Plan pool, if funded, among eligible Company employees

- Continuation of the profit-sharing plan for employees not participating in the 2017 Annual Incentive Plan

Our Executive Compensation Philosophy

Our compensation program, practices and policies have been structured to reflect the Board s commitment to excellence in corporate governance, and to reward short- and long-term performance that drives stockholder value. The compensation we pay to employees is generally subject to the same principles and guidelines that apply to our executive compensation program. Nevertheless, the following is a discussion and analysis of the material elements of our compensation program as it relates to the NEOs.

This discussion focuses on the following elements of our executive compensation program:

- the objectives of the program, including the results and behaviors the program is designed to reward;

- the process used to determine executive compensation;

- each element of compensation;
- the reasons why the Committee chooses to pay each element;
- how the Committee determines the amount of or the formula used for each element; and
- how each element and the Committee s decisions regarding that element fit into the Committee s stated objectives and affect the Committee s decisions regarding other elements.

This discussion is accompanied by disclosure of the compensation that was earned by our NEOs during 2016, 2015 and 2014 and that we expect they will earn in 2017. We are providing this information to help you understand the Summary Compensation Table that appears below and its related disclosures as well as the performance objectives that our executive compensation program is designed to compensate.

Determining Executive Compensation

The Compensation Committee of the Board of Directors is responsible for setting the compensation of all executive officers, including the NEOs. It is also responsible for setting the compensation of any other employees of the Company or our subsidiaries who report directly to our CEO or have base annual salaries of $300,000 or more. For additional information about the responsibilities of this Committee, see *Corporate Governance Matters Compensation Committee above.*

The Compensation Committee reviews the CEO s recommendation for each of the other NEO s compensation during the first quarter of each year. The purpose of this annual review is:

- to determine the amount of any annual incentive compensation to be awarded to each NEO for the preceding calendar year;
- to determine any adjustments to be made to the annual salary of each NEO for the current year; and
- to approve our incentive compensation program for the current year and establish target incentive bonuses for the current calendar year for each of the NEOs.

As part of this review, our CEO gives the Compensation Committee a recommendation for incentive compensation awards for the prior year, salary adjustments for the current year and target incentive bonuses for the current year for each other NEO. Beginning in 2017, we established a new market-based job architecture for all employees to ensure appropriate levels of pay at each employee classification across the Company. Additionally, a balanced scorecard is now established for each NEO by which such executive s individual performance is measured. Going forward, our CEO intends to use the new market-based job architecture and each individual NEO s progress towards assigned strategic imperatives and balanced scorecard measurements to guide his compensation recommendations to the Compensation Committee. The Committee reviews those recommendations and modifies them to the extent it considers appropriate. As part of this process, the Committee approves the amount of any annual incentive compensation to be awarded to each individual with respect to the preceding calendar year, approves the amount of any adjustments to be made to the annual salary of each such individual for the current year, approves the terms of our incentive compensation program for the current calendar year, and establishes target incentive bonuses for the current year for each of our NEOs and each other individual whose compensation it oversees. The Committee may also approve adjustments to compensation for specific individuals at other times during any year when there are significant changes in the responsibilities of such individuals or under other circumstances that the Committee considers appropriate.

Our CEO s compensation is determined under similar principles but follows a different process. This process is designed to comply with applicable law and listing requirements under which, after discussing his self-evaluation with him and receiving the views of other independent directors, the Compensation Committee evaluates his performance, reviews the Committee s evaluation with him, and, based on that evaluation and review, determines his compensation and performance and personal annual incentive objectives. Our CEO is excused from meetings of the Committee during voting or deliberations regarding compensation.

Elements of Executive Compensation

Our executive compensation program is designed to focus executive behavior on achievement of both our annual and long-term objectives and strategy as well as align the interests of management with those of our stockholders. To that end, our compensation program consists of the following principal elements:

- base annual salaries;
- when earned, incentive awards under our annual incentive programs; and
- long-term equity compensation under our Plans.

In reviewing base annual salaries and target annual incentive awards for each NEO, the Compensation Committee also reviews each executive s compensation history with the Company and prior equity awards or grants. The Committee is guided by its own judgment and those sources of information (including, when deemed appropriate, compensation surveys) that the Committee considers relevant. Neither we nor the Committee currently retain or use executive compensation consultants nor do we make compensation decisions by reference to any peer group of companies, whether defined by us or defined by any third party.

The Compensation Committee believes that the prudent use of discretion in determining compensation will generally be in our best interests and those of our stockholders. Accordingly, the Committee does not rely exclusively upon fixed formulas and, from time to time in exercising its discretion, the Committee may approve changes in compensation that it considers to be appropriate to award performance or otherwise to provide incentives toward achieving our objectives.

The Compensation Committee also seeks to strike a balance that it considers to be appropriate in its discretion between fixed elements of compensation, such as base salaries, and variable performance-based elements represented by annual incentive awards and long-term equity compensation. As a general matter, the Committee believes that our executive officers should have at least one-third of their annual cash compensation opportunity at risk under variable performance-based elements of our incentive compensation program, including in particular our annual incentive program. In most cases, the portion of our NEOs cash compensation opportunity that is at risk in any year exceeds that level. See *2016 Incentive Compensation Program* below.

The following charts show the pay mix for our CEO and other NEOs during 2016.

Base Salaries

We pay annual salaries to provide executives with a base level of monthly compensation. Salaries are also designed to help achieve our objectives of attracting and retaining executive talent, maintaining their standard of living and rewarding performance and responsibility. Historically, adjustments to base salaries have been based principally on the responsibilities of the executives, the Compensation Committee s evaluation of the market demand for executives with similar capability and experience, and our corporate performance and the performance of each executive in relation to our strategic objectives. Going forward, adjustments to base salaries will be based on the Company s new market-based job architecture, which takes in to consideration many of the above-listed factors, and each individual NEO s progress towards assigned strategic imperatives and balanced scorecard measurements.

Annual Incentive Program

Our annual incentive compensation program is designed to provide appropriate incentives to reward performance and motivate our executives, including the NEOs, to attain our strategic objectives.

This program is adopted annually, is designed with our strategic objectives in mind, and has historically focused partly on the achievement of pre-determined corporate financial objectives and partly, for each executive, on personal objectives. Historically, 55% of each executive s annual incentive compensation target was based on the achievement of pre-approved corporate financial objectives with the remaining 45% based on the achievement of personal objectives.

For 2017, our Compensation Committee revised our annual incentive compensation program so that the pool available for payout thereunder is based 100% on the achievement of pre-determined corporate financial objectives. If the pre-determined corporate financial objectives are achieved and the pool is funded, the allocation of the pool among participants is based on each participant s progress towards assigned strategic-imperatives and balanced scorecard measurements. If the pre-determined corporate financial objectives are not achieved, no employees will receive awards under our 2017 annual incentive compensation program. Even if the pre-determined corporate financial objectives are achieved, our Compensation Committee always retains the discretion to reduce the funding of the company-wide annual incentive plan pool or any individual participant s award.

As an overriding condition, a failure to perform in accordance with our Code of Conduct or Code of Ethics may serve as a basis for a participant in this program to not receive an incentive award. We consider this aspect of our incentive compensation program to be consistent with sound principles of corporate governance, and we are pleased that it has not been necessary for us to invoke it with respect to any NEO.

As part of its goal-setting process, the Compensation Committee establishes current-year target incentive awards for each NEO with the following principles in mind:

Targets are used to determine the amount of any annual incentive that an NEO can expect to receive if we achieve our financial objectives for the year in question and such NEO achieves his personal objectives for that year. In setting these target incentive awards, the Committee considers each NEO s level of responsibility and the recommendations of our CEO.

Target incentive awards are set at levels that are designed to link a substantial portion of each NEO s total annual compensation opportunity to attaining the corporate objectives and the individual and team objectives as identified in and measured by each NEO s balanced scorecard applicable to the year in question. In general, at least one-third of each NEO s annual cash compensation opportunity is at risk. See *Grants of Plan Based Awards in 2016* below for a summary of target incentive awards for the NEOs applicable to 2016.

No minimum incentive awards are guaranteed to NEOs. In 2016 and prior years, the Compensation Committee did have discretion to make awards for performance if less than 100% of the financial target objectives were achieved, as long as at least 50% of the target objective was met. Starting in 2017, the pool for the annual incentive plan will begin funding at 50% of the target amount upon the achievement of 90% of certain predetermined financial objectives.

In 2016 and prior years, base target amounts represent the incentive awards that could be awarded assuming achievement of 100% of both the pre-determined financial objectives and the individual objectives. In 2017, base target amounts represent the incentive awards that could be awarded assuming achievement of 100% of the pre-determined financial objectives.

Maximum amounts represent the maximum amount that may generally be awarded to each NEO under the program for the year in question. In 2016 and prior years, these were generally the same as the base target amounts, but the Committee reserved discretion to increase awards for performance that it considered to be exemplary. In 2017, maximum amounts available under the annual incentive plan have been increased to 150% of target. After achievement of 100% of the pre-determined financial objectives, the annual incentive bonus pool can be funded from 100% of target up to 150% of target based entirely on the achievement of pre-determined levels of non-GAAP EPS. Non-GAAP EPS for the purposes of our annual incentive plan is defined as U.S. GAAP diluted EPS excluding amortization, stock based compensation, acquisition-related costs, severance costs, discontinued operations, restructuring costs and certain other non-recurring significant items.

Financial objectives are determined based on our business plan for the year in question. This business plan is developed by management and approved by the Board of Directors. Historically, personal objectives have been prepared by each NEO in discussions with the CEO and submitted by the CEO to the Committee for its review and approval. Going forward, since 100% of the annual incentive bonus pool will be funded by the achievement of pre-determined financial objectives, personal objectives for all NEOs other than the CEO will be developed using strategic imperatives and a balanced scorecard approach through collaboration between each NEO and the CEO. The CEO s strategic imperatives and balanced scorecard will be reviewed and approved by the Committee. The Committee maintains discretion to adjust performance objectives for extraordinary items and other items as it deems appropriate.

With respect to financial measures, 100% of each NEO s bonus related to each financial measure would generally be deemed to have been earned if the target for that financial measure is fully achieved. In 2016 and prior years, under certain circumstances the Compensation Committee could determine that an NEO s bonus related to a financial measure had been more than fully earned, and as a consequence increased, if the target for that financial measure is exceeded. As discussed above, in 2017, the annual incentive bonus pool can be funded from 100% of target up to 150% of target based entirely on the achievement of pre-determined levels of non-GAAP EPS once 100% of all pre-determined financial objectives has been achieved. The Compensation Committee believes that tying above target level funding of the annual incentive bonus pool entirely to Non-GAAP EPS ensures that any additional bonus amounts are paid only if the Company achieves profitability beyond its budgeted goals.

In 2016 and prior years, the remaining 45% of each NEO s target incentive was based on the individual s attainment of his pre-approved individual objectives. The Committee considers both quantitative and qualitative factors in determining the extent to which the financial and personal targets and objectives have been achieved, and credit could be awarded for the partial attainment of these objectives.

Historically, individual objectives have related to matters such as the individual s execution of projects that fall within our strategic objectives, timely completion of specified projects within budget, enhancements to sales and service productivity and other matters involved in our annual budget and business plans. The types and relative importance of an executive s individual performance objectives varies from year to year depending on the executive s areas of responsibility.

The balanced scorecard approach implemented in the first quarter of 2017 replaces the personal objectives that have historically represented a significant part of our annual incentive compensation program. Under the balanced scorecard approach, concrete objectives are developed for each NEO and the NEO s performance is measured against such objectives. The most significant difference between the 2017 annual incentive program and annual incentive programs from previous years is that personal objectives no longer play any part in funding the annual incentive bonus pool that is paid out to participants, including our NEOs. Instead, the NEO s balanced scorecards are used to determine the allocation of the bonus pool if, and only if, the pool is funded by the Company s achievement of the pre-determined corporate financial objectives.

For a discussion of bonus awards made for 2016, see the discussion below at *2016 Incentive Compensation Program.* We have also included a discussion of 2017 targets under *2017 Compensation Program* below.

Long-Term Equity Compensation

The Compensation Committee administers our 2004 Incentive Stock Plan and the 2015 Incentive Plan. Under the Plans, the Committee is authorized to grant restricted stock awards, restricted stock units, stock options and other awards that are provided for under the Plans to such of our employees and employees of our subsidiaries as the Committee determines to be eligible for awards. Awards granted to a participant are based upon a number of factors, including the recipient s position, salary and performance as well as our overall corporate performance.

The Plans are intended to provide an effective method of motivating performance from key employees, including our NEOs, and of creating an alignment of interests in participants with the interests of our stockholders. Awards are made under these Plans as long-term incentive compensation to NEOs and other key employees when the Committee feels such awards are appropriate.

The Compensation Committee makes awards under the Plans both to reward short-term performance with equity-based compensation and to motivate the recipient s long-term performance. The Committee does not follow the practice of making annual or other periodic awards to participants who are determined to be eligible to participate in the Plans. However, our CEO periodically reviews the stock ownership of key employees and, when he deems appropriate, makes recommendations to the Committee to make awards under the Plans to reflect the contributions of those participants to specific corporate achievements and to provide motivation toward achieving strategic objectives. In addition, the Committee may make awards under the Plans to newly hired key employees.

Until 2016, all awards made to our executive officers under the Plans had been restricted stock awards with time-based vesting conditions. In 2016, our Committee granted stock options and restricted stock awards with share price-based vesting conditions under the Plans for the first time. The equity awards with share price-based vesting conditions granted to our NEOs in 2016 do not vest until the closing price of our Common Stock on each of the trading days during the immediately prior ninety consecutive calendar days is at least $30 or $40, as applicable, representing an increase in market capitalization of approximately 103% and 171%, respectively, based on the closing price of our Common Stock on the record date. Restricted stock awards issued pursuant to the Plans remain subject to forfeiture until the vesting of such shares pursuant to the terms of the applicable award. Stock options made under the 2015 Incentive Plan generally have a 10 year term and an exercise price based on the fair market value of our Common Stock on the date of grant.

Shares of restricted stock and stock options issued pursuant to the Plans may not be sold, transferred or encumbered by the employee prior to vesting (and exercise in the case of stock options). The compensation associated with these awards is expensed over the vesting period. The shares covered by restricted stock awards are considered outstanding upon issuance following the acceptance of each award for the purpose of calculating diluted earnings per common share, and holders of shares issued pursuant to restricted stock awards are entitled to vote such shares and to receive any dividends declared in respect of our Common Stock. Shares covered by stock option awards are not considered outstanding until exercise except for the purpose of calculating diluted earnings per common share. The holders of stock options are not entitled to vote shares or receive any dividends declared with respect to the share covered by such stock option awards.

2016 Salaries

The Compensation Committee approved the following salary increases to the NEOs, as follows:

- a 3.71% increase in Mr. Styka s base salary to $363,000;
- a 3.73% increase in Mr. Charles Hull s base salary to $389,000;
- a 4.06% increase in Mr. Johnson s base salary to $333,000; and
- a 3.73% increase in Mr. McAlea s base salary to $389,000.

Mr. Joshi s base salary, effective April 1, 2016, upon his employment with the Company was $925,000, which is consistent with the base salary of our former Chief Executive Officer at the time of his departure. Mr. McMullen s base salary, effective July 1, 2016, upon his employment with the Company was $500,000.

2016 Incentive Compensation Program

Consistent with the principles discussed above, at its meetings on February 23 and March 17, 2016, with respect to Messrs. Styka, Hull, Johnson and McAlea, the Compensation Committee approved an annual incentive program for 2016. For Messrs. Joshi and McMullen, the Compensation Committee approved their annual incentive targets in connection with their hiring effective April 1, 2016 and July 1, 2016, respectively. The 2016 target incentive awards for each the participating NEOs were set at 50% of their 2016 annual base salaries, except for Mr. Joshi, whose 2016 target incentive award was set at 100% of his 2016 annual base salary.

The performance objectives established for the 2016 annual incentive program were as follows:

- 25% of each NEO s base target incentive award was based on the achievement of an annual revenue growth budget. The Compensation Committee determined that the Company achieved less than 50% of such objective and therefore no target incentive award payment for any NEO was made in relation to this objective;

- 10% of each NEO s base target incentive award was based on the achievement of an annual budgeted level of EBITDA. The Compensation Committee determined that the Company achieved less than 50% of such objective and therefore no target incentive award payment for any NEO was made in relation to this objective;

- 10% of each NEO s base target incentive award was based on the achievement of an annual budgeted level of cash flow from operations. The Compensation Committee determined that the Company achieved 10% of the possible 10% of this objective and therefore approved a payment of 10% of each NEO s target incentive award in relation to this objective;

- 10% of each NEO s base target incentive award was based on the achievement of a budgeted level of GAAP diluted earnings per share. The Compensation Committee determined that the Company achieved less than 50% of such objective and therefore no target incentive award payment for any NEO was made in relation to this objective; and

- the 45% remainder was based upon the achievement of personal objectives for each NEO as approved by the Compensation Committee.

After reviewing our financial results for 2016 and the NEOs individual performance for 2016, the Committee made the incentive compensation awards to the NEOs set forth below. As noted above, partial incentive awards were made respecting the Company s targeted financial objectives since those objectives were not fully achieved in 2016.

- a $277,753 cash award to Mr. Joshi, representing achievement of 10% of the corporate objectives and 30% of a possible 45% of the personal portion of his base target incentive award, for a total of 40% of his overall base target incentive award for 2016. The amount of Mr. Joshi s award was prorated because he joined the Company on April 1, 2016.

- a $50,137 cash award to Mr. McMullen, representing achievement of 10% of the corporate objectives and 30% of a possible 45% of the personal portion of his base target incentive award, for a total of 40% of his overall base target incentive award for 2016. The amount of Mr. McMullen s award was prorated because he joined the Company on July 1, 2016.

- a $72,6000 cash award to Mr. Styka, representing achievement of 10% of the corporate objectives and 30% of a possible 45% of the personal portion of his base target incentive award, for a total of 40% of his overall base target incentive award for 2016.

- a $77,800 cash award to Mr. Hull, representing achievement of 10% of the corporate objectives and 30% of a possible 45% of the personal portion of his base target incentive award, for a total of 40% of his overall base target incentive award for 2016.

- a $66,600 cash award to Mr. Johnson, representing achievement of 10% of the corporate objectives and 30% of a possible 45% of the personal portion of his base target incentive award, for a total of 40% of his overall base target incentive award for 2016.

- a $77,800 cash award to Mr. McAlea representing achievement of 10% of the corporate objectives and 30% of a possible 45% of the personal portion of his base target incentive award, for a total of 40% of his overall base target incentive award for 2016.

In making these awards, the Compensation Committee noted that 2016 was a transition year for the Company highlighted by Mr. Joshi s hiring as CEO at the beginning of the second quarter. Given the significant level of change in the Company during the year, the Compensation Committee determined to reward Mr. Joshi and each other NEO with a portion of the personal component of their respective bonus targets as consideration for each NEO s contribution to the development, formalization and introduction of a new strategic plan and operating model for the Company, their respective efforts in improving quality and reliability of the Company s products and services, the work accomplished in formalizing business planning, strengthening the Company s go-to-market strategy, improving the Company s IT infrastructure and their leadership in the completion of several strategic transactions. The amounts awarded to our CEO and his direct reports with respect to the personal components of their respective bonus targets represent a smaller percentage of their bonus targets than the amounts awarded with respect to the personal components of all other employees participating in the annual incentive program.

Interim CEO Bonus

On January 5, 2016, the Compensation Committee approved a monthly bonus payment of approximately $25,776 to Mr. Johnson for his service as the Interim President and CEO. The amount of this monthly bonus represents half of the difference between the effective 2015 monthly salary of the former CEO and Mr. Johnson s effective 2015 monthly salary. The payment was made retroactive to the date of Mr. Johnson s appointment as the Interim President and CEO on October 29, 2015 and continued until April 1, 2016, the effective date of Mr. Joshi s appointment as President and CEO.

2016 Equity Awards

With our strategic growth initiatives in mind, at a meeting on July 26, 2016, the Compensation Committee made restricted stock and stock option awards under the 2015 Incentive Plan to a number of employees, including certain of the NEOs, to reflect the contributions that those individuals have made to our operations and financial condition, to provide motivation toward achieving our future strategic objectives and to further align the interests of those individuals with our stockholders. The awards made to Mr. Joshi and Mr. McMullen in 2016 were approved on April 1, 2016 and June 13, 2016, respectively, in connection with their appointment to their respective positions at the Company. The awards made to our NEOs were in the form of (i) time based restricted stock awards, (ii) restricted stock awards with share price-based vesting conditions and (iii) options with share price-based vesting conditions. The restricted stock and option awards with share price-based vesting conditions granted to our NEOs in 2016 do not vest until the closing price of our Common Stock on each of the trading days during the immediately prior ninety consecutive calendar days is at least $30 or $40, as applicable. The aggregate awards made to these NEOs during 2016 were as follows:

Name	Time-Based Restricted Shares (#)	Performance-Based Restricted Shares ($30 vesting condition) (#)	Performance-Based Restricted Shares ($40 vesting condition) (#)	Performance-Based Stock Options ($30 vesting condition) (#)	Performance-Based Stock Options ($40 vesting condition) (#)	Aggregate Fair Market Value of Grants ($)
Vyomesh I. Joshi	150,000	50,000	25,000	250,000	250,000	7,244,500
John N. McMullen	75,000	25,000	25,000	100,000	100,000	3,228,250
David R. Styka	25,000	8,000	8,000	40,000	40,000	1,157,250
Charles W. Hull	50,000	20,000	20,000	80,000	80,000	2,420,500
Andrew M. Johnson	50,000	20,000	20,000	80,000	80,000	2,420,500
Kevin P. McAlea	50,000	20,000	20,000	80,000	80,000	2,420,500

2017 Compensation Program

At its meeting on March 27, 2017, the Compensation Committee determined not to make any changes to the base salaries of our NEOs in 2017.

At meetings on February 6, 2017 and March 27, 2017, the Compensation Committee approved the annual incentive program for 2017. The 2017 target incentive awards established for the NEOs are as follows:

for Mr. Joshi, a base target of approximately 100% of his 2017 base annual salary, in accordance with the terms of his employment agreement;

- for Mr. McMullen, a base target of approximately 50% of his 2017 base annual salary, in accordance with the terms of his employment agreement;
- for Mr. Hull, a base target of approximately 50% of his 2017 base annual salary, in accordance with the terms of his employment agreement;
- for Mr. Johnson, a base target of approximately 50% of his 2017 base annual salary, in accordance with the terms of his employment agreement; and
- for Mr. McAlea, a base target of approximately 50% of his 2017 base annual salary.

Additionally, the Compensation Committee approved the following performance objectives for the funding of the 2017 annual incentive program:

- 40% of the funding of 2017 annual incentive program bonus pool will be based on the achievement of an annual revenue budget;
- 40% of the funding of 2017 annual incentive program bonus pool will be based on the achievement of an annual budgeted level of Non-GAAP EPS; and
- 20% of the funding of 2017 annual incentive program bonus pool will be based on the achievement of positive cash flow from operations.

Once 100% of the 2017 annual incentive program bonus pool is funded, the bonus pool can be further funded up to 150% based entirely on the achievement of pre-determined levels of non-GAAP EPS. Funding of the 2017 annual incentive program bonus pool does not entitle any participant to receive an annual incentive bonus under the program. The allocation of the annual incentive program bonus pool to each participant will be based on an evaluation of such participant s individual performance as measured by such participant s progress against assigned strategic imperatives and balanced scorecard measurements.

The range of these 2017 target incentive awards is presented in the following table. The amounts in the Base Target column assume 100% funding of the 2017 annual incentive program bonus pool and allocations equal to 100% of each NEO s base target amount. The amounts in the Maximum column assume 150% funding of the 2017 annual incentive program bonus pool and allocations equal to 150% of each NEO s base target amount. The threshold amounts are zero because, whether or not the annual incentive program bonus pool is funded, no minimum awards are guaranteed to participants in the annual incentive plan.

	Estimated Future Payouts Under 2017 Incentive Compensation Plan		
Name	**Threshold ($)**	**Base Target ($)**	**Maximum ($)**
Vyomesh I. Joshi		925,000	1,387,500
John N. McMullen		250,000	375,000
Charles W. Hull		194,500	291,750
Andrew M. Johnson		166,500	249,750
Kevin P. McAlea		194,500	291,750

Employment Agreements and Other Agreements with NEOs

In April 2016 and July 2016, Vyomesh I. Joshi and John N. McMullen joined us as our President and CEO and Executive Vice President and Chief Financial Officer, respectively. In connection with each of these appointments, we entered into an employment agreement under which we have agreed to certain compensation arrangements and severance benefits. With the purpose of retaining our key executive officers during a significant management transition, we entered into similar employment agreements with each of Messrs. Styka, Hull and Johnson in 2016. Mr. McAlea has an existing severance agreement with the Company.

Each of these agreements was determined based on negotiations with the applicable named executive officer and taking into account his background and qualifications and the nature of his position. We believe that these compensation packages are appropriate in light of the intense competition for top executives in our industry and among similarly-situated companies, and that the terms of these arrangements are consistent with our executive compensation goals, including the balancing of short-term and long-term compensation to properly motivate our named executive officers.

Vyomesh I. Joshi

Mr. Joshi s employment agreement provides for a minimum base annual salary of $925,000 and a minimum target bonus opportunity of 100% of his base salary, with the exact amount of any such bonus to be based upon the achievement of performance goals to be determined by the Compensation Committee. The employment agreement entitles Mr. Joshi to participate in all other benefits generally available to our other executive employees, including participation in the Company s health benefit plans and equity award programs. Pursuant to the employment agreement entered into in connection with his hiring, Mr. Joshi was also granted the following equity awards: (1) 150,000 shares of restricted stock that vest in three equal annual installments; (2) 500,000 stock option awards, comprised half of option awards subject to $30 per share price-based vesting conditions and half of option awards subject to $40 per share price-based vesting conditions; and (3) 75,000 shares of restricted stock, 50,000 of which are subject to $30 per share price-based vesting conditions and 25,000 of which shares are subject to $40 per share price-based vesting conditions. Mr. Joshi is not guaranteed any further equity awards under his employment agreement, but is entitled to participate in our equity compensation plans generally available to our executive officers.

Our employment agreement with Mr. Joshi provides for an initial two-year employment term that automatically extends for additional one-year periods unless terminated by Mr. Joshi or us upon at least 30 days prior written notice of intention not to renew. The agreement may also be terminated by us or Mr. Joshi for other reasons and, subject to the conditions set forth in the employment agreement, provides for certain payments and benefits in connection with certain termination events or a change of control as described under *Potential Benefits upon Termination or Change of Control* beginning on page 40 below.

John N. McMullen

Mr. McMullen s employment agreement provides for a minimum base annual salary of $500,000 and a minimum target bonus opportunity of 50% of his base salary, with the exact amount of any such bonus to be based upon the achievement of performance goals to be determined by the Compensation Committee. The employment agreement entitles Mr. McMullen to participate in all other benefits generally available to our other executive employees, including participation in the Company s health benefit plans and equity award programs. Pursuant to the employment agreement entered into in connection with his hiring, Mr. McMullen was also granted the following equity awards: (1) 75,000 shares of restricted stock that vest in three equal annual installments; (2) 200,000 stock option awards, comprised half of option awards subject to $30 per share price-based vesting conditions and half of option awards subject to $40 per share price-based vesting conditions; and (3) 50,000 shares of restricted stock, half of which are subject to $30 per share price-based vesting conditions and half of which are subject to $40 per share price-based vesting conditions. Mr. McMullen is not guaranteed any further equity awards under his employment agreement, but is entitled to participate in our equity compensation plans generally available to our executive officers.

Our employment agreement with Mr. McMullen provides for an initial two-year employment term that automatically extends for additional one-year periods unless terminated by Mr. McMullen or us upon at least 30 days prior written notice of intention not to renew. The agreement may also be terminated by us or Mr. McMullen for other reasons and, subject to the conditions set forth in the employment agreement, provides for certain payments and benefits in connection with certain termination events as described under *Potential Benefits upon Termination or Change of Control* beginning on page 40 below.

Charles W. Hull

Mr. Hull s employment agreement provides for a minimum base annual salary of $389,000. Mr. Hull is also entitled to receive cash performance bonuses, with the exact amount of any such bonus to be based upon the achievement of performance goals to be determined by the Compensation Committee. The employment agreement entitles Mr. Hull to participate in all other benefits generally available to our other executive employees, including participation in the Company s health benefit plans and equity award programs. Pursuant to his employment agreement, we entered into amendments to the following three restricted stock purchase agreements with Mr. Hull: (i) the Restricted Stock Purchase Agreement, dated November 18, 2013; (ii) the Restricted Stock Purchase Agreement, dated November 17, 2014; and (iii) and the Restricted Stock Award Agreement, dated November 13, 2015. The restricted stock amendments provide that in the event Mr. Hull s employment or service with the Company is terminated on a date prior to the third anniversary of the date of the applicable grant either by the Company without cause, or by Mr. Hull as a result of a Constructive Discharge, as defined in his employment agreement, then Mr. Hull s interest in such restricted stock awards shall become vested and nonforfeitable on a pro-rata basis.

Our employment agreement with Mr. Hull provides for an initial two-year employment term that automatically extends for additional one-year periods unless terminated by Mr. Hull or us upon at least 30 days prior written notice of intention not to renew. The agreement may also be terminated by us or Mr. Hull for other reasons and, subject to the conditions set forth in the employment agreement, provides for certain payments and benefits in connection with certain termination events as described under *Potential Benefits upon Termination or Change of Control* beginning on page 40 below.

Andrew M. Johnson

Mr. Johnson s employment agreement provides for a minimum base annual salary of $333,000. Mr. Johnson is also entitled to receive cash performance bonuses, with the exact amount of any such bonus to be based upon the achievement of performance goals to be determined by the Compensation Committee. The employment agreement entitles Mr. Johnson to participate in all other benefits generally available to our other executive employees, including participation in the Company s health benefit plans and equity award programs. Pursuant to his employment agreement, we entered into amendments to the following three restricted stock purchase agreements with Mr. Johnson: (i) the Restricted Stock Purchase Agreement, dated February 4, 2014; (ii) the Restricted Stock Purchase Agreement, dated February 3, 2015; and (iii) and the Restricted Stock Award Agreement, dated November 13, 2015. The restricted stock amendments provide that in the event Mr. Johnson s employment or service with the Company is terminated on a date prior to the third anniversary of the date of the applicable grant either by the Company without cause, or by Mr. Johnson as a result of a Constructive Discharge, as defined in his employment agreement, then Mr. Johnson s interest in such restricted stock awards shall become vested and nonforfeitable on a pro-rata basis.

Our employment agreement with Mr. Johnson provides for an initial two-year employment term that automatically extends for additional one-year periods unless terminated by Mr. Johnson or us upon at least 30 days prior written notice of intention not to renew. The agreement may also be terminated by us or Mr. Johnson for other reasons and, subject to the conditions set forth in the employment agreement, provides for certain payments and benefits in connection with certain termination events as described under *Potential Benefits upon Termination or Change of Control* beginning on page 40 below.

Kevin McAlea

The Company and Mr. McAlea are parties to a severance arrangement pursuant to which Mr. McAlea would become entitled to severance payments equal to nine months of his then current salary if his employment is terminated other than for cause.

David R. Styka

On July 1, 2016, we entered into an employment agreement with Mr. Styka similar in nature to those of Messrs. Hull and Johnson. Pursuant to Mr. Syka s employment agreement, in connection with his March 31, 2017 departure from the Company, he is entitled to (i) an amount equal to his base salary payable in 12 monthly installments, (ii) up to 12 months of COBRA coverage, and (iii) a pro rata portion of his 2017 annual incentive award, if any. Additionally, in connection with Mr. Styka s departure, we entered a one year consulting agreement with Mr. Styka pursuant to which he will complete additional work for the Company on an as-needed basis at a rate of $200 per hour for any hours in excess of 10 hours per month and during the term of which his unvested restricted stock awards will continue to vest upon their normal terms. Finally, certain restricted stock awards granted in 2015 will vest pro rata on March 31, 2018, the final day of the term of Mr. Styka s consulting agreement.

Other Compensation Matters

Benefits and Perquisites

We provide our employees, including the NEOs, with a benefit program that we believe is reasonable, competitive and consistent with the objectives of our compensation program. As a matter of policy, the Compensation Committee does not award personal benefits or perquisites to our NEOs that are unrelated to our business. However, under certain circumstances discussed below, the Committee has approved certain personal benefits or perquisites that are either provided to an NEO by contract or that it deemed to be in our interests in order to induce executives to commence or maintain employment with us. Those amounts are reported in the Summary Compensation Table. All other perquisites for the NEOs amount to less than $10,000 per person.

Our executives, including the NEOs, are eligible to participate in employee benefit programs that we provide to our employees generally, which include a group insurance program providing group health, dental, vision, life and long-term disability insurance. Other benefits include a Section 401(k) plan, health savings accounts, flexible spending accounts for health and dependent care expenses, sick leave, holiday time and vacation time.

Accounting and Tax Considerations

The Committee generally considers the financial accounting implications of stock awards and other compensation to the Company s executive officers in evaluating and establishing the Company s compensation policies and practices. In addition, Section 162(m) of the Code, limits the deductibility of annual compensation paid to certain executive officers to $1 million per employee unless the compensation meets certain specific requirements. The Committee believes that in establishing incentive compensation programs for our named executive officers, the potential deductibility of the compensation payable should be only one of several factors taken into consideration and not the sole governing factor. For that reason, the Committee may deem it appropriate to provide one or more named executive officers with the opportunity to earn compensation that may be in excess of the amount deductible by reason of Section 162(m) or other provisions of the Code.

Stock Performance

While we generally consider matters such as stock performance and total return to our stockholders in making compensation decisions, we do not consider them as controlling factors in making compensation decisions. Short-term movements in our stock price and total return to stockholders as reflected in the performance of our stock price are subject to factors, including factors affecting the securities markets generally, that are unrelated to our performance.

Our priorities and the priorities of our management are centered on achieving our strategic objectives, meeting customer needs, new product development, increasing cash generation, identifying, completing and successfully integrating strategic investments, and promoting operational excellence and innovation. The pursuit of such longer range objectives is not necessarily consistent with producing short-term results to increase our stock price or stockholder return, but we believe that pursuing these longer range objectives should result in performance that is more likely to maximize total return to our stockholders over time.

Since our executive compensation is based upon factors relating to our growth and profitability and the performance of our business as well as the contributions of each of our executives to achieving our objectives, we believe that we have provided appropriate incentives to align management s interests with our long-term growth and development and the interests of our stockholders. We also believe that there are many ways in which our executives contribute to building a successful company. While our financial statements and stock price reflect the results of some of those efforts, many long-term strategic decisions made in pursuing our growth and development may have little visible impact on our stock price in the short term.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the section titled Compensation Discussion and Analysis. Based on such review and discussion, the Compensation Committee has recommended to the Board of Directors that such section be included in this Proxy Statement.

Compensation Committee:

Kevin S. Moore, Chair

Karen E. Welke

Daniel S. Van Riper

Summary Compensation Table

The following table presents information regarding compensation of each of the NEOs for services rendered during fiscal 2016, 2015 and 2014. Mr. Joshi joined the Company on April 1, 2016 and Mr. McMullen joined the Company on July 1, 2016. Therefore, the table does not show compensation information for Messrs. Joshi and McMullen prior to 2016.

Name and Principal Position	Year	Salary ($)	Bonus(1) ($)	Restricted Stock Awards(2) ($)	Option Awards(3) ($)	Non-Equity Incentive Plan Compensation(4) ($)	All Other Compensation(5) ($)	Total ($)
Vyomesh I. Joshi	2016	661,730		3,402,000	3,842,500	277,753		8,183,984
President and Chief Executive Officer	2015							
	2014							
John N. McMullen	2016	232,692		1,676,250	1,552,000	50,137		3,511,079
Executive Vice President and Chief Financial Officer	2015							
	2014							
David R. Styka	2016	359,500		543,250	614,000	72,600		1,589,350
Former Executive Vice President And Chief Financial Officer	2015	310,385	100,000	1,745,750		59,500		2,215,635
	2014							
Charles W. Hull	2016	386,727		1,192,500	1,228,000	77,800		2,885,027
Executive Vice President and Chief Technology Officer	2015	370,962	100,000	437,500		65,625		974,087
	2014	355,904		1,413,200		113,400		1,882,504
Andrew M. Johnson	2016	329,500	102,967	1,192,500	1,228,000	66,600		2,919,567
Executive Vice President and Chief Legal Officer	2015	314,616	151,553	2,095,450		62,400		2,624,019
	2014	284,981		2,242,800		102,000		2,629,781
Kevin P. McAlea	2016	385,231		1,192,500	1,228,000	77,800	37,966	2,921,496
Executive Vice President and General Manager, Metals & Healthcare	2015	375,000	100,000	525,000		84,375	65,580	1,149,955
	2014	353,002		1,716,500		93,840	61,735	2,225,077

(1) The amounts are separate and distinct from any awards with respect to Non-Equity Incentive Plan Compensation. For 2015, these amounts included a merit bonus paid to certain executive officers in connection with their high performance and leadership during the transition period following the departure of Mr. Reichental as CEO. For Mr. Johnson, the bonus amounts in 2016 and 2015 also include a monthly bonus he received for services from November 2015 through April 2016 in connection with the performance of his duties as Interim

President and CEO.

(2) The amounts represent the aggregate grant date fair value computed in accordance with ASC Topic 718 of (i) restricted stock awards with time-based vesting conditions granted in each of fiscal years 2016, 2015 and 2014 and (ii) restricted stock awards with share price-based vesting conditions granted in fiscal year 2016. The value of the restricted stock awards is determined by multiplying the number of shares awarded by the closing price of our Common Stock on the date of grant. With respect to the restricted stock awards with share price-based vesting conditions, the grant date fair value assumes that both the $30 per share and $40 per share price-based vesting conditions have been met. See *2016 Equity Awards* above. The table below sets forth the restricted stock awards granted to our NEOs in 2016 by type with the corresponding grant date values.

Name	Time-Based Restricted Shares (#)	Performance-Based Restricted Shares ($30 vesting condition) (#)	Performance-Based Restricted Shares ($40 vesting condition) (#)	Value of Grant ($)
Vyomesh I. Joshi	150,000			2,268,000
		50,000		756,000
			25,000	378,000
John N. McMullen	75,000			1,005,750
		25,000		335,250
			25,000	335,250
David R. Styka	25,000			331,250
		8,000		106,000
			8,000	106,000
Charles W. Hull	50,000			662,500
		20,000		265,000
			20,000	265,000
Andrew M. Johnson	50,000			662,500
		20,000		265,000
			20,000	265,000
Kevin P. McAlea	50,000			662,500
		20,000		265,000
			20,000	265,000

(3) The amounts represent the aggregate grant date fair value computed in accordance with ASC Topic 718 of stock options granted to our NEOs in 2016. Assumptions used in the calculation of these amounts are included in Note 14 Stock-Based Compensation to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2016. All of the stock option awards granted in 2016 are subject to $30 per share or $40 per share price-based vesting conditions which are described in additional detail in *2016 Equity Awards* above.

(4) The amounts represent the amounts awarded to each NEO under the Company s annual incentive compensation program for the year concerned. See *2016 Incentive Compensation Program* above.

(5) Mr. McAlea s other compensation in 2016 is comprised of $37,966 in relocation benefit payments, which includes benefits grossed up by the Company by $13,167.

Grants of Plan-Based Awards in 2016

The following table sets forth information with respect to plan-based awards granted in 2016, including the amounts of target incentive awards established for each of the NEOs under the 2016 incentive compensation program that the Compensation Committee established on February 23, 2016. The threshold amounts are zero because no minimum awards are guaranteed to NEOs under this program. The base target and maximum amounts represent the incentive awards that could have been awarded assuming achievement of 100% of the pre-determined financial and individual performance objectives for 2015. The actual amounts earned by the

NEOs are set forth in the Summary Compensation Table above. The base target and maximum amounts for Messrs. Joshi and McMullen are prorated due to the fact that they joined the Company on April 1, 2016 and July 1, 2016, respectively. See *2016 Incentive Compensation Program* above.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock(2)	Exercise Price of Option Awards	Grant Date Fair Value of Stock and Option Awards(3)
Name	**Plan**	**Award Date**	**Threshold ($)**	**Base Target(1) ($)**	**Maximum(1) ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)**	**($)**	**($)**
Vyomesh I. Joshi	2016 Incentive Compensation Program	4/1/2016		693,750	693,750						
	2015 Incentive Plan	4/1/2016					75,000[4]				1,134,000
	2015 Incentive Plan	4/1/2016					500,000[5]			15.12	3,842,500
	2015 Incentive Plan	4/1/2016							150,000		2,268,000
John N. McMullen	2016 Incentive Compensation Program	7/1/2016		125,000	125,000						
	2015 Incentive Plan	7/1/2016					50,000[6]				670,500
	2015 Incentive Plan	7/1/2016					200,000[5]			13.41	1,552,000
	2015 Incentive Plan	7/1/2016							75,000		1,005,750
David R. Styka	2016 Incentive Compensation Program	2/23/2016		181,500	181,500						
	2015 Incentive Plan	7/26/2016					16,000[6]				212,000
	2015 Incentive Plan	7/26/2016					80,000[5]			13.25	614,000
	2015 Incentive Plan	7/26/2016							25,000		331,250.00
Charles W. Hull	2016 Incentive Compensation Program	2/23/2016		194,500	194,500						
	2015 Incentive Plan	7/26/2016					40,000[6]				530,000.00
	2015 Incentive Plan	7/26/2016					160,000[5]			13.25	1,228,000.00
	2015 Incentive Plan	7/26/2016							50,000		662,500.00
Andrew M. Johnson	2016 Incentive Compensation Program	2/23/2016		181,500	181,500						
	2015 Incentive Plan	7/26/2016					40,000[6]				530,000.00
	2015 Incentive Plan	7/26/2016					160,000[5]			13.25	1,228,000.00
	2015 Incentive Plan	7/26/2016							50,000		662,500.00
Kevin P. McAlea	2016 Incentive Compensation	2/23/2016		194,500	194,500						

	Program					
	2015 Incentive Plan	7/26/2016	40,000(6)			530,000.00
	2015 Incentive Plan	7/26/2016	160,000(5)		13.25	1,228,000.00
	2015 Incentive Plan	7/26/2016		50,000		662,500.00

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(1) The amounts in this column are prorated for Messrs. Joshi and McMullen based on their respective start dates.

(2) The amounts in this column represent time based restricted stock awards that vest on the third anniversary of the date of grant.

(3) The amounts included in the Grant Date Fair Value of Stock and Option Awards column represent the aggregate grant date fair value computed in accordance with ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 14 Stock-Based Compensation to our fiscal year 2016 consolidated financial statements, which are included in our Annual Report on Form 10-K filed with the SEC on February 28, 2017.

(4) This restricted stock award is comprised of 50,000 shares of Common Stock subject to $30 per share price-based vesting conditions and 25,000 shares of Common Stock subject to $40 per share price-based vesting conditions.

(5) This stock option award is comprised half of option awards subject to $30 per share price-based vesting conditions and half of option awards subject to $40 per share price-based vesting conditions.

(6) This restricted stock award is comprised half of shares of Common Stock subject to $30 per share price-based vesting conditions and half of the shares of Common Stock subject to $40 per share price-based vesting conditions.

Outstanding Equity Awards at Year-End 2016

The following table presents information with respect to equity awards made to each of NEOs that were outstanding on December 31, 2016.

	Option Awards				Stock Awards			
Name	**Number of Securities Underlying Unexercised Options Exercisable (#)**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options(1) (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested(2) ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested(3) (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(2) ($)**
Vyomesh I. Joshi		500,000	15.12	4/1/2026	150,000[4]	1,993,500	75,000	996,750
John N. McMullen		200,000	13.41	7/1/2026	75,000[5]	996,750	50,000	664,500
David R. Styka		80,000	13.25	7/26/2026	25,000[6]	332,250	16,000	212,640
					33,333[7]	442,996		
					25,000[8]	332,250		
					25,000[9]	332,250		
Charles W. Hull		160,000	13.25	7/26/2026	50,000[6]	664,500	40,000	531,600
					33,333[7]	442,996		
					40,000[10]	531,600		
Andrew M. Johnson		160,000	13.25	7/26/2026	50,000[6]	664,500	40,000	531,600
					83,333[7]	1,107,496		
					35,000[11]	465,150		
					30,000[12]	398,700		
Kevin P. McAlea		160,000	13.25	7/26/2026	50,000[6]	664,500	40,000	531,600
					40,000[7]	531,600		
					50,000[10]	664,500		

(1) Option awards in this column vest upon the satisfaction of certain share price performance conditions.

(2) Value calculated based on the $13.29 closing price of our stock on December 30, 2016.

(3) Restricted stock awards in this column vest upon the satisfaction of certain share price performance conditions.

(4) These restricted stock awards were granted on April 1, 2016 and vest in equal installments on the first, second and third anniversaries of the grant date.

(5) These restricted stock awards were granted on July 1, 2016 and vest in equal installments on the first, second and third anniversaries of the grant date.

(6) These restricted stock awards were granted on July 26, 2016 and vest in equal installments on the first, second and third anniversaries of the grant date.

(7) These restricted stock awards were granted on November 13, 2015 and vest in equal installments on the first, second and third anniversaries of the grant date.

(8) These restricted stock awards were granted on May 19, 2015 and vest in full on the third anniversary of the grant date.

(9) These restricted stock awards were granted on January 14, 2015 and vest in full on the third anniversary of the grant date.

(10) These restricted stock awards were granted on November 17, 2014 and vest in full on the third anniversary of the grant date.

(11) These restricted stock awards were granted on February 3, 2015 and vest in full on the third anniversary of the grant date.

(12) These restricted stock awards were granted on February 4, 2014 and vested in full on the third anniversary of the grant date.

Option Exercises and Stock Vested in 2016

No options were exercised by our NEOs in 2016. Shares of restricted Common Stock held by the NEOs vested as follows during 2016:

	Number of Shares Acquired on Vesting (1)(#)	**Value Realized on Vesting (2)($)**
Vyomesh I. Joshi		
John N. McMullen		
David R. Styka	16,667	238,338
Charles W. Hull	46,667	665,838
Andrew M. Johnson	68,667	842,348
Kevin P. McAlea	35,000	499,750
Total	167,001	2,246,274

(1) Where appropriate, amounts reflect a three-for-two stock split completed on February 22, 2013.

(2) Amounts reflect the aggregate market value of our Common Stock based on the closing price of our Common Stock on the applicable vesting date.

Potential Benefits upon Termination or Change of Control

Joshi Employment Agreement

Under his employment agreement, Mr. Joshi would, upon termination by the Company without cause or resignation for constructive discharge (in each case as defined in his agreement), become entitled to receive the following:

- An amount equal to 150% of his base salary, payable in 18 equal monthly installments;
- Any accrued but unpaid base salary as of the termination date;
- Any accrued but unused vacation time;
- Any accrued but unpaid performance bonus as of the termination date, on the same terms and at the same times as would have applied had the NEO s employment not terminated; and
- If the executive elects COBRA coverage for health and/or dental insurance, Company-paid monthly premium payments for such coverage such that the NEO s contributions to such plans will remain the same as if the NEO were employed by the Company until the earliest of: (1) 18 months from the termination date; or (2) the date the NEO is no longer eligible for COBRA coverage.

In the event of termination by the Company without cause or resignation for constructive discharge within 180 days before or two years after a change of control (as defined in his employment agreement), Mr. Joshi is entitled to receive a lump sum amount of cash equal to the sum of (i) 150% of his base salary plus (y) his target performance bonus, with such lump sum paid on the sixtieth day following the Termination Date.

McMullen, Hull and Johnson Employment Agreements

Under their employment agreements, Messrs. Hull and Johnson would, upon termination by the Company without cause or resignation for constructive discharge (in each case as defined in their respective agreements), become entitled to receive the following:

- An amount equal to the NEO s base salary, payable in 12 equal monthly installments;
- Any accrued but unpaid base salary as of the termination date;
- Any accrued but unpaid performance bonus as of the termination date, on the same terms and at the same times as would have applied had the NEO s employment not terminated;
- In the event the termination occurs on or prior to December 31, 2017, a pro rata portion of any performance bonus with respect to the calendar year in which the termination occurs; and
- If the executive elects COBRA coverage for health and/or dental insurance, Company-paid monthly premium payments for such coverage such that the NEO s contributions to such plans will remain the same as if the NEO were employed by the Company until the earliest of: (1) 12 months from the termination date; or (2) the date the NEO is no longer eligible for COBRA coverage.

McAlea Severance Agreement

The Company and Mr. McAlea are parties to a severance arrangement pursuant to which Mr. McAlea would become entitled to severance payments equal to nine months of his then current salary if his employment is terminated other than for cause.

Styka Severance Arrangements

Pursuant to Mr. Syka s employment agreement, in connection with his March 31, 2017 departure from the Company, he is entitled to (i) an amount equal to his base salary payable in 12 monthly installments, (ii) up to 12 months of COBRA coverage, and (iii) a pro rata portion of his 2017 annual incentive award, if any. Additionally, in connection with Mr. Styka s departure, we entered a one year consulting agreement with Mr. Styka pursuant to which he will complete additional work for the Company on an as-needed basis at a rate of $200 per hour for any hours in excess of 10 hours per month and during the term of which his unvested restricted stock awards will continue to vest upon their normal terms. Finally, certain restricted stock awards granted in 2015 will vest pro rata on March 31, 2018, the final day of the term of Mr. Styka s consulting agreement.

The following table reflects the amount of compensation that would be paid to each of our NEOs in the event of a termination of the executive officer s employment under various scenarios. The amounts shown assume that such termination was effective as of December 31, 2016 and include estimates of the amounts that would be paid to each executive officer upon such executive officer s termination. The table only includes additional benefits that result from the termination and do not include any amounts or benefits earned, vested, accrued or owing under any plan for any other reason. None of our NEOs is entitled to any additional benefits in connection with a Change of Control without a related termination of employment.

Name	**Termination Scenario**	**Cash Severance ($)**	**Health/ Welfare Benefits ($)**	**Equity Awards(1)(2) ($)**	**Cash Bonus Under Annual Incentive Plan ($)**	**Total ($)**
Vyomesh I. Joshi	Voluntary/For Cause					
	Death/Disability					
	Without Cause/Constructive Discharge	1,387,500				1,387,500
	In Connection with Change of Control	1,387,500			925,000	2,312,500
John N. McMullen	Voluntary/For Cause					
	Death/Disability					
	Without Cause/Constructive Discharge	500,000	20,782			520,782
	In Connection with Change of Control	500,000	20,782			520,782
Charles W. Hull	Voluntary/For Cause					
	Death/Disability			531,600		531,600
	Without Cause/Constructive Discharge	389,000	14,342	404,840		808,182
	In Connection with Change of Control	389,000	14,342	404,840		