

ORASURE TECHNOLOGIES INC

Form DEF 14A

April 05, 2017

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

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

**(Amendment No. \_\_ )**

Filed by the Registrant      Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**OraSure Technologies, Inc.**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Notice of  
2017 Annual Meeting of Stockholders  
and Proxy Statement

Tuesday, May 16, 2017  
10:00 a.m. (Eastern Time)

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**Letter to the Stockholders**

**Douglas A. Michels**

April 5, 2017

President and

Chief Executive Officer

Dear Fellow Stockholders:

You are cordially invited to attend the 2017 Annual Meeting of Stockholders (the Annual Meeting ) to be held on **Tuesday, May 16, 2017 at 10:00 a.m. Eastern Time**. This year's Annual Meeting will again be a completely virtual meeting of stockholders, conducted as a live webcast. You will be able to attend the Annual Meeting online, vote your shares electronically if you wish, and submit your questions during the meeting by visiting [www.virtualshareholdermeeting.com/OSUR2017](http://www.virtualshareholdermeeting.com/OSUR2017). This virtual format provides improved communication and cost savings for our stockholders and the Company.

Pursuant to the Securities and Exchange Commission rule allowing companies to furnish proxy materials to their stockholders over the internet, a Notice of Internet Availability of Proxy Materials (the Notice ) was sent to stockholders on or about April 5, 2017. The Notice contains information on how to access copies of the proxy materials and vote your shares.

At the Annual Meeting, you will be asked to (i) elect two Class II Directors to serve on the Board of Directors until the Annual Meeting of Stockholders in 2020; (ii) ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2017 fiscal year; (iii) approve, by an advisory (non-binding) vote, the compensation of the Company's named executive officers as disclosed in the proxy materials; (iv) approve, by an advisory (non-binding) vote, the frequency of future stockholder advisory votes on executive compensation; (v) approve the amendment and restatement of the Company's Stock Award Plan, including an increase in the number of shares of Common Stock authorized for grant under such Plan; and (vi) transact such other business as may properly come before the meeting, and any adjournment(s) or postponement(s) thereof.

The Board of Directors has approved the nominees for Director and recommends that you vote **FOR** their election to the Board. In addition, the Board of Directors recommends that you vote **FOR** the ratification of KPMG LLP's appointment, **FOR**

the approval of the Company's executive compensation, **FOR** the approval of holding future advisory votes on executive compensation every year, and **FOR** the amendment and restatement of the Stock Award Plan.

Your vote is very important, regardless of the number of shares you own. Whether or not you plan to attend the Annual Meeting online, we urge you to submit your vote as soon as possible. You will have the option to vote by telephone, via the internet, or by completing, signing, dating and returning a paper Proxy Card. Additional details on these options can be found in the Notice sent to you and in the other proxy materials. You may, of course, attend the Annual Meeting online and vote your shares during the meeting regardless of whether you have previously voted by phone, the internet or mail.

Thank you for your cooperation, your ongoing support of, and continued interest in, OraSure Technologies, Inc.

Sincerely yours,

Douglas A. Michels

President and Chief Executive Officer

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**NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS**

**OF ORASURE TECHNOLOGIES, INC.**

To Our Stockholders:

The 2017 Annual Meeting of Stockholders of OraSure Technologies, Inc. will be held virtually:

**Date:** Tuesday, May 16, 2017

**Time:** 10:00 am Eastern Time

**How:** Online by visiting [www.virtualshareholdermeeting.com/OSUR2017](http://www.virtualshareholdermeeting.com/OSUR2017)

**Who Can Vote:** Only holders of shares of our Common Stock of record at the close of business on March 23, 2017 will be entitled to vote at the Annual Meeting of Stockholders and any adjournment(s) or postponement(s) thereof. Additional information is included in the Proxy Statement accompanying this Notice.

**Purpose:** The 2017 Annual Meeting of Stockholders will be held for the following purposes:

To elect two (2) Class II Directors, each to serve for a term expiring at the Company's Annual Meeting of Stockholders in 2020;

To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2017;

To approve, by an advisory (non-binding) vote, the compensation of the Company's named executive officers as disclosed in the Proxy Statement accompanying this notice;

To approve, by an advisory (non-binding) vote, the frequency of future stockholder advisory votes on executive compensation;

To approve the amendment and restatement of the Company's Stock Award Plan, including an increase in the number of shares of Common Stock authorized for grant under such plan; and

To consider such other business as may properly come before the meeting, and any adjournment(s) or postponement(s) hereof.

By order of the Board of Directors,

Jack E. Jerrett

*Secretary*

*April 5, 2017*

**YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to participate in the Annual Meeting, you are urged to vote your shares as promptly as possible.**

**Via the Internet.** Go to [www.proxyvote.com](http://www.proxyvote.com) to vote your shares online prior to the Annual Meeting. Have the control number that is printed in your Notice of Internet Availability of Proxy Materials or Proxy Card and follow the instructions. You may also vote online during the Annual Meeting by going to [www.virtualshareholdermeeting.com/OSUR2017](http://www.virtualshareholdermeeting.com/OSUR2017) and following the instructions.

**By Phone.** Call the toll-free number on your Notice of Internet Availability of Proxy Materials or Proxy Card and follow the prompts.

**By Mail.** You can vote by mail by requesting a paper copy of the materials, which will include a Proxy Card. (Please review your Notice of Availability of Proxy Materials for instructions on how to request a paper copy of the materials). Mark, sign and date your Proxy Card and return it as indicated on the Proxy Card.



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**PROXY STATEMENT SUMMARY**

We are providing these Proxy Materials to stockholders of OraSure Technologies, Inc., a Delaware corporation (as used herein, we, us, our or the Company), in connection with the Company's solicitation of proxies (each, a Proxy) to be used at the Annual Meeting of Stockholders to be held on May 16, 2017, at 10:00 a.m. Eastern Time, and at any adjournment(s) or postponement(s) thereof (the Annual Meeting).

As a stockholder, you are invited to attend the Annual Meeting and are requested to vote on the matters described in this Proxy Statement. We are pleased to offer a completely virtual Annual Meeting, which will be

conducted as a live webcast that you can access online by going to [www.virtualshareholdermeeting.com/OSUR2017](http://www.virtualshareholdermeeting.com/OSUR2017). The webcast will not include a presentation by management. A question and answer session will be provided at the Annual Meeting only for questions that are germane to the matters being discussed and voted on at the meeting.

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider. **You should read the entire Proxy Statement carefully before voting.**

**2017 ANNUAL MEETING INFORMATION**

**Date and Time:** Tuesday, May 16, 2017 10:00 a.m. (ET)

**Location:** Online by visiting [www.virtualshareholdermeeting.com/OSUR2017](http://www.virtualshareholdermeeting.com/OSUR2017)

**Record Date:** March 23, 2017

**2016 BUSINESS HIGHLIGHTS**

Record consolidated net revenues of \$128.2 million - 7% growth over 2015.

- Ö Consolidated net income of \$19.7 million (\$0.35 per share) - an \$11.5 million (\$0.21 per share) improvement over 2015.
- Ö Second consecutive year of record performance and profitable operations.
- Ö Total stockholder return of 36% for 2016.
- Ö \$22.8 million in cash generated from operations - a \$7 million improvement over 2015.
- Ö Over \$120 million in cash and investments at year-end.
- Ö Molecular collection systems revenues growth of 8% over 2015.
- Ö HCV product sales increase of 24% over 2015.
- Ö Generated \$52.8 million in net product revenues (41% of total revenues) from newest business lines (i.e. Molecular collections, HCV, HIV-OTC and Ebola).
- Ö Secured up to \$16.6 million in federal government funding for new Zika antibody tests.
- Ö Substantial growth in international markets.
- Ö Executed and began fulfilling \$18.0 million product supply contract with foreign government the largest in Company history.

**We achieved record revenues and full-year profitability for the second consecutive year in 2016, with strong contributions from our OraQuick® HCV and molecular collections systems businesses.**

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**CORPORATE GOVERNANCE HIGHLIGHTS**

- Ö Comprehensive Code of Business Conduct and Ethics applies to Board of Directors (the Board ) and Management.
- Ö Independent Chairman of the Board.
- Ö Six (6) of eight (8) Board members ( Directors ) are independent as defined by the Securities and Exchange Commission ( SEC ) and the NASDAQ Stock Market ( NASDAQ ).
- Ö Corporate Governance Principles in place to address Director independence, meetings and other important governance matters.
- Ö All committees of the Board consist solely of independent Directors.
- Ö Regular executive sessions of independent Directors.
- Ö Regular stockholder engagement through meetings, conferences and annual outreach.
- Ö Board and Committee members attended more than 75% of meetings during 2016.
- Ö All Directors attended 2016 Annual Meeting of Stockholders.
- Ö Strong stock ownership and retention guidelines for non-employee Directors and executive officers.
- Ö Policy prohibiting short sales, hedging and pledging of our Common Stock.
- Ö Compensation recoupment or clawback policy.
- Ö Policy to prevent improper insider trading of our stock by non-employee Directors and employees.
- Ö Oversight of risk management by Directors.

Ö Strong pay-for-performance compensation philosophy.

## PROPOSALS FOR STOCKHOLDER CONSIDERATION

Proposals	Board	Page Reference for More Detail
	Recommendation	
1.) Election of Directors	FOR EACH NOMINEE	71
2.) Ratification of Appointment of Independent Registered Public Accounting Firm for 2017	FOR	76
3.) Advisory (Non-Binding) Vote to Approve Executive Compensation	FOR	77
4.) Advisory (Non-Binding) Vote on Frequency of Compensation Votes	EVERY YEAR	79
5.) Amendment and Restatement of Stock Award Plan	FOR	80

### Proposal No. 1 Election of Directors

The table below provides summary information about each of our nominees for Class II Directors, whose new terms would expire at the 2020 Annual Meeting of Stockholders. The Board is recommending that stockholders vote for each Director nominee.

Name and Principal Occupation <sup>1</sup>	Age	Director Since	Independent <sup>2</sup>	Committee Memberships <sup>3</sup>			Other Public Boards
				AC	CC	GC	
Ronny B. Lancaster							
Senior Vice President for Federal Government Relations of Assurant, Inc.	65	2003	Yes		C	Ö	--
Ronald H. Spair							
Chief Financial Officer and Chief Operating Officer of the Company	61	2006	No				Yes



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- <sup>1</sup> Roger L. Pringle, also a Class II Director, will be retiring from the Board following the 2017 Annual Meeting and thus has not been nominated for re-election.
- <sup>2</sup> As defined by the SEC and NASDAQ. Because Mr. Spair serves as the Company's Chief Financial Officer and Chief Operating Officer, he is not independent under applicable SEC and NASDAQ rules.
- <sup>3</sup> AC = Audit Committee; CC = Compensation Committee; NCGC = Nominating & Corporate Governance Committee; C = Chairman; Ö = Member.

### **Proposal No. 2 Ratification of Appointment of Independent Registered Public Accounting Firm**

Our Board and its Audit Committee have selected KPMG LLP ( KPMG ) to be our independent registered public accounting firm for the 2017 fiscal year. The Board believes KPMG is well qualified to serve in this capacity and is recommending that the engagement of KPMG be ratified by our stockholders.

### **Proposal No. 3 Advisory(Non-Binding) Vote to Approve Executive Compensation**

Our business is diverse and we operate in extremely competitive markets around the world.

It takes commitment from all of the talented people throughout our Company, and especially our executive team, to manage the many facets of our business. We have designed our compensation programs to enable us to attract, retain and reward our executives for achieving our objectives and delivering value to stockholders over the long-term. Therefore, we are asking our stockholders to approve, by an advisory (non-binding) vote, the compensation of our named executive officers ( NEOs ) as described in this Proxy Statement.

Our compensation programs are designed to focus and reward our executives for balancing both short and long-term priorities. To fulfill this mission, we have adopted a pay-for-performance philosophy that forms the foundation for executive compensation decisions made by our Board and the Compensation Committee of the Board (the Compensation Committee ). In addition, our compensation decisions are designed to align the interests of our executives with the interests of our stockholders and incorporate strong corporate governance principles.

The Compensation Discussion and Analysis portion of this Proxy Statement (the CD&A ) contains a detailed description of our executive compensation philosophy and program, the compensation decisions the Board and Compensation Committee have made under that program and the factors considered in making those decisions, focusing on the compensation of our NEOs for the year ended December 31, 2016, who were:

Douglas A. Michels, President and Chief Executive Officer  
 Ronald H. Spair, Chief Financial Officer and Chief Operating Officer  
 Anthony Zizzo, II, Executive Vice President, Marketing and Sales  
 Jack E. Jerrett, Senior Vice President, General Counsel and Secretary  
 Michael Reed, Ph.D., Senior Vice President, Research and Development and Chief Science Officer

At our 2016 Annual Meeting, 94% of the votes cast approved the compensation paid to our NEOs for the 2015 fiscal year, as disclosed in our 2016 Proxy Statement. This represented a 40% improvement from the results of our 2015

Annual Meeting. The Board and Compensation Committee take seriously the results of each say-on-pay ( SOP ) vote and the views of our stockholders regarding executive compensation. Accordingly, following each SOP vote over the past several years we have instituted an outreach effort to contact our stockholders in order to obtain their views on the reasons for the vote and to solicit their input on certain aspects of our compensation practices. As part of that effort, after the 2016 Annual Meeting we contacted stockholders who, in the aggregate, beneficially owned more than 50% of our outstanding Common Stock to understand their concerns. The input we received from

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stockholders confirmed that the compensation changes we made in 2015 and 2016 were responsive to stockholder concerns and strengthened the pay-for-performance focus of our compensation program. The CD&A provides additional detail regarding the results of our outreach effort, the input received from our stockholders and the compensation changes we implemented in response to that input. The Board is recommending that stockholders vote in favor of our executive compensation.

**Proposal No. 4    ~~Advisory~~(Non-Binding) Vote on Frequency of Future Advisory Votes on Executive Compensation**

Section 14A of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), provides that every six (6) years we must provide our stockholders with an opportunity to cast a separate advisory (non-binding) vote on the frequency of future advisory votes on executive compensation. Stockholders may indicate whether they would prefer that we conduct future advisory votes every year, every two (2) years or every three (3) years. At our Annual Meeting of Stockholders held in May 2011, a majority of our stockholders cast their vote in favor of holding an advisory vote on executive compensation each year. The Board has determined that an annual advisory vote on executive compensation will permit our stockholders to continue to provide direct input on our executive compensation philosophy and practices as disclosed in our proxy statement each year, and is consistent with our efforts to engage in an ongoing dialogue with our stockholders on executive compensation and corporate governance matters. Accordingly, the Board is recommending that stockholders vote in favor of having the advisory vote on executive compensation each year.

**Proposal No. 5    Amendment and Restatement of Stock Award Plan**

In order to enable the Company to continue to attract qualified directors, officers, employees and outside advisors, and to compensate these individuals in a manner that is competitive with compensation provided by other medical diagnostic and healthcare companies, the Board has determined that additional shares of Common Stock are needed for grants under the Company’s Stock Award Plan. In addition, the Board wants to ensure that sufficient shares are available, if needed, to provide retention or other equity awards in connection with potential acquisitions or other business development activities. Accordingly, subject to stockholder approval, the Board approved an amendment to the Company’s Stock Award Plan (the “Award Plan”) to increase the number of authorized shares by 3,000,000 shares. As a result of this increase, there will be a total of 4,627,471 shares available in the Award Plan on or after February 21, 2017, subject to stockholder approval. In addition, the Board has approved additional amendments to extend the term of the Award Plan until February 21, 2027 and make a few additional changes as further explained beginning on page 80 of this Proxy Statement. The Board is recommending that stockholders vote for approval of the amended and restated Stock Award Plan, a copy of which is attached as Exhibit A to this Proxy Statement.



**Table of Contents****COMPENSATION COMPONENTS**

We believe that all components of our executive compensation program are strongly tied to performance of both the Company and our executives and are aligned with the best interests of our stockholders. These components consist of the following:

Base Salary	Salaries are based on position relative to market and individual performance and contribution.
Annual Cash Incentive Bonuses	Annual incentive cash bonuses reflect market-based targets and are contingent upon (i) achievement of corporate financial objectives, which are used to determine overall bonus pool funding, and (ii) the executive's individual performance against pre-determined objectives, which are used to determine individual bonus payouts.
Long-term Incentive Plan ( LTIP ) Equity Awards	Long-term incentive equity compensation reflects market-based targets with the value of individual awards contingent upon the executive's individual performance against pre-determined objectives during the fiscal year prior to award.

**PERFORMANCE HIGHLIGHTS**

We believe that compensation awarded to executives for 2016 was closely aligned with our strong performance for the year. The Company's financial results for 2016 represented a substantial improvement over 2015 and largely met or exceeded our targets for the year. Consolidated net revenues in 2016 were \$128.2 million (7% growth over 2015), and consolidated net income was \$19.7 million, or \$0.35 per share (compared to \$8.2 million, or \$0.14 per share in 2015). Both represent record financial performance and 2016 was the second consecutive year of profitability. Total stockholder return for 2016 was 36%.

Our molecular collection systems business continued its strong performance in 2016 with revenues 8% higher than in 2015. Our HCV business also grew substantially, with 2016 net product revenues increasing 24% over 2015.

During the year, we also entered into a contract for up to \$16.6 million in funding from the Federal government for the optimization, manufacturing transfer and clinical testing related to our rapid Zika test. We also entered into and began fulfilling a 12-month \$18.0 million product supply contract with a foreign government, primarily in support of a nation-wide HCV testing and treatment program. We ended 2016 with over \$120 million in cash on our balance sheet, which we can use for our future growth.

The 2016 compensation for Mr. Michels, our President and Chief Executive Officer ( CEO ), and Mr. Spair, our Chief Financial Officer and Chief Operating Officer ( CFO/COO ), increased consistent with our improved 2016 financial performance, reflecting our commitment to a pay-for-performance philosophy.

**Table of Contents****SIGNIFICANT ACTIONS IN RESPECT OF OUR EXECUTIVE COMPENSATION PROGRAM**

Based on advice from an independent compensation consultant and input from our stockholders, the Board and Compensation Committee adopted several key changes to our compensation program in 2015 and 2016 in order to more closely align compensation with the performance of our executives. 2016 was the first year all of these changes were fully implemented.

<b>Compensation Changes Effective in 2016</b>	<b>Discussed on Page</b>
Modified long-term incentive awards to include 50% performance-vested restricted units. The first equity awards using this new structure occurred in February 2016, with the value of individual awards based on benchmarked peer data and performance during 2015. This practice continued with the annual equity awards in February 2017. The restricted units will vest only if (i) a three-year compound average growth rate for product revenues and/or a one-year earnings per share target is met; and (ii) a three-year service period is satisfied.	38
Eliminated excise tax gross-up in all NEO employment agreements and changed modified single trigger change-in-control severance to double trigger in our CEO's employment agreement.	38
Adopted increased stock ownership/retention requirements for executives.	39
Limited the Board's ability to make discretionary adjustments to annual incentive bonus pool funding under the 2016 Management Incentive Plan to +/- 10%. This limit is also included in the 2017 Management Incentive Plan.	39
Extended our previously authorized stock repurchase program to purchase 1.2 million shares of our Common Stock at a cost of \$7.6 million in late 2015 and early 2016. This action was taken, in part, because of concerns expressed by our stockholders regarding the dilutive impact of the annual equity awards made to management and non-employee Directors. The impact of stock repurchases will be excluded in determining whether the earnings per-share target for our performance-vested restricted units has been met.	40

**ADDITIONAL KEY FEATURES OF OUR EXECUTIVE COMPENSATION PROGRAM**

Other key features of our compensation program further illustrate our commitment to pay-for-performance, the strong alignment of our executives' interests with those of our stockholders and strong corporate governance. The more significant of these features are summarized below:

Compensation is market driven and performance-based.

Use of peer company benchmarking and tally sheets.

Compensation recoupment policy.

Balanced mix of cash/equity, fixed/variable, short-term/long-term compensation components.

Threshold financial performance objectives for annual bonus pool funding are set at levels that meet or exceed actual financial performance for the prior fiscal year.

Equity awards provide a long-term incentive with three-year vesting.

No hedging or pledging of our Common Stock.

Regular stockholder outreach on compensation/governance matters.

Total compensation targeted at 50<sup>th</sup> percentile of peer group.

Use of two separate third-party compensation consultants to provide independent advice on compensation matters.

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**QUESTIONS AND ANSWERS ABOUT THE 2017 ANNUAL MEETING AND VOTING**

**1. WHY DID I RECEIVE THESE PROXY MATERIALS?**

Our Board is furnishing Proxy Materials, including this Proxy Statement, a Proxy Card and the Company's Annual Report to Stockholders for the year ended December 31, 2016 ( 2016 Annual Report ), to our stockholders in order to solicit proxies to be voted at the Annual Meeting (each, a Proxy ). Each stockholder can access these documents on the internet in accordance with the rules and regulations of the SEC. On or about April 5, 2017, we mailed a Notice of Internet Availability of Proxy Materials (the Notice ) to each stockholder at the holder's address of record, indicating that this Proxy Statement is now available to our stockholders of record entitled to vote at the Annual Meeting.

SEC rules permit us to deliver only one copy of the Notice or a single set of Proxy Materials to multiple stockholders sharing the same address. Upon written or oral request, we will deliver separate Notices and/or copies of our 2016 Annual Report and/or this Proxy Statement to any stockholder at a shared address to

which a single copy of the Notice was delivered. Stockholders may notify the Company of their requests by calling or writing us at OraSure Technologies, Inc., 220 East First Street, Bethlehem, Pennsylvania 18015, Attention: Corporate Secretary; (610) 882-1820.

All stockholders and beneficial holders have the ability to access a copy of our Proxy Materials on the internet at the website referred to in the Notice. **Stockholders will not receive printed copies of the Proxy Materials unless they request those copies.** The Notice also instructs stockholders as to how to submit a Proxy through the internet. If you would like to receive a paper or e-mail copy of your Proxy Materials, you should follow the instructions for requesting such materials included in the Notice. We will pay the entire cost of preparing, assembling, printing, mailing and distributing these Proxy Materials and soliciting votes. If you choose to access the Proxy Materials and/or vote over the internet, you are responsible for any internet access charges you may incur.

**2. WHAT IS A PROXY?**

A Proxy is your legal designation of another person to vote the shares of Common Stock you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document also is called a Proxy

or a Proxy Card.

Jack E. Jerrett and Mark L. Kuna, each of whom are officers of the Company, have been designated as proxies by the Board of Directors for the Annual Meeting.

### **3. WHAT IS THE RECORD DATE AND WHAT DOES IT MEAN?**

The record date for the Annual Meeting is March 23, 2017 (the record date). The record date is established by the Board as required by Delaware law. Only stockholders of record at the close of business on the record date are entitled to:

(a) receive notice of the Annual Meeting; and

(b) vote at the meeting and any adjournment(s) or postponement(s) of the meeting.

Each stockholder of record on the record date is entitled to one vote for each share of Common Stock

held. On the record date, there were 58,406,047 shares of our Common Stock outstanding and entitled to vote at the Annual Meeting.

A list of stockholders will be open for examination by any stockholder for any purpose germane to the Annual Meeting for a period of 10 days prior to the meeting at our principal executive offices at 220 East First Street, Bethlehem, PA 18015, and electronically during the Annual Meeting at [www.virtualshareholdermeeting.com/OSUR2017](http://www.virtualshareholdermeeting.com/OSUR2017) when you enter the control number provided in the Notice sent to you.

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**4. WHAT IS THE DIFFERENCE BETWEEN A STOCKHOLDER OF RECORD AND A STOCKHOLDER WHO HOLDS STOCK IN STREET NAME?**

If your shares of stock are registered in your name on the books and records of our transfer agent, Computershare, Inc., you are a stockholder of record.

If your shares of stock are held for you in the name of your broker, bank or other nominee, your shares are held in street name. The answer to Question 7 describes brokers' discretionary voting authority and

when your broker, bank or other nominee is permitted to vote your shares of stock without instructions from you.

**It is important that you vote your shares if you are a stockholder of record and, if you hold shares in street name, that you provide appropriate voting instructions to your broker, bank or other nominee as discussed in the answer to Question 7.**

**5. HOW CAN I VOTE MY SHARES FOR THE ANNUAL MEETING?**

All stockholders have a choice of voting via the internet, over the telephone or by completing and mailing a paper Proxy Card, as described below.

***Voting via the Internet or by Telephone.*** Stockholders of record desiring to vote online via the internet or by telephone prior to the Annual Meeting, should go to [www.proxyvote.com](http://www.proxyvote.com) or call the toll free number indicated on the Proxy Card or Notice. You may vote via the internet or by telephone provided you do so by 11:59 p.m. Eastern Time (8:59 p.m. Pacific Time) on May 15, 2017. Stockholders who attend the Annual Meeting via the internet may vote their shares at that time up to and during the Annual Meeting by following the instructions at [www.virtualshareholdermeeting.com/OSUR2017](http://www.virtualshareholdermeeting.com/OSUR2017).

Street name holders may vote via the internet or by telephone if their brokers, banks or other nominees make those methods available. If that is the case, each broker, bank or nominee will include instructions with the Notice or Proxy Statement.

The telephone and internet voting procedures, including the use of control numbers, are designed to authenticate your identity, to allow you to give your

voting instructions and to confirm that your instructions have been recorded properly.

If you vote via the internet, you should understand that you will be responsible for any costs associated with this method of voting, such as usage charges from internet access providers and telephone companies.

***Voting by Mail.*** If you desire to vote prior to the Annual Meeting by using a paper Proxy Card instead of by telephone or via the internet, you will need to either print a copy of the Proxy Card from the website indicated in your Notice or follow the instructions in your Notice to request that a paper copy be sent to you. You will then need to complete, sign, date and return the Proxy Card, as described on the Proxy Card. Street name holders should complete and return the voting card provided by their broker, bank or nominee.

***Voting at the Annual Meeting.*** All stockholders of record may vote online during the Annual Meeting, as described above. Submitting a Proxy via the internet, over the telephone or by mail will not affect your right to withdraw your Proxy and vote during the Annual Meeting.

## **6. HOW WILL MY SHARES BE VOTED IF I SEND IN A PROXY?**

If you are represented by a properly executed Proxy, whether delivered by phone, the internet or mail, your shares will be voted in accordance with your instructions.

If you do not provide instructions with your Proxy, your shares will be voted according to the recommendations of our Board as stated on the Proxy.



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**7. WILL MY SHARES BE VOTED IF I DO NOT PROVIDE MY PROXY?**

***Stockholders of Record:*** If you are a stockholder of record, your shares will not be voted if you do not provide your Proxy, unless you vote online during the Annual Meeting. **It is, therefore, important that you vote your shares.**

***Street Name Holders:*** If your shares are held in street name and you do not provide your signed and dated voting instruction form to your bank, broker or other nominee, your shares may be voted by your broker, bank or other nominee but only under certain circumstances. Specifically, under NASDAQ rules, shares held in the name of your broker, bank or other nominee may be voted by your broker, bank or other nominee on certain routine matters if you do not provide voting instructions.

At the upcoming Annual Meeting, only the ratification of the selection of KPMG LLP as the

Company's independent registered public accounting firm is considered a routine matter for which brokers, banks or other nominees may vote uninstructed shares. The other proposals to be voted on at our Annual Meeting (specifically, the election of Director nominees, the advisory vote to approve the compensation of the Company's NEOs, the advisory vote on frequency of future votes on executive compensation and the amendment and restatement of our Stock Award Plan) are not considered routine under NASDAQ rules, so the broker, bank or other nominee cannot vote your shares on any of these proposals unless you provide to the broker, bank or other nominee voting instructions for each of these matters. If you do not provide voting instructions on these matters, your shares will not be voted on the matter, which is referred to as a broker non-vote. **It is, therefore, important that you vote your shares.**

**8. HOW MANY SHARES MUST BE PRESENT TO HOLD THE ANNUAL MEETING?**

Your shares are counted as present at the meeting if you attend the meeting and vote online or if you properly return a Proxy by internet, telephone or mail. In order for us to conduct our Annual Meeting, a majority of our outstanding shares of Common Stock as of

March 23, 2017, must be present online or by Proxy at the meeting. This is referred to as a quorum. Broker non-votes, votes withheld and abstentions are included in determining whether there are a sufficient number of shares present to constitute a quorum.

## **9. HOW CAN I REVOKE A PROXY?**

You can revoke a Proxy before the completion of voting at the Annual Meeting by:

- (a) Giving written notice to the Corporate Secretary of the Company to revoke your Proxy;
- (b) Delivering a later-dated Proxy that indicates the change in your vote; or
- (c) Logging on to [www.proxyvote.com](http://www.proxyvote.com) in the same manner you would to submit your Proxy electronically or calling the telephone number indicated in your Notice, and in each case, following the instructions to revoke or change your vote; or
- (d) Attending the Annual Meeting online and voting, which will automatically cancel any Proxy previously given. Attendance alone will not revoke any Proxy that you have given previously.

If you choose any of the first three methods, you must take the described action no later than 11:59 p.m. Eastern Time (8:59 p.m. Pacific Time) on May 15, 2017. Once voting on a particular matter is completed at the Annual Meeting, you will not be able to revoke your Proxy or change your vote. If your shares are held in street name by a broker or other nominee, you must contact that institution to change or revoke your vote.

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**10. WHAT ITEMS WILL BE VOTED ON AT THE ANNUAL MEETING?**

At the Annual Meeting, action will be taken on the matters set forth in the accompanying Notice and described in this Proxy Statement. The Board knows of no other matters to be presented for action at the Annual Meeting.

If any other matters do properly come before the Annual Meeting, the persons named in the Proxy Card will have discretionary authority to vote on those matters in accordance with their best judgment.

**11. WHO WILL PAY THE COST OF THIS PROXY SOLICITATION?**

Solicitation of Proxies is made on behalf of the Board. The cost of soliciting Proxies will be borne by the Company. In addition to solicitations by e-proxy and/or by mail, certain of our Directors, officers and regular employees may solicit Proxies personally or by telephone or other means without additional compensation.

We have also engaged Morrow & Co., LLC, 470 West Ave., Stamford, CT 06902, to provide proxy solicitation services at an estimated fee of \$7,500 plus expenses.

Arrangements will be made with brokerage firms and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of stock held of record by such persons, and we will, upon request, reimburse them for their reasonable expenses in so doing.

**12. HOW CAN I PARTICIPATE IN THE ANNUAL MEETING?**

This year's Annual Meeting will be a completely virtual meeting of stockholders, and will be conducted via live webcast on the Internet. You are entitled to participate in the Annual Meeting only if you were a stockholder of the Company as of the close of business on March 23, 2017, the record date for the meeting, or if you hold a valid Proxy

for the Annual Meeting.

You will be able to participate in the Annual Meeting online and submit your questions during the meeting by visiting [www.virtualshareholdermeeting.com/OSUR2017](http://www.virtualshareholdermeeting.com/OSUR2017). To participate in the Annual Meeting, you will need the control number that is included on your Notice, on our proxy card or on the instructions that accompanied your proxy materials. The Annual Meeting will begin promptly at 10:00 a.m. Eastern Time, and you should allow ample time to complete the online check-in procedures.

### **13. ARE VOTES CONFIDENTIAL?**

We will continue our long-standing practice of holding the votes of each stockholder in confidence from Directors, officers and employees, except: (a) as necessary to meet applicable legal requirements and to assert or defend claims for or against the Company;

(b) in the case of a contested proxy solicitation; (c) if a stockholder makes a written comment on the Proxy Card or otherwise communicates his or her vote to the Company; or (d) as needed to allow the independent inspectors of election to certify the results of the vote.

### **14. WHO COUNTS THE VOTES?**

We will continue, as we have for many years, to retain an independent inspector of election to receive and tabulate the Proxies and certify the results. These activities will be handled electronically.

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**15. MAY STOCKHOLDERS ASK QUESTIONS AT THE ANNUAL MEETING?**

Yes. The Chairman of the Board will answer stockholders' questions during the question and answer period of the meeting. Stockholders must confine their questions to matters that relate directly to

the business of the meeting. The Chairman will determine which questions are appropriate to answer during the meeting.

**Table of Contents****STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information, as of March 23, 2017, regarding the beneficial ownership of the Company's Common Stock by (a) each person who is known by us to be the beneficial owner of more than five percent of the Common Stock outstanding; (b) each Director and nominee for election as Director; (c) each of our executive officers named in the Summary Compensation Table in this Proxy Statement; and (d) all of our Directors and executive officers as a group. Unless otherwise indicated, the address of each person identified below is c/o OraSure Technologies, Inc., 220 East First Street, Bethlehem, Pennsylvania 18015.

Pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act), shares of Common Stock which a person has a right to acquire pursuant to the exercise of stock options held by that person that are exercisable within 60 days of March 23, 2017 are deemed to be outstanding for the purpose of computing the ownership percentage of that person, but are not deemed outstanding for computing the ownership percentage of any other person.

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership<sup>1,2</sup></b>	<b>Percent of Class</b>
BlackRock, Inc. <sup>3</sup> 40 East 52 <sup>nd</sup> Street New York, NY 10022	5,359,573	9.2%
Renaissance Technologies, LLC <sup>4</sup> 800 Third Avenue New York, NY 10022	4,197,303	7.2%
The Vanguard Group <sup>5</sup> 100 Vanguard Blvd. Malvern, PA 19355	3,429,060	7.2%
Douglas A. Michels	1,647,318	2.8%
Ronald H. Spair <sup>6</sup>	878,668	1.5%
Anthony Zezzo II	420,753	*
Roger L. Pringle <sup>7</sup>	310,980	*
Jack E. Jerrett	117,204	*
Michael Reed, Ph.D.	32,240	*
Michael Celano	83,079	*

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Charles W. Patrick <sup>6</sup>	81,881	*
Ronny B. Lancaster	93,603	*
Stephen S. Tang, Ph.D.	41,748	*
Eamonn P. Hobbs	35,033	*
All Directors and executive officers as a group (12 people)	3,885,205	6.4%

\*Less than 1%

<sup>1</sup>Subject to community property laws where applicable, beneficial ownership consists of sole voting and investment power except as otherwise indicated.

<sup>2</sup>Includes shares subject to options exercisable within 60 days of March 23, 2017, as follows: Mr. Michels, 879,260 shares; Mr. Spair, 619,539 shares; Mr. Zezzo, 275,343 shares; Mr. Pringle, 140,552 shares; Mr. Jerrett, 58,362 shares; Mr. Patrick, 15,000 shares; Mr. Lancaster, 15,000 shares; Dr. Tang, 10,000 shares; Mr. Hobbs 23,333 shares; and all Directors and executive officers as a group, 2,115,596 shares. Also includes unvested restricted stock, as follows: Mr. Michels, 177,333 shares; Mr. Spair, 88,021 shares; Mr. Zezzo, 48,387 shares; Mr. Pringle, 11,700 shares; Mr. Jerrett, 35,187 shares; Dr. Reed, 32,240 shares; Mr. Celano, 11,700 shares; Mr. Patrick, 11,700; Mr. Lancaster, 11,700 shares; Dr. Tang, 11,700 shares; Mr. Hobbs 11,700 shares; and all Directors and executive officers as a group, 485,784 shares. Does not include unvested performance-vested restricted units.

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<sup>3</sup>Based on information contained in a Schedule 13G/A filed January 25, 2017. The filing person has sole voting power with respect to 5,241,380 shares and sole dispositive power with respect to 5,359,573 shares.

<sup>4</sup>Based on information contained in a Schedule 13G filed February 14, 2017. The filing persons have sole voting power with respect to 4,023,301 shares and sole dispositive power with respect to 4,197,303 shares.

<sup>5</sup>Based on information contained in a Schedule 13G filed February 10, 2017. The filing person has sole voting power with respect to 106,632 shares, shared voting power with respect to 4,900 shares, sole dispositive power with respect to 3,320,228 shares and shared dispositive power with respect to 108,832 shares.

<sup>6</sup>Includes restricted shares contributed to the OraSure Technologies, Inc. Deferred Compensation Plan, as follows: Mr. Spair, 150,063 shares; and Mr. Patrick, 9,255 shares.

<sup>7</sup> Includes 1,500 shares owned by Mr. Pringle's spouse.



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**CORPORATE GOVERNANCE**

**BOARD RESPONSIBILITIES, OPERATION AND COMPOSITION**

The primary responsibility of the Board of Directors is to promote the long-term success of the Company. In fulfilling this role, each Director must exhibit good faith business judgment as to what is in the best interests of the Company. The Board is responsible for establishing broad corporate policies, setting strategic direction and overseeing management. The Company's management is responsible for the day-to-day operations of the Company.

In November 2016, Douglas G. Watson, our long-time Chairman of the Board, retired as a Director. As a result, as of the date of this Proxy Statement, the Board consists of eight (8) Directors.

The Board is divided into three classes with each class consisting of one-third of the total number of Directors on the Board. At each Annual Meeting of Stockholders, the nominees for the class of Directors whose term is expiring at that annual meeting are elected for a three-year term. A Director holds office until the Annual Meeting of Stockholders for the year in which his or her term expires or until his or her successor is elected and duly qualified, subject to prior death, resignation, retirement, disqualification or removal. Each nominee for election at the Annual Meeting currently serves as a Director.

The Board typically holds regular meetings in February, May, August and November with special meetings held as needed. The Board's organizational meeting follows the Annual Meeting of Stockholders. The Board meets in executive session at all regularly scheduled meetings. The Board held 11 meetings and acted by written consent on three (3) occasions during the fiscal year ended December 31, 2016. Each member of the Board attended more than 75 percent of the combined total of meetings of the Board and of the Committees of the Board on which such member served during the period in the year in which he served as a Director.

**Directors attended greater than 75% of all Board and Committee meetings during 2016.**

**GOVERNANCE GUIDELINES AND CODE OF CONDUCT**

The Board has adopted Corporate Governance Principles which, along with the Charters for each of its Committees and the Company's Code of Business Conduct and Ethics, provide a framework for the governance of the Company. The Company's Corporate Governance Principles address matters such as the responsibilities and composition of the Board, Director independence and the conduct of Board and Committee meetings. The Company's Code of Business Conduct and Ethics sets forth guiding principles of business ethics and certain legal requirements applicable to all Company employees and non-employee Directors. Copies of the current Corporate Governance Principles and Code of Business Conduct and Ethics are available on the Company's website, [www.orasure.com](http://www.orasure.com).

**The Board operates under our Code of Business Conduct and Ethics and Corporate Governance Principles.**



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**INDEPENDENT CHAIRMAN**

**The positions of Chairman of the Board and CEO of the Company are held by different individuals, with the Chairman being independent of management.**

Currently, the Company's Chief Executive Officer does not hold the position of Chairman of the Board as the Company believes it is appropriate for the Board to be led by an individual who is independent of management. With Mr. Watson's retirement, Stephen S. Tang, Ph.D. was appointed as Chairman of the Board in November 2016. Dr. Tang has been a Director since 2011. The Board has carefully considered its leadership structure and believes at this time that the Company and its stockholders are best served by having the positions of Chairman and Chief Executive Officer filled by different individuals. This allows the Chief Executive Officer to, among other things, focus on the Company's day-to-day business, while allowing the Chairman to lead the Board in its fundamental role of providing advice and oversight of management. In the future, however, the Board may reconsider whether its Chief Executive Officer should also serve as Board Chairman.

**DIRECTOR INDEPENDENCE**

Our Corporate Governance Guidelines require, among other things, that a majority of the members of the Board meet the independence requirements of the SEC and NASDAQ, on which our Common Stock is listed. Each year our Board, with assistance from the Nominating and Corporate Governance Committee, conducts a review of Director independence. The most recent annual review occurred in the first quarter of 2017, during which the

Board considered transactions and relationships, if any, between each Director or any member of such Director's immediate family and the Company. As a result of this review, the Board determined that Michael Celano, Eamonn P. Hobbs, Ronny B. Lancaster, Charles W. Patrick, Roger L. Pringle, and Stephen S. Tang, Ph.D. are independent, as that term is defined in the applicable rules of NASDAQ and the SEC. Only Douglas A. Michels and Ronald H. Spair were determined by the Board not to be independent because they are executive officers of the Company. Based on the foregoing, the Board of Directors is comprised of a majority of independent Directors.

**A majority of our Directors are independent as required under applicable SEC and NASDAQ rules.**

**OVERSIGHT OF RISK MANAGEMENT**

As part of its oversight of the Company's operations, the Board and Audit Committee monitor the management of risks by the Company's executives. The Audit Committee reviews the risks that the Company may face and receives reports from senior management on the nature of these risks and the procedures and processes in place to manage and mitigate such risks. Substantive areas of risk reviewed by the Audit Committee include financial, legal, regulatory, operational, information technology, cybersecurity and

employment matters. The Audit Committee provides a report to the full Board on the matters covered during each of its meetings, including its risk monitoring activities. In addition, senior management provides periodic reports to the full Board on the major risks facing the Company and the processes and procedures in place to manage such risks. Management also conducts a risk assessment of the Company's compensation policies and practices, including its executive compensation program, as described in greater detail in the Section of this Proxy Statement entitled,

**The Board and Audit Committee monitor the major risks facing the Company and the procedures and processes implemented by management to mitigate those risks.**

Compensation Committee Matters.

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**ANNUAL MEETING ATTENDANCE AND STOCKHOLDER COMMUNICATIONS**

The Board has approved a policy concerning Board members' attendance at our Annual Meeting of Stockholders and a process for security holders to send communications to members of the Board. A description of the Board's policy on annual meeting attendance is provided on our website, at [www.orasure.com](http://www.orasure.com). As a general matter, each Board member is required to attend each Annual Meeting of Stockholders. Our 2016 Annual Meeting was attended by all members of the Board.

Security holders may communicate with the Board by sending their communications to OraSure Technologies, Inc., 220 East First Street, Bethlehem, Pennsylvania 18015, Attention: Corporate Secretary, fax: (610) 882-2275, email: [corporatesecretary@orasure.com](mailto:corporatesecretary@orasure.com).

**All Board members are required to attend each Annual Meeting of Stockholders. The entire Board was present at the 2016 Annual Meeting.**

**COMMITTEES OF THE BOARD**

The Board currently has three standing committees—the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Members of these committees are each independent, as defined in the Exchange Act and NASDAQ rules applicable to such Committees. In addition, the Board has determined that Michael Celano is an audit committee financial expert, as that term is defined by applicable rules of the SEC. Each committee operates pursuant to a written charter, copies of which are available on our website, at [www.orasure.com](http://www.orasure.com). Information on each standing committee is provided below:

**AUDIT COMMITTEE**

Responsibilities:

**Committee Members:**

Michael Celano	(C, , I)	Oversees accounting and financial reporting process, internal controls and audits.
Eamonn P. Hobbs	(I)	
Charles W. Patrick	(I)	
Roger L. Pringle	(I)	Consults with management and the Company's independent registered public accounting firm on, among other items, matters related to the annual audits, the published financial statements and the accounting principles applied.

Number of Meetings during  
fiscal 2016: 8

Appoints, evaluates and retains our independent registered public accounting firm.

Responsible for the compensation, termination and oversight of our independent registered public accounting firm.

Evaluates the independent registered public accounting firm's qualifications, performance and independence.

Approves all services provided by the independent registered public accounting firm.

Monitors the Company's major risk exposures and reviews risk assessment and mitigation policies.

Maintains procedures for the receipt, retention and treatment, on a confidential basis, of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.

C Committee Chair

- Determined by the Board to be an audit committee financial expert as defined under applicable SEC Rules.

I Determined by the Board to be independent under applicable SEC and NASDAQ rules.

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**COMPENSATION COMMITTEE**

Responsibilities:

**Committee Members:**

Ronny B. Lancaster	(C, I)
Eamonn P. Hobbs	(I)
Roger L. Pringle	(I)
Stephen S. Tang, Ph.D.	(I)

Oversees compensation for executives and non-employee Directors.

Reviews and recommends to the Board for approval the performance criteria and goals and objectives for CEO compensation.

Number of Meetings during  
fiscal 2016: 9

In consultation with other independent non-employee Directors, evaluates the CEO's and the CFO/COO's annual performance in light of the Company's performance.

Evaluates and recommends to the Board for approval the CEO's compensation.

In consultation with the CEO, reviews and approves the compensation of other executive officers.

Establishes performance measures and goals and evaluates the attainment of such goals under performance-based incentive compensation plans.

Reviews compensation and benefits issues.

Reviews and recommends for Board approval, the terms of any employment agreement between the Company and each executive officer.

Periodically reviews and administers the Company's Compensation Recoupment Policy for executive officers and non-employee Directors.

Reviews compliance with the Company's Stock Ownership Guidelines.

## NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Responsibilities:

### Committee Members:

Charles W. Patrick	(C, I)
Michael Celano	(I)
Ronny B. Lancaster	(I)
Stephen S. Tang, Ph.D.	(I)

Identifies, evaluates and recommends candidates for nomination or re-election to the Board.

Reviews and makes recommendations to the Board on the range of skills, qualifications and expertise required for service as a Director.

Number of Meetings during  
fiscal 2016: 5

Reviews and recommends for Board approval the appropriate structure of the Board.

Reviews and recommends for Board approval the appropriate structure of Board committees, and recommends committee assignments and candidates for the position of Chairman of each committee.

Develops and recommends for Board approval a set of Corporate Governance Guidelines and a Code of Business Conduct and Ethics, and procedures for the implementation thereof.

Periodically reviews and recommends for Board approval the Board's leadership structure, including whether the same person should serve as both CEO and Chairman of the Board.

Assists in the development of succession plans for the Company's CEO and other executives.

Assists the Board in evaluating the independence of individual Directors for purposes of Board and committee service.



Develops and implements an annual self-evaluation process for the Board and its committees

C Committee Chair

- Determined by the Board to be an audit committee financial expert as defined under applicable SEC Rules.

I Determined by the Board to be independent under applicable SEC and NASDAQ rules.

Table of Contents**NOMINATION OF DIRECTORS**

Our Bylaws provide that nominations for election to the Board may be made by the Board or by any stockholder entitled to vote for the election of Directors at the Annual Meeting. A stockholder's notice of nomination must be made in writing to the Company's Corporate Secretary and must be delivered to or received at our principal executive offices not less than ninety (90) days nor more than one hundred twenty (120) days prior to the meeting. However, in the event that less than one hundred (100) days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, in order for notice by the stockholder to be timely, notice must be received no later than the close of business on the tenth (10<sup>th</sup>) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. The notice to the Corporate Secretary must set forth, with respect to the nominee, the name, age, business address, residence address, principal occupation or employment of the person, the class and number of shares of capital stock of the Company which are beneficially owned by the person, and any other information relating to the person that is required to be disclosed in

**Stockholders can nominate individuals to serve on the Board by following the procedures described in the Company's Bylaws. Diversity is an important factor that is considered in evaluating new candidates for the Board. In determining whether incumbent Directors will be nominated for re-election, we evaluate the individual's background, experience and prior service as a Director.**

solicitations for proxies for election of Directors pursuant to Regulation 14A under the Exchange Act. The notice must also include, as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made: (i) the name and address of the stockholder and such beneficial owner; (ii) the class and number of shares of capital stock of the Company which are held of record or beneficially owned by such stockholder and such beneficial owner and any other direct or indirect pecuniary or economic interest in any capital stock of the Company of such stockholder and beneficial owner, including without limitation, any derivative instrument, swap, option, warrant, short interest, hedge, profit sharing arrangement or borrowed or loaned shares; (iii) a description of any arrangements or understandings between such stockholder and beneficial owner and each proposed nominee and any other person (including their names) pursuant to which the nomination(s) are to be made by such stockholder and such beneficial owner or with respect to actions to be proposed or taken by such nominee if elected as a Director; (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice; and (v) any other information relating to such stockholder and such beneficial owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Directors, or may otherwise be required pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. We may also require any proposed nominee to furnish such other information as we may reasonably require to determine the eligibility of the proposed nominee to serve as a Director of the Company.

The Nominating and Corporate Governance Committee may also consult with outside advisors or retain search firms to assist in the search for qualified candidates. Candidates recommended by stockholders will be considered by the Nominating and Corporate Governance Committee in the same manner as candidates recommended by other sources, but only if the stockholder makes a recommendation in accordance with the advance notification provisions set forth in the Company's Bylaws.

**DIRECTOR QUALIFICATIONS**

Although there is no formal policy governing Board diversity, the Nominating and Corporate Governance Committee considers diversity and other factors in evaluating new candidates for the Board. The term diversity is used broadly to include not only race, gender and national origin, but also any other factors determined to be relevant by the

Nominating and Corporate Governance Committee based on the needs of the Board and Company, including independence, integrity, knowledge, judgment, character, leadership skills, education, industry experience, financial literacy, technical background, specialized expertise, and standing in the community. In evaluating incumbent Directors for re-election, the Nominating and Corporate Governance Committee considers that Director's background, experience and overall service to the Company, including the number of meetings attended, level of

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participation, quality of performance and other factors deemed relevant by the Nominating and Corporate Governance Committee.

### INSIDER TRADING

We have a policy designed to prevent any trading in the Company's Common Stock or other securities by a person while such person is in possession of material nonpublic information. This policy applies to Directors, executive officers and all other employees of the Company and its affiliates. The policy prohibits trading in the Company's securities on the basis of material nonpublic information, requires preapproval of transactions in Company securities for Directors, executive officers and all other employees and establishes regular trading windows after each calendar quarter following the Company's announcement of its quarterly financial results.

**Our Insider Trading Policy prohibits trading by Directors or employees who are in possession of material nonpublic information about the Company.**

### PROHIBITION AGAINST SHORT SALES, HEDGING AND PLEDGING

We believe it is inappropriate for any employee or member of the Board to engage in short-term or speculative transactions involving Company securities. As a result, our insider trading policy prohibits Directors, executive officers and all other employees from entering into these types of transactions involving our Common Stock, including short sales, the buying or selling of puts or calls, the purchase of securities on margin, prepaid variable forward contracts, equity swaps, collars, exchange funds and other similar financial instruments. Our policy also prohibits employees and Directors from pledging shares of our Common Stock as collateral.

**We have implemented several governance policies related to our Common Stock. Our policies prohibit short-term, speculative transactions in our stock, such as hedging, pledging and short sales.**

### STOCK OWNERSHIP AND RETENTION GUIDELINES

**In 2015, we implemented enhanced stock ownership and retention guidelines for our CEO and other executives.**

The Board has adopted stock ownership and retention guidelines applicable to the Company's President and Chief Executive Officer, its Chief Financial Officer and Chief Operating Officer, all other executive officers and all non-employee members of the Board. In 2015, we implemented enhanced stock ownership and retention guidelines for our CEO and other executives. Under these guidelines, the covered individuals must meet the following ownership requirements, expressed either as a multiple of base salary (in the case of Company officers) or annual cash fees (in the case of Board members):

**Multiple of Base Salary**

**Covered Individual**

**or Director Fees**

President and Chief Executive Officer	6x
Chief Financial Officer and Chief Operating Officer	2x
Other Executive Officers	1x
Non-Employee Directors	1x

Any individual who was covered by the guidelines at the time of adoption or who becomes subject to the guidelines following adoption is required to meet the guidelines within five years. Any individual already subject to the guidelines who becomes subject to a higher ownership requirement, due to a promotion, a further amendment to the guidelines or an increase in compensation, is required to meet the new ownership requirement within five years following the effective date of promotion, change in compensation or guideline amendment. In determining whether an individual meets the required ownership requirement, shares owned directly or indirectly, restricted stock (including both time and performance vested) and shares deferred under our deferred compensation plan will be

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counted. Compliance will be determined as of December 31 of each fiscal year. The guidelines also require each covered individual to retain at least 50% of the net shares acquired upon the exercise of stock options and the vesting of restricted stock until the individual's holdings of Common Stock equal or exceed the applicable ownership requirement. As of December 31, 2016, all covered officers and non-employee Directors were in compliance with the stock ownership guidelines.

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**AUDIT COMMITTEE MATTERS**

**REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED DECEMBER 31, 2016**

*The information contained in this report shall not be deemed to be soliciting material or filed for purposes of Section 18 of the Exchange Act or otherwise subject to liability under that Section. This report shall not be deemed incorporated by reference into any document filed under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act, whether such filing occurs before or after the date hereof, regardless of any general incorporation language in such filing.*

The role of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities to oversee management's conduct of the Company's financial reporting process, including monitoring (1) the participation of management and the outside independent registered public accounting firm in the financial reporting process, (2) the Company's systems of internal accounting and financial controls, (3) the annual independent audit of the Company's financial statements and (4) the qualifications, independence and performance of the outside independent registered public accounting firm. The Audit Committee selects the Company's outside independent registered public accounting firm, and once selected, the outside independent registered public accounting firm reports directly to the Audit Committee. The Audit Committee is responsible for approving both audit and non-audit services to be provided by the outside independent registered public accounting firm. The Audit Committee is composed of four (4) non-employee directors and operates pursuant to a Charter that was last amended and restated by the Board on November 9, 2015 (which can be found on the Company's website at [www.orasure.com](http://www.orasure.com)).

Management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements, the Company's accounting and financial reporting principles and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm is responsible for auditing the Company's financial statements and expressing an opinion as to their conformity with U.S. generally accepted accounting principles. The Audit Committee's responsibility is to monitor and review these processes. It is not the Audit Committee's duty or responsibility to conduct auditing or accounting reviews.

In the performance of its oversight function, the Audit Committee has considered and discussed the audited financial statements with management, which included a discussion of not only the quality, but also the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee met with the independent registered public accounting firm, with and without management, to discuss the results of their audit and their judgments regarding the Company's accounting policies. The Audit Committee has also discussed with the independent registered public accounting firm the matters required to be discussed under applicable standards, including those in Public Company Accounting Oversight Board Auditing Standard No. 16, as currently in effect. Finally, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board as currently in effect, has considered whether the provision of non-audit services by the independent registered public accounting firm to the Company is compatible with maintaining the firm's independence and has discussed with the independent registered public accounting firm the firm's independence.

Based upon the reports and discussions described in this report, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in the Audit Committee's Charter, the Audit Committee

recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for filing with the SEC and selected KPMG LLP as the independent registered public accounting firm for fiscal year 2017. The Board is recommending that stockholders ratify that selection at the Annual Meeting.

**Submitted by the Audit Committee of the Company's Board of Directors:**

Michael Celano, Chairman

Eamonn P. Hobbs

Charles W. Patrick

Roger L. Pringle

March 8, 2017



**Table of Contents****AUDIT FEES; AUDIT RELATED FEES; TAX FEES; ALL OTHER FEES**

The following table presents fees for professional audit services rendered by KPMG LLP (i) for the audits of our annual consolidated financial statements and review of the financial statements in our Quarterly Reports on Form 10-Q for the fiscal years ended December 31, 2016 and 2015, and (ii) for the audits of our internal control over financial reporting as of December 31, 2016 and 2015. The following table also includes fees billed for other services rendered by KPMG:

	<b>2016</b>	<b>2015</b>
Audit fees <sup>1</sup>	\$710,000	\$695,000
Audit-related fees <sup>2</sup>		\$15,000
Tax fees <sup>3</sup>	\$158,379	\$145,379
All other fees		
<b>Total fees</b>	<b>\$868,379</b>	<b>\$855,379</b>

<sup>1</sup>Includes fees related to the audits of our annual financial consolidated statements, interim reviews of our quarterly financial statements and audits of our internal control over financial reporting for each indicated year.

<sup>2</sup>In 2015 we engaged KPMG to provide a consent for filing with a Registration Statement on Form S-3.

<sup>3</sup>During the fiscal years ended December 31, 2016 and 2015, we engaged KPMG to provide tax compliance, planning and consulting services.

**PRE-APPROVAL PROCEDURES**

The Audit Committee has adopted a general practice of pre-approving all audit and non-audit services provided to the Company by our independent registered public accounting firm. The Chairman of the Audit Committee has been delegated the authority to pre-approve audit and non-audit services having an aggregate value of up to \$25,000 between meetings of the Audit Committee, provided that such pre-approval is communicated to the Audit Committee at its next scheduled meeting. All services by KPMG in 2016 and 2015 were approved in accordance with these practices.

**COMPENSATION COMMITTEE MATTERS**

The Compensation Committee assists the Board in developing and managing the compensation provided to executive officers of the Company and non-employee members of the Board. The Compensation Committee is responsible for developing and overseeing the implementation of the Company's compensation philosophy and for setting executive compensation at levels that are sufficiently competitive so that the Company can attract, retain and motivate high quality executives who can contribute to the Company's success.

## **COMPENSATION PROCESS AND PROCEDURES**

Compensation for executives is established by the Compensation Committee in accordance with the compensation philosophy detailed in the CD&A set forth later in this Proxy Statement. In setting executive compensation, the Compensation Committee considers the Company's and each executive's performance against previously established objectives, internal pay equity, the compensation practices of the Company's peer group (listed on page 43 of this Proxy Statement), the Company's industry position and general industry data. The Compensation Committee periodically retains independent compensation consultants to review our executive compensation practices and to assist in establishing competitive compensation levels for our executives.

## **ANNUAL PERFORMANCE EVALUATIONS**

On an annual basis, the Compensation Committee and other non-employee Directors evaluate the performance of the CEO and CFO/COO based on the overall performance of the Company. The CEO also evaluates the performance of the other NEOs against their respective predetermined performance objectives.

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Annual performance objectives for the NEOs are established at the beginning of the applicable year and generally include two parts: (1) the Company's overall target financial objectives, and (2) individual objectives in the functional areas for which the executive is responsible. For each NEO, these objectives are then weighted to reflect their relative importance to the Company and the executive's functional responsibilities.

Depending on the Company's overall performance and the extent to which an executive achieves his individual objectives for a particular year, the executive will be rated as Does Not Meet, Does Not Consistently Meet, Meets Expectations, Exceeds Expectations or Outstanding. The Compensation Committee uses the performance ratings to determine base salary adjustments, incentive cash bonuses and long-term incentive equity awards, except for Messrs. Michels and Spair. The Compensation Committee decided that, because of their senior positions with the Company, it is more appropriate to determine the base salary, incentive cash bonuses and long-term incentive equity awards for Messrs. Michels and Spair primarily based on the Company's overall performance and, in doing so, does not apply individual performance rating labels to these executives.

### **ROLE OF THE COMPENSATION COMMITTEE**

The Compensation Committee is comprised of non-employee independent Directors who oversee our executive compensation program. Each year, the Compensation Committee determines the appropriate level of compensation for all executive officers, including the NEOs. As an initial guideline, the Compensation Committee sets the total direct compensation opportunity (base salary, annual incentive bonus target, and long-term incentive target) for each of our executive officers within a range around the 50th percentile of comparable medical diagnostics and healthcare companies. The variation of actual pay relative to the market data is dependent on the executive officer's performance, experience, knowledge, skills, level of responsibility, potential to impact our performance and future success, and the need to retain and motivate strategic talent.

The Compensation Committee generally determines an executive officer's compensation based upon the objectives of our executive compensation program. The Compensation Committee makes compensation recommendations for the CEO and the CFO/COO and approves decisions for the other NEOs after careful review and analysis of appropriate performance information and market compensation data. Compensation for the CEO is approved by the full Board of Directors.

Beyond determining specific compensation for NEOs, the Compensation Committee works with executive management to review and adjust compensation policies and practices to remain consistent with the Company's values and philosophy, support the recruitment and retention of executive talent, and help the Company achieve its business objectives.

### **ROLE OF THE CEO**

The CEO provides recommendations to the Compensation Committee on the total direct compensation for each executive, other than himself. The CEO's recommendations are based on his review of each executive's performance, job responsibilities, importance to our overall business strategy, and our compensation philosophy. Although the CEO's recommendations are given significant weight, the Compensation Committee retains full discretion when determining compensation.

### **ROLE OF THE COMPENSATION CONSULTANT**

To assist in the review of executive compensation and to obtain information regarding market trends, the Compensation Committee engages the services of one or more independent executive compensation consultants to analyze our executive compensation structure and plan designs, and to assess whether the compensation program is competitive and supports our goal of aligning the interests of our executive officers with those of our stockholders. In addition, a consultant provides the Compensation Committee with the peer group and other market data that is discussed in the CD&A, which the Compensation Committee evaluates when determining compensation for executive officers. During 2016, the Compensation Committee engaged Pearl Meyer & Partners ( PM&P ) to provide a market assessment of the target compensation for our executives and assess the competitiveness of our

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compensation policy for non-employee Directors. In addition, the Compensation Committee engaged Pay Governance LLC ( Pay Governance ), to assist in responding to the SOP vote at our 2016 Annual Meeting and to consult on the preparation of this Proxy Statement. The Compensation Committee has the sole authority to approve the independent compensation consultant's fees and terms of the engagement. The Compensation Committee annually reviews its relationship with each consultant to ensure executive compensation consulting independence. The process included a review of the services PM&P and Pay Governance provides, the quality of those services, and fees associated with the services during the fiscal year as well as consideration of the factors impacting independence that NASDAQ rules require. The Compensation Committee concluded that there were no conflicts of interest that prevented PM&P or Pay Governance from serving as independent consultants to the Compensation Committee on executive compensation matters. We paid PM&P \$76,271 for their 2016 compensation assessment and Pay Governance \$46,643 for their services related to our response to the 2016 SOP vote and the preparation of this Proxy Statement.

## **TALLY SHEETS**

In determining annual compensation, the Compensation Committee reviews tally sheets for each executive. Tally sheets set forth the dollar amounts of all components of each NEO's current compensation, including salary, incentive cash bonus, incentive equity awards, potential change of control payments and other benefits deemed relevant by the Compensation Committee. These tally sheets allow the Compensation Committee to review how a change in the amount of each compensation component affects each executive's total compensation and to consider each executive's compensation in the aggregate. Included in each tally sheet is the estimated amount of severance and other benefits payable to the executive under various termination scenarios. Based upon the review of tally sheets, the Compensation Committee establishes aggregate compensation for our executives which it believes to be reasonable.

## **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

Stephen S. Tang, Ph.D., Eamonn P. Hobbs, Ronny B. Lancaster and Roger L. Pringle served as members of the Compensation Committee during 2016. None of these Directors has served or is currently serving as an officer or employee of the Company, nor have they engaged in any transactions involving the Company which would require disclosure as a transaction with a related person. There are no Compensation Committee interlocks between the Company and any other entity involving the Company's or such entity's executive officers or board members.

## **COMPENSATION COMMITTEE REPORT**

*The information contained in this report shall not be deemed to be soliciting material or filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that Section. This report shall not be deemed to be incorporated by reference into any document filed under the Securities Act or the Exchange Act, whether such filing occurs before or after the date hereof, regardless of any general incorporation language in such filing.*

The Compensation Committee of OraSure Technologies, Inc. has reviewed and discussed with the Company's management the Section entitled, "Compensation Discussion and Analysis," contained in this Proxy Statement. Based on that review and discussion, the Compensation Committee recommended to the Company's Board of Directors that the foregoing Compensation Discussion and Analysis be included in the Company's 2016 Annual Report on Form 10-K Report and Proxy Statement for the 2017 Annual Meeting of Stockholders.

COMPENSATION COMMITTEE:

Ronny B. Lancaster, Chairman

Eamonn P. Hobbs

Roger L. Pringle

Stephen S. Tang, Ph.D.

March 31, 2017

**Table of Contents****EXECUTIVE OFFICERS**

The table below provides information about the executive officers of the Company as of March 23, 2017. Officers of the Company hold office at the discretion of the Board.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Douglas A. Michels	60	President and Chief Executive Officer
Ronald H. Spair	61	Chief Financial Officer and Chief Operating Officer
Anthony Zizzo II	63	Executive Vice President, Marketing and Sales
Jack E. Jerrett	58	Senior Vice President, General Counsel and Secretary
Michael Reed, Ph.D.	48	Senior Vice President, Research and Development and Chief Science Officer
Mark L. Kuna	54	Senior Vice President, Finance, Controller and Assistant Secretary

**Douglas A. Michels, President and Chief Executive Officer**

Mr. Michels has been the Company's President and Chief Executive Officer since June 2004. Prior to that, Mr. Michels served as Group Vice President, Global Marketing of Ortho-Clinical Diagnostics, President of Ortho-Clinical Diagnostics International, and President of Johnson & Johnson Healthcare Systems, Inc. Earlier in his career, Mr. Michels held various sales and marketing positions of increasing responsibility within the Johnson & Johnson family of companies and with the Diagnostics Division of Abbott Laboratories. Mr. Michels received a B.S. degree in Public Health Administration from the University of Illinois and an M.B.A. from Rutgers University. Mr. Michels recently served on the Presidential Advisory Council on HIV/AIDS (PACHA) and currently serves on the boards of directors of West Pharmaceutical Services, Inc. and the Miller Keystone Blood Center.

**Ronald H. Spair, Chief Financial Officer and Chief Operating Officer**

Mr. Spair has been the Company's Chief Financial Officer and Chief Operating Officer since September 2006 and served as Executive Vice President and Chief Financial Officer since November 2001. Prior to that time, Mr. Spair served as Chief Financial Officer for various companies in the pharmaceutical industry, including Delsys Pharmaceutical Corporation, SuperGen, Inc., Sparta Pharmaceuticals, Inc. and Envirogen, Inc. Mr. Spair received both his B.S. in Accounting and M.B.A. from Rider College. He is also a licensed

Certified Public Accountant, a Chartered Global Management Accountant, a member of the New Jersey Society of Certified Public Accountants and the American Institute of Certified Public Accountants, and serves on the boards of Fulton Financial Corporation and Life Sciences PA.

**Anthony Zezzo II, Executive Vice President, Business Unit Lead, Infectious Disease**

Mr. Zezzo has been the Company's Executive Vice President, Marketing and Sales since January 2011. From 2004 to December 2010, Mr. Zezzo was Vice President, North American Sales and Marketing at the Ortho-Clinical Diagnostics Division of Johnson & Johnson. Prior to that time, Mr. Zezzo held a series of sales and marketing positions of increasing responsibility within Johnson & Johnson. Mr. Zezzo received his B.A. in Political Science from Grove City College.



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**Jack E. Jerrett, Senior Vice President, General Counsel and Secretary**

Mr. Jerrett has been the Company's Senior Vice President and General Counsel since February 2003 and served as Vice President and General Counsel since November 2000. He has also served as the Company's Secretary since February 2001. Prior to joining the Company, Mr. Jerrett worked as an Associate at Morgan, Lewis & Bockius and held positions of increasing legal responsibilities with companies in the transportation and energy industries. Mr. Jerrett received his B.S. in Accounting from Villanova University and his J.D. from the Villanova University School of Law. He is a member of the Pennsylvania Bar and the American and Pennsylvania Bar Associations.

**Michael Reed, Ph.D., Senior Vice President of Research and Development and Chief Science Officer**

Dr. Reed joined the Company as the Senior Vice President of Research and Development and Chief Science Officer in April 2016. Prior to joining the Company, Dr. Reed spent eight years at Beckman Coulter, a global diagnostics and life sciences company within the Danaher Corporation, serving in a variety of leadership positions including Director of Global Assay and Applications Development for the Beckman Coulter Life Science business and Director of Scientific Affairs for the Cellular Analysis Business Group. Under his leadership, the Company launched and commercialized over 300 products globally across multiple disciplines. Prior to his work at Beckman Coulter, Dr. Reed served as Director of Product Development with Osmetech Molecular Diagnostics where he led the effort to develop two U.S. FDA 510K cleared IVD systems for cystic fibrosis genotyping and a pharmacogenetics test to guide warfarin dosing. Dr. Reed received a Ph.D. degree in Biochemistry from the University of Adelaide (Australia) and a BSc. in Biochemistry from The Australian National University (Canberra, Australia). He also conducted post-doctoral research at the Beckman Research Institute at the City of Hope in Duarte, California.

**Mark L. Kuna, Senior Vice President, Finance, Controller and Assistant Secretary**

Mark L. Kuna has been the Company's Senior Vice President, Finance and Controller since September 2006, and served as Vice President and Controller since February 2003 and as Controller since February 2001. Mr. Kuna has also served as the Company's Assistant Secretary since May 2002 and provided accounting and financial analysis support since joining the Company in October 2000. Prior to that time, Mr. Kuna served as an accountant

with Deloitte and Touche and held senior accounting and management positions with companies in the petrochemical, manufacturing, and telecommunications industries. Mr. Kuna received his B.S. in Accounting from the University of Scranton and is a licensed Certified Public Accountant, a Chartered Global Management Accountant, and a member of the Pennsylvania and American Institutes of Certified Public Accountants.

#### **TRANSACTIONS WITH RELATED PERSONS**

Since January 1, 2016, there have been no transactions with related persons that would require disclosure in this Proxy Statement. The Audit Committee is required to review and approve in advance all transactions with related persons involving the Company. The Audit Committee may approve a related party transaction if the transaction is on terms comparable to those that could be obtained in arms length dealings with an unrelated third

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party. The Audit Committee also reviews any public disclosures of a related party transaction contained in our SEC filings. These responsibilities are described in the Audit Committee's charter, a copy of which is available on our website at [www.orasure.com](http://www.orasure.com).

Information regarding employment and severance agreements between our executive officers and the Company is set forth in the Section entitled, "Employment Agreements and Potential Payments Upon Termination or Change of Control," in this Proxy Statement.

## **SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires that our executive officers, Directors and persons who own more than ten percent of our Common Stock (collectively, "Reporting Persons") file reports of ownership and changes in ownership with the SEC. Reporting Persons are required by the SEC's regulations to furnish us with copies of all Section 16(a) forms they file.

As a matter of practice, our administrative staff assists each of the Reporting Persons who are employees and Directors of the Company in preparing initial reports of ownership and reports of changes in beneficial ownership and filing such reports with the SEC and the NASDAQ. Based solely on a review of the copies of forms filed by or on behalf of the Reporting Persons and on written representations (if any) from each of the Reporting Persons, we believe that all Reporting Persons complied on a timely basis with all applicable filing requirements with respect to the 2016 fiscal year, except for Charles W. Patrick, one of our independent Directors. Due to an administrative oversight, a Form 4 required in connection with Mr. Patrick's sale of 6,575 shares of Common Stock on August 5, 2016 was not filed until August 31, 2016.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**EXECUTIVE SUMMARY**

**Overview**

This Compensation Discussion and Analysis, or CD&A, describes the material elements of the compensation of our NEOs and describes the objectives and principals underlying the Company's executive compensation program, the compensation decisions we have recently made under this program and the factors we considered in making these decisions.

Our NEOs for 2016 who are covered in this CD&A include:

<b>Name</b>	<b>Position during 2016</b>
Douglas A. Michels	President and Chief Executive Officer
Ronald H. Spair	Chief Financial Officer and Chief Operating Officer
Anthony Zezzo, II	Executive Vice President, Marketing and Sales
Jack E. Jerrett	Senior Vice President, General Counsel and Secretary
Michael Reed, Ph.D.	Senior Vice President, Research and Development and Chief Science Officer

**Our Performance in 2016**

Our financial performance for 2016 represented another year of substantial improvement over the prior-year period, with record revenues and a second consecutive year of profitability. The following charts and summary describe our consolidated financial performance (expressed in thousands) and several of the principal contributors to the growth we achieved.

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**2016 was another year of record financial performance and is the second consecutive year of profitability. Our 2016 consolidated net revenues were \$128.2 million, a 7% increase over 2015. Our consolidated net income in 2016 was \$19.7 million, or \$0.35 per share, an improvement of \$11.5 million (\$0.21 per share) over 2015.**

**2016 Business Highlights in Detail**

Consolidated net revenues were \$128.2 million (7% increase over 2015), a new record level for our Company. Revenue growth and lower operating expenses resulted in a second consecutive year of profitability with consolidated net income of \$19.7 million for 2016. This represents an \$11.5 million (\$0.21 per share) improvement from 2015.

We generated \$22.8 million in cash from operations during 2016, compared to \$15.8 million in 2015.

Our total stockholder return for 2016 was 36%.

Aggregate cash and cash equivalents totaled \$120.9 million at year-end.

Gross margin improved to 69% in 2016, compared to 67% in 2015.

OraQuick® HCV product revenues reached an all-time high of \$14.1 million, representing a 24% increase over 2015.

Molecular collection systems revenues reached \$32.2 million in 2016, representing an 8% increase over 2015.

Net product revenues from our newest business lines (i.e. molecular collections, HCV-related, HIV OTC and Ebola) totaled \$52.8 million, or 41%, of consolidated net revenues for 2016.

We substantially completed development of our OraQuick® rapid Zika test and secured up to \$16.6 million in federal funding for this product.

We entered into and began fulfilling the largest product supply agreement in our history – a 12-month \$18.0 million contract with a foreign government ministry to support a country-wide HCV elimination program.

**Table of Contents****NEO Compensation At a Glance 2016**

Compensation for the NEOs in 2016 was directly or indirectly tied to the performance of both the executives and the Company, resulting in the following:

**Base Salary:** The base salaries paid to our management (including the NEOs) during 2016 increased 2.61% on average, with Mr. Michels receiving a 2.60% increase for the year. Salary adjustments were based on the performance of each executive and the Company during 2015, the results of a competitive marketplace assessment prepared by PM&P, and our Company-wide salary merit increase budget of 3.0%. Additional detail on these salary adjustments is provided in the 2016 Base Salaries Section on page 46.

<b><u>NEO</u></b>	<b><u>2015 Performance Rating</u></b>	<b><u>2015 Salary</u></b>	<b><u>2016 Salary</u></b>	<b><u>Change (%)</u></b>
Douglas A. Michels	N/A	\$596,895	\$612,580	2.60%
Ronald H. Spair	N/A	\$468,838	\$480,245	2.40%
Anthony Zizzo II	Meets	\$384,010	\$391,690	2.0%
Jack E. Jerrett	Meets	\$344,400	\$353,010	2.50%
Michael Reed, Ph.D. <sup>1</sup>	N/A	-----	\$305,000	----

<sup>1</sup> Dr. Reed joined the Company in April 2016.

**Annual Incentive Bonuses:** Incentive cash bonus awards for 2016 performance ranged from 121% to 151% of target for the NEOs and for Mr. Michels was 151% of his target. The bonus amounts exceeded the applicable targets for each NEO primarily due to the strong financial performance of the Company during 2016, as described under the 2016 Business Highlights in Detail Section above. In approving these bonus awards, the Board recognized the importance of broader Company performance such as total stockholder return (TSR) and considered the fact that our TSR for 2016 was 36%, a substantial improvement from the 36% decline in TSR in 2015. Bonus payments above target were approved because of the Board's belief that continuing annual financial improvement, such as that achieved in 2016, should be rewarded as a critical factor for delivering value to our stockholders. Additional detail on these bonus payments is provided in the 2016 Annual Incentive Cash Bonuses Section on page 48.

<b><u>NEO</u></b>	<b><u>Performance Rating</u></b>	<b><u>Actual 2016 Bonus Payments</u></b>			
		<b>2016</b>	<b>2016 Target</b>		
		<b>(% Salary)</b>	<b>(\$)</b>	<b>(% Salary)</b>	<b>(% Target)</b>
Douglas A. Michels	N/A	70%	\$646,586	105.6%	150.8%
Ronald H. Spair	N/A	50%	\$362,074	75.4%	150.8%
Anthony Zizzo II	Meets	40%	\$188,998	48.3%	120.6%
Jack E. Jerrett	Meets	35%	\$149,043	42.2%	120.6%
Michael Reed, Ph.D.	Meets	35%	\$128,773	48.2%	120.6%





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**Long-Term Incentive Awards:** Incentive equity awards to NEOs in February 2016 were earned based on each executive's performance during 2015 (except for Dr. Reed who did not join the Company until April 2016) and the value of the awards ranged from 75% to 215% of each executive's base salary. The value of Mr. Michels' award was 215% of his salary. Mr. Michels' award was based on the strong financial performance during 2015, as described under the 2016 Base Salaries Section on page 46.

<b><u>NEO</u></b>	<b><u>2015</u></b>	<b><u>Target Range</u></b>	<b><u>2016 Awards</u></b>	
			<b><u>(%)</u></b>	<b><u>(%)</u></b>
Douglas A. Michels	N/A	150% - 250%	\$ 1,283,322	215%
Ronald H. Spair	N/A	90% - 160%	\$ 632,930	135%
Anthony Zizzo II	Meets	75% - 125%	\$ 345,614	90%
Jack E. Jerrett	Meets	55% - 95%	\$ 258,298	75%
Michael Reed, Ph.D. <sup>1</sup>	N/A	55% - 95%	\$ 274,506	90%

<sup>1</sup> Dr. Reed received an onboarding equity award when he joined the Company in April 2016 which was structured in the same manner as the annual awards granted to the other NEOs in 2016.

As described further in the Compensation Changes section of the CD&A, below, beginning with the equity incentive awards made in February 2016 for performance during 2015, executives received equity awards that were 50% performance-vested restricted units and 50% time-vested restricted stock. The decision to structure a substantial portion of our executives' equity compensation as performance-vested awards was made in response to stockholder feedback and further strengthens the link between performance and executive compensation.

Additional information regarding NEO compensation for 2016 is provided below in this CD&A and in the accompanying tables, including the Summary Compensation Table (SCT) set forth on page 57. The information provided below demonstrates the reasonableness of the compensation paid to executives considering our improved financial performance during 2016.

### **Pay for Performance**

We follow a pay-for-performance approach in compensating executives. Our program pays executives for performance by rewarding the achievement of predetermined financial and other performance objectives.

A significant portion of each NEO's compensation is paid out in variable and long-term compensation that is intended to align such compensation with the long-term interests of our stockholders. Both our annual and long-term compensation are tied to the Company's overall performance in a variety of ways, including our financial results and share price performance.



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An important feature of our compensation program is the use of performance targets to incentivize management to achieve improved financial results on a year-to-year basis. We believe continuous revenue growth and sustained and increasing profitability are key factors for increasing the price of our Common Stock and for delivering long-term value for our stockholders.

The use of performance targets to drive growth is clearly illustrated by the annual bonus plan established each year. As described further in this CD&A, annual financial objectives are selected in order to determine the amount of pool funding available to pay individual bonus awards each year. When establishing these objectives, the Board and Compensation Committee generally select targets that, if achieved, will result in improved financial performance on an annual basis, consistent with our business plans. Set forth below are the Target performance levels that were used to determine pool funding in our bonus plans for the three-year period 2014-2016. These targets provided an important incentive for the significantly improved financial performance over that period, as shown on pages 29-30.

	<b>Annual Bonus Plan Targets</b>		
	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Consolidated Net Revenue	\$112.2	\$121.7	\$126.3
Operating (Loss)/Income	\$ (13.6)	\$ 5.5	\$ 12.3

Beginning in 2016, we adopted a new policy of granting annual equity awards to executives that consist of 50% performance-vested restricted units and 50% time-vested restricted stock. The performance units will only vest if (i) the recipient remains employed by the Company for three years following the date of grant and (ii) the performance criteria determined by the Committee and Board are met. The time-vested restricted stock portion of the award vests in equal annual installments over the three-year period following the grant date, subject to the recipient's continued employment by the Company.

For each award of performance-vested restricted units granted in 2016, one-half of such units will be earned based on the achievement of a compound annual growth rate ( CAGR ) target for consolidated product revenues for the three-year period 2016-2018 and the remaining half will be earned based on achievement of a one-year earnings per share ( EPS ) target for the fiscal year 2016. The three-year product revenue CAGR target reflects a blending of projected growth taken from our internal long-range plan and growth rates contained in several published market research growth forecasts for the medical diagnostics and molecular testing markets. The one-year EPS target represents the Company's projected net income for 2016 as indicated in our 2016 budget or operating plan. Under the terms of the grant, award recipients may receive additional units, above the initial number awarded in 2016, if we exceed the performance criteria. If we achieve less than 80% of a performance target, the units relating to such performance target will not vest.

We believe the performance targets and three-year service period of these performance-vested equity awards complement the short-term incentives in our annual bonus plans. We also believe the combination of the structure of our annual bonus plan and the structure of our new equity award policy will incentivize management to deliver substantially improved financial performance both on an annual basis and over a longer term period and help drive long-term growth in stockholder value.

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**Realizable Pay vs. TSR**

To ensure that we are adhering to a pay-for-performance approach, we evaluated the degree of alignment between our CEO's total realizable pay versus our total stockholder return, or TSR, over the prior three fiscal years (2014-2016) relative to our compensation peer group (listed on page 43 of this Proxy Statement). We have adopted this approach to ensure our compensation program is operating as intended and to respond to stockholder feedback we received on our executive compensation. The graph below shows the comparison of three-year TSR and realizable pay relative to our peer group. We provide further detail regarding the companies in our compensation peer group in the Benchmarking section of this CD&A.

Realizable pay includes base salary, incentive cash bonus and all other cash compensation reported in the Summary Compensation Table. Realizable pay also includes the value of equity awards using each company's closing stock price on December 30, 2016. Restricted stock and restricted unit awards are valued by multiplying the number of shares granted (at the target level in the case of restricted units) by the closing stock price on December 30, 2016. Option awards are valued as the difference between the closing stock price on December 30, 2016 and the exercise price multiplied by the number of option shares granted during the period. An option award with an exercise price greater than the closing stock price on December 30, 2016 is valued at \$0.

As the graph indicates, there is a close relationship between our TSR performance and the realizable pay for our CEO, Mr. Michels, relative to the relationship seen in our peer group. This analysis confirms the strong link between pay and performance embedded in our compensation program.

**Realizable Pay vs. SCT Compensation**

As described further below, we believe long-term equity awards are a key incentive for our executives to drive the Company's long-term growth and align the interests of our executives with those of our stockholders. The Summary Compensation Table includes the estimated value of long-term incentive equity awards at the time of grant. The actual value of these awards that may be realizable by our executives may vary from the estimates depending on the Company's financial and stock performance and often differs significantly from what is reported in the Summary Compensation Table.

A comparison of the realizable value of long-term equity incentive awards against the values reported in the Summary Compensation Table indicates how compensation outcomes may be impacted by our performance. Such

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a comparison also shows the degree of alignment between our stock performance and the level of compensation provided to executives.

The table below compares the compensation values reported in the Summary Compensation Table and the value of realizable pay ( RP ) for the compensation awarded during the three-year period 2014-2016 for our CEO, Mr. Michels.

**Mr. Michels' realizable pay for the three years 2014-2016 of \$7.8 million is 3% higher than his SCT compensation opportunity for the same period. This shows a strong link between pay and performance as our TSR over the three year period was above the median for our peers.**

### **Pay vs. Other Company Measures of Performance**

While TSR is a common measure of performance that is often used to evaluate a company's compensation practices, at our stage of development we consider other performance measures to be, at times, more reflective of the success of our business. It is important to recognize that our TSR is extremely volatile, as evidenced by the substantial movements in our stock price during the past several years. Specifically, in 2013 our stock price declined 12%, but rose 61% in 2014. Our stock price declined again by 36.5% in 2015 and then rose 36% in 2016. These price changes are not solely tied to our performance. Our stock price declined in 2015 even though we achieved record financial performance with substantial growth and full year profitability in 2015.

As a result, our executive compensation does not follow a linear relationship with TSR. Rather, we have tried to align our executive compensation with performance results that are part of our overall business strategy that we believe will drive stock price improvement and increased value for our stockholders over the longer term. For example, in past years we have had a number of first-of-their-kind achievements in the diagnostics field. Specifically, we developed and commercialized the first and only rapid HCV test in the United States along with the first ever rapid in-home HIV test. We successfully completed the acquisition of DNA Genotek in late 2011, providing us with an entrance into the high growth molecular diagnostics field. This acquisition is now contributing strong growth to our business and accounted for 25% of our 2016 consolidated net revenues. More recently, we developed and began commercializing a new rapid Ebola test and we have made significant progress on a rapid Zika test. During 2016, we expanded the reach of our core HIV and HCV product lines with significant growth in international markets. These achievements are the primary reasons for our profitability in 2015 and 2016 and our overall strong and continually improving financial performance for the past three fiscal years.

When establishing and evaluating our executive compensation program generally, and performance-based incentive plans in particular, we believe that TSR alone will not always immediately account for the value of our accomplishments and, in many cases, it may take time for the impact of our strategic and other accomplishments to be fully reflected in the value of our stock. Thus, while obviously important, TSR is only one of several factors we consider in making compensation decisions for our executives.

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### **Say-on-Pay Results in 2016 and the Company's Response**

At our 2016 Annual Meeting, stockholders were asked to vote on an advisory (non-binding) basis on the compensation paid to our NEOs for 2015. We obtained stockholder approval of our NEO compensation for 2015 with approximately 94% of stockholder votes cast in favor of our say-on-pay or SOP resolution. Even with this overwhelmingly positive response, we continued our outreach effort that had been initiated in response to prior SOP votes to contact certain of our major stockholders in order to continue to understand their concerns regarding our compensation practices. We also contacted both ISS Proxy Advisory Services (ISS) and Glass Lewis & Co. (Glass Lewis), two leading proxy advisory firms, in order to solicit their views on these issues. Several of our independent Directors participated in this outreach, including the Chairman of our Board, the Chairman of our Compensation Committee and the Chairman of our Nominating and Corporate Governance Committee. Overall, we contacted stockholders who, in the aggregate, beneficially held over 50% of our outstanding Common Stock. A number of our stockholders indicated they saw no further need to meet with us although many had done so in the past. We believe these stockholders declined our invitation because they are generally supportive of our executive compensation and governance practices and that any concerns they had did not warrant further discussion at this time.

The stockholders we did have discussions with, which represented approximately 18% of the holders of our outstanding Common Stock, generally provided the following feedback:

- Acknowledged our compensation changes as positive improvements and responsive to stockholder concerns.
- Supported our adoption of performance-vested restricted units for 50% of long-term incentive equity awards.
- Encouraged the exclusion of the impact of stock repurchases in determining if performance metrics are met.
- Complimented the Company's strong financial performance and TSR for 2016.
- Complimented us for being transparent in our proxy disclosures and response to stockholder concerns.
- Appreciated our stockholder outreach efforts and encouraged us to continue this practice.
- Encouraged us to disclose, upfront, the financial targets used for performance-vested restricted unit awards.
- Encouraged the Board to improve the diversity of its members, particularly with respect to gender, and to consider using third-party recruiters and publicly-available candidate databases to fill Board vacancies.
- Encouraged the Board to consider other governance issues, such as a declassified board, majority voting, board refreshment, use of third-party advisors to assist with Board self-assessments, and use of a risk officer or risk management committee to supervise risk management.

We believe our stockholder engagement has been and continues to be beneficial. The feedback received reaffirms that the compensation changes made in recent years were responsive to stockholder concerns and our executive compensation is strongly aligned with performance. The Board intends to continue ongoing dialogue with our stockholders to ensure our executive compensation programs are well understood by all stakeholders and that we continue to be responsive to stockholder concerns.

### **Compensation Changes**

In response to input from stockholders, the Compensation Committee and Board adopted a number of changes in 2015 and 2016 to specifically respond to stockholder concerns and better align our compensation program with performance. We believe these changes were the primary reason for the strong approval of our SOP proposal at the 2016 Annual Meeting. As a result, we concluded the best response to the latest stockholder input is to continue our current compensation program, particularly the use of 50% performance-vested equity awards for executives, which was also used for the most recent awards in February 2017 for performance in 2016.





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The following is a summary of these changes, along with our rationale for making them:

<b><u>Change</u></b>	<b><u>Old</u></b>	<b><u>New</u></b>	<b><u>Rationale</u></b>	<b><u>Effective</u></b>
Performance-Vested Long-Term Incentive Equity Awards.	Awards consisted of 60% Stock Options and 40% Restricted Stock, all time-vested over three or four years.	Awards consist of 50% performance-vested restricted units and 50% time-vested restricted stock.	<p>Directly responds to stockholder input.</p> <p>Enhances link between compensation and longer-term performance.</p> <p>Focuses executives on long-term priorities.</p> <p>Alignment with market practice.</p>	2016 for performance in 2015
Changes to Executive Employment Agreements.	<p>Contained excise tax gross up and modified single trigger change of control severance provisions.</p> <p>Adopted policy that new agreements will contain no excise tax gross up and will provide for double trigger change of control severance.</p>	<p>CEO employment agreement amended to remove excise tax gross up and changed modified single trigger to double trigger change of control severance. Other NEO agreements amended to remove excise tax gross up.</p>	<p>Responds to stockholder input.</p> <p>Consistent with good governance practices.</p>	2015
Enhanced Stock Ownership and Retention Guidelines.	<p>CEO 2x salary</p> <p>CFO/COO 1x salary</p> <p>Other Executives None</p>	<p>CEO 6x salary</p> <p>CFO/COO 2x salary</p> <p>Other Executives 1x salary.</p>	<p>Consistent with good governance practices.</p> <p>Supported by stockholders.</p> <p>Strengthens alignment between executives and stockholders.</p>	2015
Limit on Discretionary Bonus Pool Adjustments.	Compensation Committee and Board historically have had unlimited discretion to adjust bonus pool funding.	Discretionary adjustments will be limited to +/-10% of aggregate pool funding determined under applicable Incentive Plan	Responds to concerns about discretionary bonus awards and misalignment of pay and performance.	2016

formula.

Ensures bonus pool amount/payouts are predominately tied to previously agreed performance goals

Allows for reasonable, but limited, discretion to accommodate unforeseen circumstances.

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Extension of stock buyback program.	Buyback program originally authorized in 2008, with no active purchasing in recent years.	Buyback program extended to repurchase 1.2 million shares of Common Stock in late 2015 and early 2016, which approximates shares used for annual management and non-employee Director equity awards.	Directly responds to stockholder input.  Offsets dilutive impact of any annual equity incentive awards to executives and non-employee Directors.	2015-2016
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**Performance Based Equity Awards**

The value of long-term incentive equity awards granted to an executive reflects the performance for the prior year. Based on input from our stockholders and advice from Pay Governance, we have implemented performance vesting for a significant portion of the incentive equity awards for our executives. The new performance vesting program began with the awards made in 2016.

Under our Long-Term Incentive Policy ( LTIP ), 50% of an executive s total equity award consists of performance-vested restricted units that will not vest until three years after the grant date and only if certain performance measures are met during that three-year period. The awards currently incorporate two performance metrics: (i) a CAGR for consolidated product revenues during the three-year period beginning with the year in which the award is made and (ii) a one-year EPS target for the year of award followed by a further two-year time-vesting requirement. The remaining 50% of each executive s incentive equity award consists of time-vested restricted stock and will utilize a three-year ratable vesting period as we have done in the past.

The structure of the equity awards reflects market-based good governance practices as well as input from our stockholders, several of whom advocated that a meaningful portion of the equity awards should have performance-based vesting. We believe 50% is a meaningful portion and is consistent with or exceeds the performance orientation of our peer companies. In addition, although some stockholders have mentioned TSR as a possible performance target, most of the stockholders we have contacted in recent years indicated that other measures such as financial or operational objectives would also be appropriate. The Board decided to use consolidated net product revenue and EPS targets because they are important for our business, especially as we continue improving our profitability, and because of the Board s belief that these measures will directly influence the performance of our stock price over time. Under the terms of the awards, the impact of stock repurchase programs is excluded in determining whether an EPS target has been met. As discussed above, the Board does not believe that the use of TSR as a performance metric in the long-term incentive plan is appropriate at this time, although the choice of performance metrics will be reviewed each year.

The adoption of performance-based vesting conditions with a three-year service requirement for 50% of an executive s annual equity award substantially strengthens the link between pay and performance and creates an appropriate long-term incentive for our executives. At the same time, the use of time-based vesting conditions for the remaining 50% of each award achieves the equally important goal of share ownership/accumulation through a share-price sensitive vehicle that directly promotes alignment with stockholders and further supports executive retention. Overall, the Compensation Committee and Board believe that this approach represents a balanced performance-based improvement to our executive compensation program that is appropriate for our Company, directly responds to feedback from our stockholders, and is consistent with executive pay governance best practices.

Employment Agreement Changes

The Company's employment agreements with Mr. Michels and the other NEOs were put in place in 2004 and 2006, except for Dr. Reed who does not have an employment agreement, and Mr. Zizzo, whose agreement was entered into in 2011 when he joined the Company. The initial employment agreements required the Company to

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provide a gross up for excise tax imposed under Section 280G of the Internal Revenue Code on compensation paid as a result of a change of control, in an amount up to \$1.0 million for Mr. Michels and \$500,000 for the other NEOs. These agreements also included a modified single trigger severance provision, which would permit the executive to voluntarily terminate his employment within a specified period following a change of control and receive increased severance even though that executive's position or scope of responsibilities following the change had not been adversely affected. Beginning with Mr. Zezzo's agreement in 2011, we implemented a new policy of no longer providing any excise tax gross up or single or modified single trigger severance provisions. Instead, Mr. Zezzo's agreement contains a double trigger severance provision under which there needs to be both a change of control and an adverse impact to Mr. Zezzo's position or responsibilities before he is entitled to terminate his employment and receive increased cash severance.

In 2015, Mr. Michels and the other NEOs agreed to amend their employment agreements to remove the excise tax gross up provision. In addition, Mr. Michels agreed to change the modified single trigger severance provision in his agreement to a double trigger severance provision.

These changes were implemented in direct response to input from several stockholders. In considering this matter, the Board was mindful that these changes required amendments to long-standing employment agreements with our executives. Neither Mr. Michels nor any of the other NEOs were obligated to agree to any changes to their agreements, nor did they receive direct compensation in exchange for the revised employment agreements. Our leadership team agreed to these changes, in an effort to be responsive to the concerns of our stockholders and in order to improve our compensation governance practices.

**Enhanced Stock Ownership/Retention Guidelines**

Another change made by the Compensation Committee and Board in 2015 was to adopt enhanced stock ownership and retention guidelines for our executives. Specifically, the following changes were made:

<b><u>Position</u></b>	<b><u>New Guideline</u></b>	
	<b><u>Old Guideline</u></b>	
President and CEO	2x	6x
Chief Financial Officer and Chief Operating Officer	1x	2x
Other Executive Officers	None	1x
Non-Employee Directors	1x	1x

In addition, the guidelines were changed to require an executive to retain at least 50% of the net shares acquired upon the exercise of stock options or the vesting of restricted shares until the executive's stock holdings meet or exceed the applicable ownership guideline.

The Compensation Committee and Board believe these changes were appropriate in order to respond to stockholder concerns about pay for performance, more closely align the interests of our executives with those of our stockholders and make our guidelines consistent with what we believe to be market practice.

**Limited Bonus Pool Funding Discretion**

Under our Management Incentive Plan, adopted each year for the payment of incentive cash bonuses to executives, the aggregate pool used to pay bonuses is determined in a formulaic manner based on the achievement of specific, short-term financial objectives. However, the Compensation Committee and the Board historically retained discretion

to increase or decrease the size of the bonus pool based on performance conditions, market conditions or other factors deemed appropriate.

Beginning with the 2015 Management Incentive Plan, any discretionary adjustments that may be made to the bonus pool calculated under the plan formula were limited to +/- 10%. The Compensation Committee and Board believe this change was appropriate in order to make our incentive cash bonus plans more performance-based and

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to bring our plans in line with what we believe to be market practice and provide plan participants with better line of sight between their actions, Company performance and any bonus results. This change also directly responds to feedback from stockholders. We included the same limit on discretionary pool funding in the Management Incentive Plan for 2016 and 2017, and it is our current intention to continue this limitation in future years.

### Extension of Stock Buyback Program

Our Board previously approved a \$25.0 million stock buyback program and prior to 2015 a total of 1,256,023 shares of stock had been repurchased at a total cost of approximately \$5.4 million. Stock purchases under this program largely stopped in 2008. Although we had temporarily suspended stock repurchases, this program was never terminated by the Board.

In direct response to concerns from stockholders regarding the dilutive impact of annual equity awards and based on a review of our Common Stock valuation, in late 2015 the Board decided to extend the stock buyback program. Specifically, the Board directed management to repurchase up to 1.2 million shares of stock through early 2016. The 1.2 million share target represented the approximate number of shares historically used for annual equity incentive awards for management and non-employee Directors.

As noted above, the impact of our stock repurchase program is excluded when determining if the EPS performance targets are met in connection with the restricted units awarded to our executives.

## **Other Good Compensation Governance Practices**

We are committed to maintaining good corporate governance and practices. Apart from the changes discussed above, there are many other aspects of our compensation program that reflect this commitment:

**Performance Mix** - The vast majority of our NEOs' compensation is performance-based. For example, approximately 76% of Mr. Michels' 2016 compensation consisted of an incentive cash bonus and long-term incentive equity awards, which are awarded based on Company performance. For the other NEOs, 59% of their aggregate 2016 compensation consisted of performance-based compensation.

**Diversified and Performance Based Portfolio** - Our executive compensation consists of a mix of cash/equity, fixed/variable and short-term/long-term compensation. Equity awards consist of 50% performance-vested restricted units and 50% time-vested restricted stock.

**Threshold Bonus Objectives** - Threshold financial performance objectives for annual bonus pool funding are set at levels that meet or exceed the Company's actual financial performance for the prior fiscal year. Target financial performance objectives generally increase or improve each year and thereby help drive improved financial performance on a year-over-year basis.

**Multiple Performance Metrics** - Variable compensation is based on a combination of corporate and individual performance measurements to help ensure balanced incentives for executives.

**Long-Term Focus** - Equity awards are subject to long-term vesting requirements, with restricted shares vesting over 3 years. Performance vested restricted units also vest after 3 years. Structuring our equity awards in this manner helps align the interests of our executives with the long-term interests of our stockholders.

**Prudent Benchmarking** - The total compensation paid to executives is targeted at the 50<sup>th</sup> percentile of a peer group of comparable companies based on achievement of performance objectives. We use a peer group (listed on page 43 of this Proxy Statement) consisting of companies in the medical diagnostic and healthcare industries comparable in size to the Company based on total revenues and market value.

**Tally Sheets** The Compensation Committee reviews tally sheets as part of making individual compensation decisions.



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**Stockholder Outreach** Our Board has implemented a robust outreach effort annually to ask our stockholders for feedback on our compensation and governance practices. This Board outreach effort is in addition to our regular investor relations program where we routinely discuss our business with investors.

**Independent Compensation Consultants** - The Board and Compensation Committee regularly utilize independent compensation consultants to provide compensation advice, including competitive assessments of our program compared to compensation paid to executives at the peer group of comparable medical diagnostic and healthcare companies (listed on page 43 of this Proxy Statement). For 2016, the Compensation Committee engaged Pearl Meyer & Partners and Pay Governance as its independent consultants.

**Recoupment Policy** Our Board maintains a compensation recoupment or clawback policy, under which the Board or Compensation Committee will seek to recover excess compensation paid to our executives if our financial statements are restated due to misconduct by that executive.

**No Repricing** - Our Stock Award Plan prohibits both the repricing and repurchase of under-water stock options or other equity awards without stockholder approval.

**No Perquisites** We do not provide executives with any perquisites that are not offered to all employees of the Company.

**Risk Review Process** - We regularly assess the risks associated with our compensation programs.

**No Hedging** Our policy prohibits Directors and NEOs from engaging in hedging activities with our stock.

**No Pledging** Our Directors and NEOs are not permitted to pledge our stock.

**Confidentiality/Non-Compete Agreements** Our NEOs are subject to confidentiality and non-compete agreements.

### **Compensation Risk Assessment**

Management periodically conducts a risk assessment of the Company's compensation policies and practices, including its executive compensation program. In its review, management considers the attributes of the Company's policies and practices and other factors, including:

The mix of fixed and variable compensation opportunities;

The balance between annual and long-term performance opportunities;

The corporate and individual performance objectives established for annual and long-term incentive compensation;

The internal controls and procedures in place to mitigate risks facing the Company, including the Company's clawback policy and stock ownership guidelines; and

The risk that unintended consequences could result from various aspects of the Company's compensation policies and practices.

Based on its review and assessment, management has concluded that the Company's policies and practices are designed with the appropriate balance of risk and reward in relation to the Company's overall business strategy and do not incentivize employees to take unnecessary or excessive risks. The Company has also concluded that any risks arising from the Company's compensation policies and practices are not reasonably likely to have a material adverse

effect on the Company.

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**COMPENSATION PHILOSOPHY**

The primary objectives of our compensation program for executive officers are to:

Set compensation opportunities at levels sufficient to attract and retain high quality executives and to motivate them to contribute to our success.  
Ensure the compensation opportunities provided align the interests of executives with the interests of our stockholders.  
Focus our executives on both short and longer-term individual and Company priorities established by the Board and appropriately reward them for performance against these objectives.

The total direct compensation provided to each executive consists of an annual base salary, annual incentive cash bonuses and long-term incentive equity awards. The amount of the incentive cash bonuses and the size of annual incentive equity awards are variable and depend on an executive's and the Company's achievement of predetermined financial and other objectives. As a result, a substantial portion of each executive's annual compensation is based on performance.

**BENCHMARKING**

We believe it is useful to regularly compare our compensation program against compensation paid to executives at other comparable medical diagnostic and healthcare companies. With the assistance of an independent compensation consultant engaged by the Compensation Committee, a peer group of companies was selected using criteria based on industry, revenues and market capitalization and a competitive assessment of our executive compensation was prepared.

The Compensation Committee seeks to set total direct compensation opportunity levels for each executive near the fiftieth (50<sup>th</sup>) percentile of amounts paid by the peer companies for performance consistent with the Company's target financial and other business plans for the applicable year. Use of the fiftieth (50<sup>th</sup>) percentile is intended as a market-based reference and not as an absolute target. As a result, the total direct compensation opportunity and the value of specific compensation components for individual executives may fall below or exceed the fiftieth (50<sup>th</sup>) percentile depending on the individual performance of the executive, the criticality of his or her role, the executive's contribution to our business, and other factors.

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The following provides information about the peer group used by the Compensation Committee for benchmarking purposes in setting executive compensation in 2016 and how we compare to these companies (all dollars in millions):

<b>Peer Company<sup>1</sup></b>	<b>2016 Revenue<sup>2</sup></b>	<b>12/31/16 Market Capitalization</b>	<b>Business<sup>3</sup></b>
Abaxis, Inc.	\$219	\$1,189	Healthcare Equipment
ABIOMED Inc.	\$330	\$4,738	Healthcare Equipment
Anika Therapeutics, Inc.	\$103	\$ 716	Healthcare Supplies
Array Biopharma, Inc.	\$ 31	\$1,482	Biotechnology
Atrion Corp.	\$143	\$ 925	Healthcare Supplies
Cardiovascular Systems, Inc.	\$177	\$ 800	Healthcare Equipment
Cerus Corp.	\$ 34	\$ 450	Healthcare Supplies
Cynosure, Inc.	\$434	\$1,088	Healthcare Equipment
Enzo Biochem, Inc.	\$103	\$ 321	Life Sciences Tools and Services
Fluidigm Corp.	\$104	\$ 212	Life Sciences Tools and Services
Genomic Health, Inc.	\$328	\$ 984	Biotechnology
Harvard Bioscience, Inc.	\$109	\$ 105	Life Sciences Tools and Services
Luminex Corp.	\$271	\$ 882	Life Sciences Tools and Services
Meridian Bioscience, Inc.	\$196	\$ 747	Healthcare Supplies
Neogenomics, Inc.	\$244	\$ 673	Life Sciences Tools and Services
Quidel Corp.	\$192	\$ 699	Healthcare Supplies
Rockwell Medical, Inc.	\$ 55	\$ 338	Healthcare Equipment
The Spectranetics Corp.	\$271	\$1,057	Healthcare Supplies
STAAR Surgical Co.	\$ 82	\$ 441	Healthcare Supplies
Vascular Solutions, Inc.	\$146	\$ 986	Healthcare Supplies

	<b>2016 Revenue</b>	<b>12/31/16 Market Capitalization</b>
25 <sup>th</sup> Percentile	\$ 103	\$ 448
<b>Median</b>	<b>\$ 161</b>	<b>\$ 774</b>
75 <sup>th</sup> Percentile	\$ 251	\$ 1,003
<b>OraSure Technologies, Inc.</b>	<b>\$ 128</b>	<b>\$ 489</b>

Source: Standard & Poors Capital I.Q.

<sup>1</sup> Sequenom Inc. was removed from the peer group due to its acquisition by LabCorp in 2016.

<sup>2</sup> Reflects revenue reported for fiscal year 2016.

<sup>3</sup> Reflects Global Industry Classification Standard sub-industry designation.

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In preparing its 2016 competitive assessment of executive compensation, PM&P compared the compensation of our NEOs with a 50/50 blend of proxy data from the peer group of companies and data for each NEO position from the 2016 Radford Global Life Sciences Survey. Since compensation market data can be volatile from year to year, the Compensation Committee believes a blend of specific peer group proxy data and broader survey data better reflect market trends. PM&P also compared the Company's financial performance and TSR, the terms of our cash bonus incentive plan and LTIP with data from the peer group. Based on this analysis, PM&P reached the following conclusions:

Our twelve-month trailing financial performance (i.e. revenues, operating income and diluted EPS growth) was strong relative to the peer group.

Our one year (2016) and three year (2014 – 2016) TSRs were near or above median for the peer group.

Total direct compensation ( TDC ) for our NEOs is aligned with the peer group median.

Despite aggregate TDC alignment, our LTIP equity targets for several executives is below median and warrant adjustment (see page 54 for a further discussion of these adjustments beginning in 2017).

NEO pay mix is generally higher with respect to base salary, but lower with respect to LTIP equity targets than the peer group median.

The terms of our cash bonus incentive plan and LTIP are generally aligned with peer group plans.

## **PAY MIX**

We follow a pay-for-performance approach to executive compensation, with a significant portion of our executives compensation consisting of annual incentive cash bonuses and long-term incentive equity awards that are based on the executives' and the Company's achievement of predetermined performance objectives.

The following illustrates the relative proportion of 2016 base salaries, and the performance-based compensation consisting of incentive cash bonuses and long-term incentive equity awards, for Mr. Michels and the other NEOs, respectively:

**Approximately 76% of Mr. Michels' aggregate compensation and 59% of the other NEOs' aggregate compensation for 2016 consisted of variable or performance-based compensation.**

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Our compensation program consists of the following components:

<b>Compensation</b>	<b>Form of Compensation</b>	<b>Purpose</b>
Base Salary	Cash	Base salaries provide fixed compensation necessary to attract and retain key executives. Salary levels are established for each position based on competitive market data, with annual adjustments tied to performance and market changes as appropriate.
Annual Incentive Bonus Awards	Cash	Annual incentive bonus awards provide performance-based incentives to our executives to achieve both Company-wide financial and strategic goals and the executives' individual performance objectives. Targets for individual bonuses are set at levels consistent with those offered in the marketplace. The Board has limited discretionary adjustments to bonus pool funding to +/- 10% of the pool amount otherwise determined under the incentive plan formula in order to provide flexibility to account for, among other factors, the individual performance evaluations of participants in the bonus plan.
Long-Term Incentive Awards	Performance-Vested Restricted Units and Time-Vested Restricted Stock	The largest component of our executive compensation is paid in equity. Beginning in 2016, executive LTIP awards consist of 50% performance-vested restricted units and 50% time-vested restricted stock in order to strengthen the link between pay and performance.
Benefits	401(k) Plan	Retirement and health and welfare benefits provide a complete compensation package that is competitive with the market and

	Health and Welfare	addresses the needs of all employees and their families, including our executives.
	Benefits	
Employment Agreements	Cash severance and accelerated equity vesting	Severance and accelerated equity vesting are provided to our executive officers in order to ensure they are not distracted by the possibility of termination in the event of a change of control and to encourage continued dedication to the Company.



**Table of Contents****Compensation Components in Detail****2016 Base Salaries**

The Compensation Committee believes that competitive salaries must be paid in order to provide fixed compensation necessary to attract and retain key executives. Each year, the Compensation Committee evaluates and determines the annual base salaries for the NEOs. The Compensation Committee considers the Company's overall performance in establishing salaries for the CEO and CFO/COO and the annual performance evaluations prepared by the CEO for all other NEOs. The Compensation Committee also considers the Company's budget for expected salary adjustments, salary levels paid at the peer group companies (listed on page 43 of this Proxy Statement) and any recommendations that may be made by any compensation consultant engaged to assist the Compensation Committee. An executive's annual salary adjustment will tend to be at the higher end of the range budgeted by the Company if the executive receives a performance rating of "Meets Expectations" or better and such executive's pre-adjustment salary level is below the 50<sup>th</sup> percentile for his or her position at the peer group companies.

Annual base salaries paid in 2016 to our NEOs were established by the Compensation Committee at the beginning of 2016 based on a review of the Company's performance during 2015, an evaluation of the individual contributions of each officer compared to pre-established performance objectives for 2015 and a review of the competitive data and recommendations provided by PM&P as detailed above.

Based on these factors, the Compensation Committee approved an annual base salary increase for our management (including the NEOs) averaging approximately 2.61%. This compares with our Company-wide salary increase budget of 3.0%. In order to reflect the Company's performance and each executive's contributions, and to equitably move salaries towards the fiftieth (50<sup>th</sup>) percentile of amounts paid by the peer group companies or maintain them at approximately that level, the Compensation Committee used the following guidelines to assist in determining annual base salary increases.

<b><u>Performance Rating</u></b>	<b><u>Merit Increase Range</u></b>
Outstanding	5.0% - 7.0%
Exceeds Requirements	3.0% - 4.0%
Meets Requirements	2.0% - 2.5%
Does Not Consistently Meet	1.0% - 1.5%
Does Not Meet Requirements	0%

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In establishing NEO base salaries for 2016, the Compensation Committee recognized our record level of consolidated net revenues of \$119.7 million and full year profitability in 2015 and the substantial improvement in the Company's 2015 performance compared to 2014. Specifically, we reported consolidated net income of \$8.2 million, or \$0.14 per share on a fully diluted basis, for 2015, compared to a consolidated net loss of \$4.6 million, or \$0.08 per share, for 2014. In addition, the Compensation Committee considered the following other factors:

The 26% growth in molecular collection systems revenues compared to 2014.

The 57% growth in OraQuick® HCV net product revenues compared to 2014.

The improvement in gross margin to 67% in 2015, compared to 63% in 2014.

The \$15.8 million in cash generated from operations in 2015, compared to \$7.5 million in 2014.

The \$24.9 million in net revenues related to our HCV business, which represents a 68% improvement over 2014.

The \$65.8 million in net revenues from our newest business lines (i.e. DNA Genotek, HCV related, HIV OTC and Ebola), which represents 55% of consolidated net revenues for 2015.

The receipt of FDA Emergency Use Authorization for our OraQuick® rapid Ebola test, the securing of up to \$10.8 million in Federal funding for the clinical development of this product and the generation of \$2.3 million in initial sales of this product during 2015.

The extensive review of multiple business development opportunities by management.

The successful maintenance of strong relationships with our investors.

Although the Compensation Committee generally uses the performance rating labels mentioned above (i.e., Meets Expectations, Exceeds Expectations, etc.), it has decided that those labels should not be used for Messrs. Michels and Spair. Given the senior positions of Messrs. Michels and Spair, the Compensation Committee believes it is more appropriate to evaluate these executives based on the overall performance of the Company. As a result, the Compensation Committee approved the following 2016 salary adjustments for Mr. Michels and the other NEOs:

<b>NEO</b>	<b><u>2015 Individual Performance</u></b> <b><u>Assessment</u></b>	<b><u>2015</u></b> <b><u>Performance</u></b> <b><u>Rating</u></b>	<b><u>2015 Salary</u></b>	<b><u>2016</u></b> <b><u>Salary</u></b>	<b><u>%</u></b> <b><u>Increase</u></b>
Douglas A. Michels President and Chief Executive Officer	Strong corporate performance, including record revenues and full-year profitability, as described above.	Above Target <sup>1</sup>	\$596,895	\$612,580	2.60%
Ronald H. Spair Chief Financial Officer and Chief Operating Officer	Strong corporate performance, including record revenues and full-year profitability, as described above.	Above Target <sup>1</sup>	\$468,838	\$480,245	2.40%
Anthony Zizzo II	Substantial achievement of overall sales goals.	Meets	\$384,010	\$391,690	2.0%

Executive Vice  
President, Marketing  
and Sales

57% growth in OraQuick® HCV sales.

Organizational improvements within the  
Sales and Marketing Department.

Leadership in the implementation of the  
HCV co-promotion agreement with  
AbbVie.

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<b><u>NEO</u></b>	<b><u>2015 Individual Performance Assessment</u></b>	<b><u>2015 Performance Rating</u></b>	<b><u>2015 Salary</u></b>	<b><u>2016 Salary</u></b>	<b><u>% Increase</u></b>
Jack E. Jerrett  Senior Vice President and General Counsel	Leadership in directing various litigation and claims resolution.  Leadership in evaluating various business development opportunities.  Negotiation of reduced royalty obligations.	Meets	\$344,400	\$353,010	2.50%
Michael Reed, Ph.D.  Senior Vice President Research and Development and Chief Science Officer	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	\$305,000	N/A <sup>2</sup>

<sup>1</sup>Assessment based on overall corporate performance during 2015.

<sup>2</sup>Dr. Reed joined the Company in April 2016.

**2016 Annual Incentive Cash Bonuses**

Annual cash bonuses are included as part of executive compensation because the Compensation Committee believes that a significant portion of each executive's compensation should be structured as a variable incentive tied to both the overall performance of the Company and the individual contributions of the executive. On an annual basis, the Compensation Committee has adopted, with approval of the Board, a Management Incentive Plan (the "Incentive Plan"), which is intended to be the principal vehicle for incentive cash bonus awards.

If the Company meets all the Target levels, the pool is funded at 100% of the aggregate target bonuses for all participants in the Incentive Plan, as described below. The pool is funded at 50% of the aggregate target bonuses if all of the Threshold levels are met and at 150% if all of the High levels are met. If the Company achieves a Maximum performance level, the pool can be funded up to 200% of the aggregate target bonuses. Pro-rata adjustments to the amount of funding for each objective are made where a particular performance is in between the pre-established performance levels. To the extent a performance level is below the Threshold objective, generally there is no funding for that particular item unless the Compensation Committee or Board determines, in its limited discretion, that some funding is warranted to recognize extraordinary circumstances.

The amount of the cash bonus pool is determined by the Compensation Committee and recommended for Board approval. The Compensation Committee and Board also retain discretion to increase or decrease the size of the pool in order to reflect specific performance or market conditions affecting the Company and the final performance assessments for each participant for the applicable year. However, the Compensation Committee and Board have limited their ability to make discretionary bonus pool adjustments to +/- 10% of the pool size otherwise determined pursuant to the formula under the Incentive Plan. The cash bonus pool is used to pay bonuses not only to the Company's NEOs, but also to all other officers and certain higher-level employees of the Company.

Individual payments from the bonus pool to executives are calculated using a formula that considers the size of the bonus pool, the executive's achievement of individual performance objectives (except in the case of Messrs. Michels and Spair, as described below), the number of individuals participating in the plan at the time bonuses are awarded and the executive's target bonus percentage. Bonuses are paid, based on an assessment of each

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executive's performance for the applicable year, using targets expressed as a percentage of the executive officer's annual base salary.

If an executive officer has met or exceeded his or her individual performance objectives and/or the Company's expectations for the applicable year, he or she may be eligible to receive up to 150% of his or her target bonus, depending on the size of the bonus pool. The Compensation Committee and Board retain the discretion to adjust an individual executive's performance evaluation and to increase or decrease the bonus paid to such individual to reflect the specific contributions of that executive, the Company's overall performance, market conditions or other circumstances.

The Compensation Committee recommends for Board approval any bonus award for the CEO and the CFO/COO based on an assessment of the Company's overall performance. The CEO recommends individual awards for the other executive officers for approval by the Compensation Committee based on an assessment of each executive's performance against his or her applicable individual performance objectives. The Compensation Committee and Board have the right, in their sole discretion, to reject any or all of the recommended bonus awards, even if the bonus pool has been funded and any or all applicable performance criteria have been satisfied, based on the business conditions of the Company or other factors deemed relevant by the Compensation Committee or Board.

Under the 2016 Incentive Plan, the Compensation Committee established performance levels for two equally weighted financial objectives to be used to fund the bonus pool. The Threshold financial objectives in our 2016 Incentive Plan reflected our actual performance for 2015. The Target levels reflected our annual budget or operating plan for 2016 and represented strong revenue growth and improved profitability compared to 2015.

During 2016, we reported consolidated net revenues totaling \$128.2 million. For purposes of the bonus pool calculation, the Committee reduced our reported results by \$5.4 million, which represents the amount of exclusivity revenues accelerated as a result of the early termination of our HCV co-promotion agreement with AbbVie, which was not anticipated in our 2016 operating plan. Thus, our adjusted consolidated net revenues were \$122.8 million, which exceeded the Threshold performance level, but were less than the Target performance level for this objective (97% of Target), resulting in funding of \$842,000 (73% of Target funding). The Company's 2016 consolidated net operating income was \$20.4 million. This amount was adjusted for several items not reflected in our 2016 operating plan, including the accelerated AbbVie exclusivity revenues (\$5.4 million), severance expenses associated with our corporate restructuring (\$1.4 million), business development expenses (\$422,000) and a variation between the actual U.S./Canadian dollar exchange rate and the exchange rate assumed in our 2016 operating plan (\$48,000), which resulted in an adjusted operating income of \$16.8 million. This amount exceeded the High performance target, but was less than the Maximum target, resulting in funding of \$1.932 million (168% of Target funding)

The following table summarizes the 2016 Incentive Plan performance objectives and performance levels (dollar amounts in millions):

<b><u>Financial Objective/Weight</u></b>	<b><u>Threshold</u></b>	<b><u>Target</u></b>	<b><u>High</u></b>	<b><u>Breakthrough</u></b>	<b><u>Actual</u></b>
Consolidated Net Revenues (50%)	\$119.7	\$126.3	\$131.8	\$137.3	\$122.8
Consolidated Net Operating Income (50%)	\$ 8.1	\$ 12.3	\$ 15.6	\$ 18.9	\$ 16.8
Incentive Plan Pool Funding (% of Target)	50%	100%	150%	200%	120.63%

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In establishing the 2016 Incentive Plan, the Compensation Committee decided on a 50%/50% weighting for the revenue and operating income objectives. The Compensation Committee believed an equal weighting provided an appropriate balance of incentives for both top and bottom line financial performance. The following sets forth the weighting and potential bonus pool funding for both objectives at each performance level established under the 2016 Incentive Plan, based on the participants covered by the Plan at year-end:

<b><u>Objective</u></b>	<b><u>Weight</u></b>	<b><u>Threshold</u></b>	<b><u>Target</u></b>	<b><u>High</u></b>	<b><u>Maximum</u></b>	<b><u>Actual</u></b>
Consolidated Net Revenues	50%	\$ 575,000	\$ 1,150,000	\$ 1,725,000	\$ 2,300,000	\$ 842,000
Consolidated Net Operating Income	50%	\$ 575,000	\$ 1,150,000	\$ 1,725,000	\$ 2,300,000	\$ 1,932,000
Potential Total Pool Funding		\$ 1,150,000	\$ 2,300,000	\$ 3,450,000	\$ 4,600,000	\$ 2,774,000

Although the calculated pool funding was \$2,774,000, the Committee recognized that a total of \$2,922,000 would be required to pay incentive bonuses for all participants under the plan at the performance assessment levels indicated for each participant. Since the difference of \$148,000 was within the permitted discretion for adjustments to the bonus pool under the plan of +/-10%, the Committee exercised its discretion to increase the bonus pool funding by such amount to \$2,922,000 in view of the Company's strong performance for 2016.

The final adjusted bonus pool amount was approved by the full Board and used to pay bonuses to the Company's NEOs and 20 other members of our management team. The specific target payouts for NEO bonuses (expressed as a percentage of annual base salary) are shown below:

<b><u>Title</u></b>	<b><u>Target Payouts</u></b>
Chief Executive Officer	70%
Chief Financial Officer and Chief Operating Officer	
Officer	50%
Executive Vice President	40%
Senior Vice President	35%

In January 2017, the Compensation Committee authorized the payout of individual bonus awards to executive officers from the bonus pool for 2016, based on the target bonus amounts described above and an assessment of each officer's performance during 2016 against pre-established performance objectives (except for Messrs. Michels and Spair where assessments were based on Company performance). The calculation of individual bonus awards was based on a formula that adjusted the foregoing target payments for both the executives' individual performance during 2015 and the degree to which the approved bonus pool funding was sufficient to pay the aggregate bonuses after adjustment for individual performance.

In evaluating Mr. Michels and the Company's performance, the Compensation Committee recognized our substantially improved financial performance for 2016, including a record \$128.2 million in consolidated net revenues (a 7% increase over 2015) and \$19.7 million in consolidated net income (an \$11.5 million improvement over 2015). In addition, the Compensation Committee considered the following other factors:

Our 36% positive TSR for 2016.

The \$22.8 million in cash generated from operations, compared to \$15.8 million in 2015.

The record level of HCV product revenues of \$14.1 million, a 24% increase over 2015.

The \$32.2 million in molecular collection systems revenues, which represented an 8% improvement over 2015.

The progress made in developing a new OraQuick® rapid Zika test, including the securing of up to \$16.6 million in federal funding for this product.

The substantial expansion of our international business, including an \$18 million product supply agreement with a foreign-government and increased sales of our HIV self-test internationally.

The extensive review of multiple business development opportunities by management.

The maintenance of strong relationships with our investors.



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In view of the foregoing factors, the Compensation Committee determined that Messrs. Michels and Spair should receive above-target bonuses for 2016. The remaining NEOs were evaluated based on their 2016 performance against individual objectives established for their respective positions. Messrs. Zezzo and Jerrett and Dr. Reed all received a Meets expectations performance rating. Using these performance ratings, the Compensation Committee developed individual performance factors to adjust the target bonuses for Mr. Michels, the other NEOs and the other participants in the 2016 Incentive Plan to reflect their performance assessments for 2016. The aggregate pool funding that would be required to pay the performance-adjusted target bonus amounts for all participants in the 2016 Incentive Plan totaled \$2,922,000. As a final step, the Compensation Committee calculated a pool funding factor of 1.2063 (\$2,922,000 in aggregate performance-adjusted bonuses divided by \$2,774,000 in aggregate funding under the plan formula) in order to calculate individual performance bonuses consistent with the bonus pool funding formula.

Using the approach described above, a final 2016 incentive cash bonus of \$646,586 was calculated for Mr. Michels, as follows:

<u>2016 Base</u>		<u>Target</u>		<u>2016 Individual Performance</u>		<u>2016 Pool Funding</u>		<u>2016</u>
<u>Salary</u>	X	<u>%</u>	X	<u>Factor</u>	X	<u>Factor</u>	=	<u>Bonus</u>
\$612,580		70%		125%		1.2063		\$646,586

This same formula was used to calculate the 2016 bonus awards for all NEOs, as follows:

**2016 Bonus Payments**

<u>NEO</u>	<u>2016</u> <u>Salary</u>	<u>Bonus</u> <u>Target</u> <u>(% salary)</u>	<u>2016 Performance</u> <u>Assessment and Rating</u>	<u>Individual</u> <u>2016</u> <u>Performance</u> <u>Factor</u>	<u>2016</u> <u>Pool</u> <u>Funding</u> <u>Factor</u>	<u>2016</u> <u>Bonus</u>
			<u>Above Target<sup>1</sup></u>			
Douglas A. Michels President and Chief Executive Officer	\$ 612,580	70%	Strong corporate performance, including record revenues and improved profitability, as described above.	125%	120.63%	\$ 646,586
Ronald H. Spair Chief Financial Officer and Chief Operating Officer	\$ 480,244	50%	<u>Above Target<sup>1</sup></u>  Strong corporate performance, including record revenues and improved profitability, as described	125%	120.63%	\$ 362,074

above.

Meets

Anthony Zezzo II Executive Vice President, Marketing and Sales	\$ 391,690	40%	Substantial achievement of overall sales goals.  24% growth in HCV product sales.  Substantial expansion of international sales	100%	120.63%	\$ 188,998
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<b><u>NEO</u></b>	<b><u>2016</u> <u>Salary</u></b>	<b><u>Bonus</u> <u>Target</u>  <u>(% salary)</u></b>	<b><u>2016 Performance</u> <u>Assessment and Rating</u></b>	<b><u>Individual</u> <u>2016</u> <u>Performance</u> <u>Factor</u></b>	<b><u>2016</u> <u>Pool</u> <u>Funding</u> <u>Factor</u></b>	<b><u>2016</u> <u>Bonus</u></b>
Jack E. Jerrett  Senior Vice President and General Counsel	\$ 353,010	35%	of HCV and HIV self-test revenues.			
			Oversight of sales and marketing functions.			
			Contribution to development of updated corporate strategy. <u>Meets</u>			
Michael Reed, Ph.D. Senior Vice President Research and Development and Chief Science Officer	\$ 305,000	35%	Leadership in directing the Ancestry litigation and resolution of other claims and disputes.			
			Leadership in negotiating new credit facility.	100%	120.63%	\$ 149,043
			Assistance in evaluating various business development opportunities.			
			Assistance on numerous important commercial matters.			
			Ongoing advice and counsel to the Board and senior management.			
			<u>Meets</u>	100%	120.63%	\$ 128,773
			Substantial development of new rapid Zika antibody test and assisted in securing related federal funding.			
			Submission of OraQuic® HIV self-test for WHO pre-qualification.			

Progress in development of  
next generation oral specimen  
collection device for use with  
high throughput drug assays.

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<b><u>NEO</u></b>	<b><u>2016</u></b>	<b><u>Bonus</u></b>	<b><u>2016 Performance</u></b>	<b><u>Individual</u></b>	<b><u>2016</u></b>	<b><u>2016</u></b>	<b><u>2016</u></b>
	<b><u>Salary</u></b>	<b><u>Target</u></b>	<b><u>Assessment and Rating</u></b>	<b><u>Performance</u></b>	<b><u>Factor</u></b>	<b><u>Pool</u></b>	<b><u>Bonus</u></b>
		<b><u>(% salary)</u></b>				<b><u>Funding</u></b>	
						<b><u>Factor</u></b>	
			Oversight of regulatory and quality functions.				
			Contribution to development of updated corporate strategy and integration of global R & D, regulatory and quality functions.				

<sup>1</sup> Assessment based on overall corporate performance during 2016.

**2016 Long-Term Incentive Awards**

An additional way that we promote the long-term growth of the Company and align the interests of executives with those of our stockholders is by compensating executives with equity in the Company that vests over a multi-year period. To accomplish this, the Compensation Committee administers the Company's LTIP (Long-Term Incentive Policy), pursuant to which grants of time-vested restricted shares and performance-vested restricted units are made to executive officers.

Incentive equity awards under the LTIP are made on an annual basis, and are discretionary and subject to approval by the Compensation Committee and/or Board. Awards to individual participants under the LTIP are based on an evaluation of a number of factors, including:

- Performance of the participant for the applicable year;
- The participant's level of responsibilities and relative contribution to the Company's business;
- A competitive assessment of awards at peer group companies (listed on page 43 of this Proxy Statement);
- History of equity awards to the participant; and
- Other factors deemed relevant by the Compensation Committee and/or Board.

Each participant's individual performance for the applicable year is evaluated against his or her individual performance objectives for that year (except for Messrs. Michels and Spair who are evaluated based on total Company performance). A "Meets Expectations" performance is typically the threshold requirement to receive an equity award under the LTIP. Awards below this performance level may be considered on an exception basis at the discretion of the Compensation Committee and/or the Board.

The value of potential incentive equity awards that could be granted in 2016 under the LTIP (expressed as a percentage of annual base salary) based on performance during 2015, are summarized below:

	<b><u>Performance</u></b>		
<b><u>Position</u></b>	<b><u>Lower End</u></b>	<b><u>Target</u></b>	<b><u>Maximum</u></b>

President/CEO	150%	200%	250%
CFO/COO	90%	125%	160%
EVP	75%	100%	125%
SVP	55%	75%	95%

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The percentages set forth above were established at levels that the Compensation Committee believed represented an appropriate long-term incentive compensation value for each executive, based on the results of a competitive assessment of long-term incentive awards at the peer group companies (listed on page 43 of this Proxy Statement). Once the aggregate dollar value of an award has been established by applying the Committee approved award percentage to a participant's base salary, the value is converted into shares or units based on a valuation of the restricted stock and restricted unit portions of the award using the average of the high and low stock price on the grant date as reported on the NASDAQ Stock Market.

In February 2017, the ranges of percentages set forth above for annual incentive equity awards were increased somewhat by the Compensation Committee for the CFO/COO (i.e. from 90%/125%/160% to 105%/140%/175%), Executive Vice President (i.e. from 75%/100%/125% to 95%/125%/155%), and Senior Vice President (i.e. from 55%/75%/95% to 70%/90%/115%), based on advice from PM&P, in order to bring the ranges more closely in line with market levels. The new percentage ranges will be effective beginning with the incentive equity awards expected to be made in early 2018 for performance during 2017.

The grants of performance-vested restricted units will not vest until three years after the grant date and only if certain performance measures are met during that three-year period. The awards currently incorporate two performance metrics: (i) a CAGR for consolidated product revenues during the three-year period beginning with the year in which the award is made and (ii) a one-year EPS target for the year of award followed by a further two-year vesting requirement.

Grants of time-vested restricted stock generally vest in equal annual installments over a three-year period. These vesting restrictions serve to promote the Company's long-term growth by restricting executives' ability to realize short-term gains from their awards. The Compensation Committee believes the terms of its incentive equity awards to executives are competitive with the terms of equity awards offered at comparable medical diagnostics and healthcare companies.

Equity awards are generally made by the Compensation Committee each year as part of the normal annual compensation cycle. The awards for a particular year generally occur in late January or early February of the following year after the Company's full year financial results are known and performance evaluations for the executive officers have been prepared. Equity awards approved by the Compensation Committee for the CEO are then reviewed and approved by the Board. In addition to the annual equity awards, the Compensation Committee may approve equity awards for newly hired officers or in recognition of an executive's promotion or expansion of responsibilities. Dr. Reed received such an award when he joined the Company in April 2016. These latter grants may have vesting or other terms that differ from the terms generally approved for annual equity awards. Notwithstanding the terms of the LTIP, equity awards are made at the discretion of the Compensation Committee or Board.

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Effective February 1, 2016, the Compensation Committee approved equity awards for the NEOs (except Dr. Reed as described below) under the LTIP based on the performance evaluations of such officers for 2015, as summarized below. A description of the basis for each NEO's 2015 performance evaluation is set forth above under the Section entitled, "2016 Base Salaries," in this Proxy Statement. The value of Dr. Reed's onboarding equity award was determined based on a market assessment of similar awards for officers at his level.

<b><u>Executive Officer</u></b>	<b><u>2015 Performance Assessment</u></b>	<b><u>Time Vested Restricted Stock</u></b>	<b><u>Performance-Vested Restricted Units</u></b>	<b><u>Award Value (% of Base Salary)</u></b>
Douglas A. Michels				
President and Chief Executive Officer	Above Target <sup>1</sup>	119,490 Shs	119,490 Shs	215%
Ronald H. Spair				
Chief Financial Officer and Chief Operating Officer	Above Target <sup>1</sup>	58,932 Shs	58,932 Shs	135%
Anthony Zezzo II				
Executive Vice President, Marketing and Sales	Meets	32,180 Shs	32,180 Shs	90%
Jack E. Jerrett				
Senior Vice President and General Counsel	Meets	24,050 Shs	24,050 Shs	75%
Michael Reed, Ph.D. <sup>2</sup>				
Senior Vice President, Research and Development and Chief Science Officer	N/A	19,345 Shs	19,345 Shs	90%

<sup>1</sup> Assessment based on overall corporate performance during 2015.



<sup>2</sup> Dr. Reed received his equity award upon joining the Company in April 2016.

## OTHER COMPENSATION

We provide minimal additional benefits outside of our primary elements of compensation, as follows:

### Retirement Programs

All of our employees, including executive officers, are eligible to participate in our 401(k) profit sharing plan (the 401(k) Plan ). We make matching contributions for participants on a dollar-for-dollar basis up to \$4,000 per year. Payments of employer-provided benefits accrued for a 401(k) Plan participant will be made upon retirement or upon termination of employment prior to retirement, provided certain vesting conditions have been met by the participant prior to termination. In addition, the Company maintains the OraSure Technologies, Inc. Deferred Compensation Plan (the Deferred Compensation Plan ) for the benefit of the Company's highly compensated employees, including all of the NEOs, and its non-employee Directors. The Deferred Compensation Plan allows participants to defer up to 100% of their annual base salaries (or fees in the case of non-employee Directors) and up to 100% of annual incentive cash bonuses and, upon vesting, restricted shares of the Company's Common Stock awarded to the participant. The Company may also make discretionary contributions to the participants' accounts that vest over one or more years as determined by the Company, as well as upon death, disability or a change of control. Since the Deferred Compensation Plan was put in place, the Company has made no discretionary contributions. Participants may elect to receive distributions of deferred amounts on a specified date, separation from service, a change of control, disability and/or death.

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**Perquisites and Other Compensation**

As a general matter, the Compensation Committee and Board do not believe that executive officers should be treated differently than other employees by receiving special perquisites unrelated to our general compensation program. Therefore, our healthcare, disability, and other insurance programs and benefits are the same for all eligible employees, including executive officers. Executive officers do not receive any additional perquisites.

**Potential Payments Upon Termination or Change of Control Pursuant to Employment Agreements**

The Company has entered into employment agreements with each of the NEOs (except for Dr. Reed). In addition to the compensation elements discussed above, these agreements provide for post-employment severance payments and benefits in the event of termination of employment by the Company without cause or by the executive for good reason and provide enhanced severance payments upon such terminations in connection with a change of control of the Company. Dr. Reed's employment offer provides that he will receive post-employment severance under certain circumstances. The terms of these arrangements are discussed in more detail under the Section entitled, Employment Agreements and Potential Payments Upon Termination or Change of Control, in this Proxy Statement. The Compensation Committee believes that these arrangements are generally consistent with industry practice at the peer group companies (listed on page 43 of this Proxy Statement), provide an incentive to the applicable executive to remain with the Company, and serve to align the interests of stockholders and the executives in the event of a change of control of the Company.

**Accounting and Tax Treatment of Compensation.**

In approving the amount and form of compensation for the NEOs, the Compensation Committee considers all elements of the cost to the Company of providing such compensation, including accounting and tax implications. In particular, it considers the potential impact of Section 162(m) of the Internal Revenue Code. Section 162(m) which disallows a tax deduction for any publicly-held corporation for individual compensation exceeding \$1 million in any taxable year for the CEO and for the three most highly compensated officers (other than the Chief Financial Officer) unless compensation is performance-based. The Compensation Committee intends to maintain flexibility to pay compensation that is not entirely deductible when the best interests of the Company would make that advisable.

**Compensation Recoupment Policy**

The Board has adopted a compensation recoupment or clawback policy, applicable to all officers subject to Section 16 of the Exchange Act. Under this policy, the Board and the Compensation Committee will pursue recoupment of any excess compensation, including incentive cash bonuses, restricted awards, stock options or other compensation, which was awarded to a covered officer based on financial statements of the Company where such statements are required to be restated as a result of the gross negligence, intentional misconduct or fraud of the covered officer. In addition to recoupment, the Board or Compensation Committee shall take such other remedial actions deemed necessary against a covered employee, including recommending disciplinary actions up to and including termination and other available remedies. The recovery period for recoupment of any compensation is up to three fiscal years preceding the date on which the Company is required to prepare and file the restated financial statements. This policy has been proactively adopted in advance of final guidance under Section 954 of the Dodd-Frank Act, and will be amended to conform with this Section when final guidance is available.

Table of Contents**COMPENSATION TABLES****SUMMARY COMPENSATION TABLE**

The following table summarizes the compensation of our CEO and the other NEOs, for the fiscal years ended December 31, 2016, 2015 and 2014:

Name & Principal		Salary	Bonus	Stock Awards <sup>2</sup>	Option Awards <sup>3</sup>	Non-Equity Incentive Plan Compensation <sup>4</sup> (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All other Compensation <sup>5</sup>	Total
Position	Year	(\$) <sup>1</sup>	(\$)	(\$)	(\$)		(\$)	(\$)	(\$)
Douglas A. Michels	2016	\$612,339		\$1,283,322	-----	\$646,586		\$ 4,000	\$ 2,546,247
President and Chief	2015	\$619,054		\$ 557,686	\$836,523	\$508,787		\$ 4,000	\$ 2,526,050
Executive Officer	2014	\$580,139		\$ 507,606	\$761,400	\$620,000		\$ 4,000	\$ 2,473,145
Ronald H. Spair	2016	\$480,069		\$ 632,930	----	\$362,074		\$ 4,000	\$ 1,479,073
Chief Financial Officer	2015	\$486,243		\$ 264,653	\$396,971	\$285,452		\$ 4,000	\$ 1,437,319
and Chief Operating Officer	2014	\$455,677		\$ 256,941	\$385,411	\$322,970		\$ 4,000	\$ 1,424,999
Officer									
Anthony Zezzo II	2016	\$391,572		\$ 345,614	----	\$188,998			\$ 962,184
Executive Vice	2015	\$398,403		\$ 135,537	\$203,298	\$153,036			\$ 890,274
President,	2014	\$375,812		\$ 166,524	\$249,779	\$206,840			\$ 998,955
Marketing and Sales									
Jack E. Jerrett	2016	\$352,878		\$ 258,298	----	\$149,043		\$ 4,000	\$ 764,219

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Senior Vice President	2015	\$356,826	\$ 118,080	\$177,120	\$140,110	\$ 4,000	\$ 796,136
	2014	\$327,631	\$ 102,401	\$153,599	\$207,850	\$ 4,000	\$ 795,481
and General Counsel							
Michael Reed, Ph.D. <sup>6</sup>	2016	\$211,154	\$ 274,506	----	\$128,773	\$164,524	\$ 778,957
	2015	----	----	----		----	
Senior Vice President,	2014	----	----	----		----	
Research and Development							
and Chief Science Officer							

1 Salary in 2015 reflects twenty-seven bi-weekly payroll periods, as compared to twenty-six bi-weekly payroll periods in 2016. This additional pay period caused the actual amounts received by the NEOs during 2015 to be somewhat higher than their annual base salaries. Base salaries for 2015 were as follows: Mr. Michels, \$596,895; Mr. Spair, \$468,838; Mr. Zizzo, \$384,010 and Mr. Jerrett, \$344,400.

2 The indicated amounts reflect the aggregate grant date fair value of restricted stock and performance-vested restricted unit awards made to the NEOs during the applicable year, computed in accordance with Financial Accounting Standards Board ( FASB ) ASC Topic 718. Performance-vested restricted units were included in the annual equity awards for executives beginning in 2016. The value of the performance-vested restricted units reflect the assumption that 100% of target is achieved for each of the performance measures reflected in the terms of the restricted unit awards. Certain assumptions used in the calculation of the indicated amounts are set forth for the applicable year of award in footnote 9 to the Company's audited consolidated financial statements for the year ended December 31, 2016, included in the Company's Annual Report on Form 10-K filed with the SEC on March 14, 2017 (the 2016 10-K Report ). The maximum grant-date fair values of the performance-vested restricted unit awards made in 2016, assuming the highest level of performance conditions will be achieved (150% of target), are as follows: Mr. Michels, \$962,492, Mr. Spair, \$474,697; Mr. Zizzo, \$259,210; Mr. Jerrett, \$193,723; and Dr. Reed, \$205,879.

3 The values set forth in this column reflect the aggregate grant date fair value of stock option awards made to the NEOs during the applicable year, computed in accordance with FASB ASC Topic 718. Certain assumptions used in the calculation of those amounts are set forth for the applicable year of award in footnote 9 to the Company's audited consolidated financial statements for the year ended December 31, 2016, included in the Company's 2016 10-K Report.

4 The indicated amounts reflect incentive cash bonuses paid to the NEOs pursuant to an Incentive Plan, based on performance during the applicable year. For a description of incentive cash bonus payments for performance during 2016, see the Section entitled, 2016 Annual Incentive Cash Bonuses, in the CD&A. The 2014 amounts include special achievement awards for Messrs. Zizzo and Jerrett of \$40,000 and \$10,000, respectively, for their contributions in negotiating the HCV co-promotion agreement with AbbVie.

5 The indicated amounts reflect cash contributed to a 401(k) profit sharing plan as an employer-matching contribution, which was offered to all employees of the Company during each of the indicated years. The amount for Dr. Reed also includes \$160,524 in one-time relocation expenses reimbursed by the Company.

6 Dr. Reed joined the Company in April 2016.

**Table of Contents****GRANTS OF PLAN-BASED AWARDS**

The following table summarizes information concerning possible incentive cash bonuses and possible and actual restricted stock, performance-vested restricted unit and stock option awards for the NEOs during the fiscal year ended December 31, 2016 as well as possible payouts under the 2016 Incentive Plan:

	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>2</sup>							All other Option Awards <sup>5</sup>			
	Estimated Possible Payouts Under Equity Incentive Plan Awards <sup>3</sup>							Stock Awards <sup>4</sup>	Exercise Price of Securities Underlying Options	Grant Date Fair Price of Stock	Value of Stock Awards
Name	Grant Date <sup>1</sup>	Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (# Shs.)	Target (# Shs.)	Maximum (# Shs.)	or Units <sup>4</sup>	Options <sup>4</sup>		
Douglas A. Michels President and Chief Executive Officer	2/01/16							119,490 RS			\$641,661
	2/01/16							119,490 PRU			\$641,661
	N/A	\$214,403	\$428,806	\$643,209	83,365 RS	111,154 RS	138,942 RS				N/A
	N/A				83,365 PRU	111,154 PRU	138,942 PRU				N/A
Ronald H. Spair Chief Financial Officer and Chief Operating Officer	2/01/16							58,932 RS			\$314,465
	2/01/16							58,932 PRU			\$314,465
	N/A	\$120,061	\$240,122	\$360,183	39,288 RS	54,567 RS	69,846 RS				N/A
	N/A				39,288 PRU	54,567 PRU	69,846 PRU				N/A
Anthony Zezzo II Executive Vice President,	2/01/16							32,180 RS			\$172,807
	2/01/16							32,180 PRU			\$172,807
	N/A	\$78,338	\$156,676	\$235,014	26,816 RS	35,755 RS	44,694 RS				