

EMAGIN CORP
Form DEF 14A
April 23, 2012

SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for the 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

EMAGIN CORPORATION
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11 (a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

eMagin Corporation

2012

NOTICE OF ANNUAL MEETING

AND

PROXY STATEMENT

June 7, 2012
at 10:00 a.m. Eastern Time

61 Broadway, 32nd Floor
New York, New York 10006

eMagin Corporation

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON JUNE 7, 2012

The 2012 Annual Meeting of Stockholders (the "Annual Meeting") of eMagin Corporation ("eMagin" or the "Company") will be held at the offices of Sichenzia Ross Friedman Ference LLP at 61 Broadway, New York, New York 10006, on Thursday, June 7, 2012, at 10:00 am Eastern Time, to consider the following proposals:

1. To elect the eight director nominees named in the Proxy Statement to hold office until the next annual meeting of stockholders;
2. To approve the eMagin Corporation Amended and Restated 2011 Incentive Stock Plan;
3. To ratify the appointment of McGladrey & Pullen, LLP as the Company's independent auditors for the fiscal year ending December 31, 2012;
4. To conduct an advisory vote on executive compensation;
5. To conduct an advisory vote on the frequency of future advisory votes on executive compensation; and
6. To act on such other matters as may properly come before the meeting or any adjournment thereof.

BECAUSE OF THE SIGNIFICANCE OF THESE PROPOSALS TO THE COMPANY AND ITS STOCKHOLDERS, IT IS VITAL THAT EVERY STOCKHOLDER VOTES AT THE ANNUAL MEETING IN PERSON OR BY PROXY.

These proposals are fully set forth in the accompanying Proxy Statement, which you are urged to read thoroughly. For the reasons set forth in the Proxy Statement, your Board of Directors recommends a vote "FOR" Proposals 1 - 4, and recommends a vote of "1 Year" on Proposal 5. The Company intends to mail the Annual Report, Proxy Statement and Proxy card enclosed with this notice on or about April 24, 2012 to all stockholders entitled to vote at the Annual Meeting. Only stockholders of record at the close of business on April 13, 2012 will be entitled to attend and vote at the meeting. A list of all stockholders entitled to vote at the Annual Meeting will be available at the principal office of the Company during usual business hours, for examination by any stockholder for any purpose germane to the Annual Meeting for 10 days prior to the date thereof. Stockholders are cordially invited to attend the Annual Meeting. However, whether or not you plan to attend the meeting in person, your shares should be represented and voted. After reading the enclosed Proxy Statement, please sign, date, and return promptly the enclosed Proxy in the accompanying postpaid envelope we have provided for your convenience to ensure that your shares will be represented. Alternatively, you may wish to provide your response by telephone or electronically through the Internet by following the instructions set out on the enclosed Proxy card. If you do attend the meeting and wish to vote your shares personally, you may revoke your Proxy.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held June 7, 2012. The Proxy Statement and our 2011 Annual Report to Stockholders are available at: <http://www.cstproxy.com/emagin/2012>.

By Order of the Board of Directors

/s/ Jill J. Wittels
Jill J. Wittels
Chair of the Board of Directors

WHETHER OR NOT YOU PLAN ON ATTENDING THE MEETING IN PERSON, PLEASE VOTE AS PROMPTLY AS POSSIBLE TO ENSURE THAT YOUR VOTE IS COUNTED.

eMagin Corporation
3006 Northup Way
Suite 103
Bellevue, WA 98004

(425) 284-5200

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of eMagin Corporation (“eMagin” or the “Company”) to be voted at the Annual Meeting of Stockholders (“Annual Meeting”) which will be held at the offices of Sichenzia Ross Friedman Ference LLP at 61 Broadway, New York, New York 10006 on Thursday, June 7, 2012, at 10:00 a.m. Eastern Time, and at any postponements or adjournments thereof. The proxy materials will be furnished to stockholders on or about April 24, 2012.

REVOCABILITY OF PROXY AND SOLICITATION

Any stockholder executing a proxy that is solicited hereby has the power to revoke it prior to the voting of the proxy. Revocation may be made by attending the Annual Meeting and voting the shares of stock in person, or by delivering to the Secretary of the Company at the principal office of the Company prior to the Annual Meeting a written notice of revocation or a later-dated, properly executed proxy. Solicitation of proxies may be made by directors, officers and other employees of the Company by personal interview, telephone, facsimile transmittal or electronic communications. No additional compensation will be paid for any such services. This solicitation of proxies is being made by the Company which will bear all costs associated with the mailing of this proxy statement and the solicitation of proxies.

RECORD DATE

Stockholders of record at the close of business on April 13, 2012, will be entitled to receive notice of, attend and vote at the meeting.

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Why am I receiving these materials?

The Company has delivered printed versions of these materials to you by mail, in connection with the Company's solicitation of proxies for use at the Annual Meeting. These materials describe the proposals on which the Company would like you to vote and also give you information on these proposals so that you can make an informed decision.

What is included in these materials?

These materials include:

- this Proxy Statement for the Annual Meeting;
- the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011; and
- the proxy card or vote instruction form for the Annual Meeting.

What is the proxy card?

The proxy card enables you to appoint Paul Campbell, our Chief Financial Officer, and Susan Taylor, our Senior Vice President, General Counsel and Corporate Secretary, as your representatives at the Annual Meeting. By completing and returning a proxy card, you are authorizing these individuals to vote your shares at the Annual Meeting in accordance with your instructions on the proxy card. This way, your shares will be voted whether or not you attend the Annual Meeting.

What is the purpose of the Annual Meeting?

At our Annual Meeting, stockholders will act upon the matters outlined in the Notice of Annual Meeting on the cover page of this Proxy Statement, including (i) the election of eight persons named herein as nominees for directors of the Company, to hold office subject to the provisions of the bylaws of the Company, until the next annual meeting of stockholders and until their successors are duly elected and qualified, (ii) to approve the eMagin Corporation Amended and Restated 2011 Incentive Stock Plan, (iii) ratification of the appointment of McGladrey & Pullen, LLP as the Company's independent auditors for the fiscal year ending December 31, 2012, (iv) to conduct an advisory vote on executive compensation, and (v) to conduct an advisory vote on the frequency of future advisory votes on executive compensation. In addition, management will report on the performance of the Company during fiscal year 2011 and respond to questions from stockholders.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of the number of shares of common stock and Series B Convertible Preferred Stock (on an as-converted basis with the common stock) issued and outstanding on the record date will constitute a quorum permitting the meeting to conduct its business. As of the record date, there are 23,537,978 shares of eMagin common stock and 5,659 shares of Series B Convertible Preferred Stock, convertible into 7,545,333 shares of common stock, issued and outstanding. Each share of Series B Convertible Preferred Stock is entitled to voting rights equal to the number of shares of common stock issuable upon conversion of the Series B Convertible Preferred Stock. Thus, the presence of the holders of common stock and Series B Convertible Preferred Stock (on an as-converted basis with the common stock) representing at least 15,541,656 votes will be

required to establish a quorum.

What is the difference between a stockholder of record and a beneficial owner of shares held in street name?

Most of our stockholders hold their shares in an account at a brokerage firm, bank or other nominee holder, rather than holding share certificates in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially in street name.

Stockholder of Record

If on April 13, 2012, your shares were registered directly in your name with our transfer agent, Continental Stock Transfer & Trust Company, you are considered a stockholder of record with respect to those shares, and the Notice of Annual Meeting and Proxy Statement was sent directly to you by the Company. As the stockholder of record, you have the right to direct the voting of your shares by returning the proxy card to us. Whether or not you plan to attend the Annual Meeting, if you do not vote over the Internet, please complete, date, sign and return a proxy card to ensure that your vote is counted.

Beneficial Owner of Shares Held in Street Name

If on April 13, 2012, your shares were held in an account at a brokerage firm, bank, broker-dealer, or other nominee holder, then you are considered the beneficial owner of shares held in "street name," and the Notice of Annual Meeting and Proxy Statement was forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As the beneficial owner, you have the right to direct that organization on how to vote the shares held in your account. However, since you are not the stockholder of record, you may not vote these shares in person at the Annual Meeting unless you receive a valid proxy from the organization.

How do I vote?

Stockholders of Record. If you are a stockholder of record, you may vote by any of the following methods:

- Via the Internet. You may vote by proxy via the Internet by following the instructions provided on the enclosed Proxy Card.
- By Telephone. You may vote by calling the toll free number found on the Proxy Card.
- By Mail. You may vote by completing, signing, dating and returning your proxy card in the pre-addressed, postage-paid envelope provided.
- In Person. You may attend and vote at the Annual Meeting. The Company will give you a ballot when you arrive.

Beneficial Owners of Shares Held in Street Name. If you are a beneficial owner of shares held in street name, you may vote by any of the following methods:

- Via the Internet. You may vote by proxy via the Internet by following the instructions provided on the enclosed Proxy Card.
- By Telephone. You may vote by proxy by calling the toll free number found on the vote instruction form.
- By Mail. You may vote by proxy by filling out the vote instruction form and returning it in the pre-addressed, postage-paid envelope provided.
- In Person. If you are a beneficial owner of shares held in street name and you wish to vote in person at the Annual Meeting, you must obtain a legal proxy from the organization that holds your shares.

Abstentions and broker non-votes

While the inspectors of election will treat shares represented by Proxies that reflect abstentions or include "broker non-votes" as shares that are present and entitled to vote for purposes of determining the presence of a quorum, abstentions or "broker non-votes" do not constitute a vote "for" or "against" any matter and thus will be disregarded in any calculation of "votes cast." However, abstentions and "broker non-votes" will have the effect of a negative vote if an item requires the approval of a majority of a quorum or of a specified proportion of all issued and outstanding shares.

Brokers holding shares of record for customers generally are not entitled to vote on "non-routine" matters, unless they receive voting instructions from their customers. As used herein, "uninstructed shares" means shares held by a broker who has not received voting instructions from its customers on a proposal. A "broker non-vote" occurs when a nominee holding uninstructed shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that non-routine matter. In connection with the treatment of abstentions and broker non-votes, the proposed ratification of McGladrey & Pullen, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012 is considered a "routine" matter. Accordingly, brokers are entitled to vote uninstructed shares with respect to this proposal.

What happens if I do not give specific voting instructions?

Shareholders of Record. If you are a stockholder of record and you:

- indicate when voting on the Internet or by telephone that you wish to vote as recommended by the Board of Directors, or
- sign and return a proxy card without giving specific voting instructions,

then the proxy holders will vote your shares in the manner recommended by the Board of Directors on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the Annual Meeting.

Beneficial Owners of Shares Held in Street Name. If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on routine matters, such as the ratification of McGladrey & Pullen, LLP as the Company's independent registered public accounting firm for the year ending December 31, 2012, but cannot vote on non-routine matters, such as the election of directors.

What are the Board's recommendations?

The Board's recommendation is set forth together with the description of each item in this Proxy Statement. In summary, the Board recommends a vote:

- for election of the eight (8) directors nominated by the Company to hold office subject to the provisions of the Bylaws of the Company, until the next annual meeting of stockholders and until their successors are duly elected and qualified;
- for approval of the eMagin Corporation Amended and Restated 2011 Incentive Stock Plan;
- for ratification of the appointment of McGladrey & Pullen, LLP as the Company's independent auditors for fiscal year 2012;
- for approval of executive compensation disclosed in this Proxy Statement of the Company's executive officers who are named in this Proxy Statement's Summary Compensation Table; and
- for approval to conduct an advisory stockholder vote every year on compensation of the Company's executive officers named in the Proxy Statement's Summary Compensation Table for that year.

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion.

Dissenters' Right of Appraisal

Holders of shares of our Common Stock or Series B Convertible Preferred Stock do not have appraisal rights under Delaware law or under the governing documents of the Company in connection with this solicitation.

How are Proxy materials delivered to households?

Only one copy of the Company's 10-K for the fiscal year ending December 31, 2011 and this Proxy Statement will be delivered to an address where two or more stockholders reside with the same last name or who otherwise reasonably appear to be members of the same family based on the stockholders' prior express or implied consent.

We will deliver promptly upon written or oral request a separate copy of the Company's 10-K for the fiscal year ending December 31, 2011 and this Proxy Statement upon such request. If you share an address with at least one other stockholder, currently receive one copy of our Annual Report and Proxy Statement at your residence, and would like to receive a separate copy of our Annual Report and Proxy Statement for future stockholder meetings of the Company, please specify such request in writing and send such written request to eMagin Corporation, 3006 Northup Way, Suite 103, Bellevue, WA 98004; Attention: Corporate Secretary.

Interest of Officers and Directors in Matters to Be Acted Upon

Except for the election to our Board of the eight nominees set forth herein, none of our officers or directors has any interest in any of the matters to be acted upon at the Annual Meeting.

How much stock is owned by 5% stockholders, directors, and executive officers?

The following table sets forth the number of shares known to be beneficially owned by all persons who own at least 5% of eMagin's outstanding common stock, the Company's directors, the executive officers, and the directors and executive officers as a group as of April 13, 2012, unless otherwise noted. Unless otherwise indicated, the stockholders listed in the table have sole voting and investment power with respect to the shares indicated.

Name of Beneficial Owner	Common Stock Beneficially Owned**	Percentage of Common Stock **
Stillwater Holdings LLC (f/k/a Stillwater LLC) (1)	12,631,492	35.7%
Ginola Limited (2)	4,540,694	12.8%
Rainbow Gate Corporation (3)	1,720,658	4.9%
Paul Cronson (4)	574,396	1.6%
Andrew G. Sculley (5)	407,974	1.2%
Irwin Engelman (6)	370,076	1.1%
Claude Charles (7)	344,525	1.0%
Stephen Seay (8)	307,800	*
Paul Campbell (9)	169,474	*
Leslie G. Polgar (10)	105,000	*
Jill J. Wittels (11)	94,166	*
Olivier Prache (12)	80,896	*
Amalkumar Ghosh (13)	77,410	*
Susan Taylor (14)	75,000	*
Jerome Carollo (15)	33,333	*
All executive officers and directors as a group (consisting of 12 individuals) (16)	2,640,050	7.5%

*Less than 1% of the outstanding common stock

** Beneficial Ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to options, warrants, or preferred shares exercisable or convertible within 60 days of April 13, 2012 are deemed outstanding for computing the percentage of the person holding such option or warrant. Percentages are based on a total of 35,401,630 shares: 23,537,978 shares of common stock outstanding on April 13, 2012 and 11,863,652 shares issuable upon the exercise of options, warrants exercisable and preferred shares convertible on or within 60 days of April 13, 2012, as described below.

(1) This figure represents: (i) 5,316,826 shares of common stock owned by Stillwater Holdings LLC (f/k/a Stillwater LLC), which includes 783,325 shares of common stock owned by Rainbow Gate Corporation, in which the sole member of Stillwater Holdings LLC is the investment manager of Rainbow Gate Corporation; (ii) warrants held by Stillwater Holdings LLC to purchase 1,000,000 shares of common stock and (iii) 6,314,666 shares of common stock underlying convertible preferred shares which includes 937,333 shares of common stock underlying convertible

preferred shares held by Rainbow Gate Corporation, in which the sole member of Stillwater Holdings LLC is the investment manager of Rainbow Gate Corporation. Mortimer D. A. Sackler exercises the sole voting power with respect to the shares held in the name of Stillwater Holdings LLC as sole member, and Mortimer D. A. Sackler exercises the sole voting power with respect to the shares held in the name of Rainbow Gate Corporation as investment manager; therefore Stillwater Holdings LLC is deemed to beneficially own the shares held by Rainbow Gate as “beneficially owned”.

(2) This figure represents: (i) 2,532,694 shares of common stock owned by Ginola Limited, which include: 783,325 shares of common stock held indirectly by Rainbow Gate Corporation; 78,478 shares of common stock owned by Mount Union Corp.; 57,372 shares of common stock owned by Chelsea Trust Company Limited, as trustee (Ginola Limited disclaims beneficial ownership of the shares owned by Rainbow Gate Corporation, Mount Union Corp. and Chelsea Trust Company Limited, as trustee); and 372,972 shares of common stock owned by Crestflower Corporation, in which the sole shareholder of Crestflower Corporation is Ginola Limited (Ginola Limited disclaims beneficial ownership of the shares owned by Crestflower Corporation except to the extent of its pecuniary interest therein); and (ii) 2,008,000 shares of common stock underlying convertible preferred shares, which includes 937,333 shares of common stock underlying convertible preferred shares held by Rainbow Gate Corporation (Ginola Limited disclaims beneficial ownership of the shares owned by Rainbow Gate Corporation). Stillwater Holdings LLC (f/k/a Stillwater LLC) and Ginola Limited are beneficially owned by separate individuals and therefore do not exert voting control over one another. However, Stillwater LLC does include the shares held by Rainbow Gate as “beneficially owned” since the sole member of Stillwater Holdings LLC is investment manager and sole director of Rainbow Gate Corporation and exerts voting control over such shares. Jonathan White, Steven Meiklejohn, and Joerg Fischer exercise the shared voting power with respect to the shares held in the name of Mount Union Corp. Stuart Baker, Joerg Fischer, Charles Lubar, Christopher Mitchell, Leslie Schreyer and Jonathan White exercise the shared voting power with respect to the shares held in the name of Chelsea Trust Company Limited. Jonathan White, Joerg Fischer and Steven Meiklejohn exercise the shared voting power with respect to the shares held in the name of Crestflower Corporation. Jonathan White, Joerg Fischer, John Crellin and Steven Meiklejohn are the directors of Ginola Limited and exercise the shared voting power with respect to the shares held in the name of Ginola Limited.

(3) This figure represents (1) 783,325 shares of common stock owned by Rainbow Gate Corporation; and (ii) 937,333 shares of common stock underlying convertible preferred shares. Mortimer D. A. Sackler exercises the sole voting power with respect to the shares held in the name of Rainbow Gate Corporation.

(4) This figure represents 168,471 shares of common stock owned by Mr. Cronson, 245,925 shares of common stock underlying options, and 160,000 shares of common stock underlying convertible preferred shares held directly and indirectly by Paul Cronson. This includes (i) 13,294 shares of common stock held indirectly by a family member of Paul Cronson; and (ii) 155,177 shares of common stock and 160,000 shares of common stock underlying convertible preferred shares held indirectly by Navacorp III, LLC. Mr. Cronson exercises the sole voting power with respect to the shares held in the name of Navacorp III, LLC.

(5) This figure represents shares underlying options.

(6) This figure represents shares underlying options.

(7) This figure represents shares underlying options.

(8) This figure represents shares underlying options.

(9) This figure represents shares underlying options.

(10) This figure represents shares underlying options.

(11) This figure represents shares underlying options.

(12) This figure represents 11,291 shares of common stock owned by Olivier Prache and 69,605 shares underlying options.

(13) This figure represents 1,000 shares of common stock owned by Amalkumar Ghosh and 76,410 shares underlying options.

(14) This figure represents shares underlying options.

(15) This figure represents shares underlying options.

(16) This figure represents: (i) 180,762 shares; (ii) 160,000 shares of common stock underlying convertible preferred shares; and (iii) 2,299,288 shares of common stock issuable upon exercise of stock options.

There are no arrangements known to the Company, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

INFORMATION ABOUT THE BOARD OF DIRECTORS

The Board of Directors oversees our business and affairs and monitors the performance of management. In accordance with corporate governance principles, the Board does not involve itself in day-to-day operations. The directors keep themselves informed through discussions with the Chief Executive Officer and other key executives, visits to the Company's facilities, by reading the reports and other materials that we send them and by participating in Board and committee meetings. Each director's term will continue until the election and qualification of his or her successor, or his or her earlier death, resignation or removal. Biographical information about our directors is provided in "Proposal

No. 1 - Proposal for the Election of Eight Directors” on page 19. Except as set forth in this Proxy Statement, none of our directors held directorships in other reporting companies and registered investment companies at any time during the past five years.

Our Board currently consists of seven persons and all of them have been nominated by the Company to stand for election.

Name	Age	Position
Claude Charles (1)(2*)(3)	75	Director
Paul Cronson (2)	55	Director
Irwin Engelman (1*)	77	Director
Leslie G. Polgar (3)(4*)	68	Director
Andrew G. Sculley	61	Chief Executive Officer, President, and Director
Stephen Seay (1)(2)(3*)(4)	65	Director
Jill J. Wittels (4)	62	Director, Chair of the Board

- (1) Audit Committee
- (2) Governance & Nominating Committee
- (3) Compensation Committee
- (4) Strategy Committee

* Committee Chair

Involvement in Certain Legal Proceedings

To our knowledge, during the last ten years, none of our directors has:

- Had a bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.
- Been convicted in a criminal proceeding or been subject to a pending criminal proceeding, excluding traffic violations and other minor offenses.
- Been subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities.
- Been found by a court of competent jurisdiction (in a civil action), the SEC, or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.
- Been the subject to, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, any registered entity, or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

There are no material proceedings to which any director of the Company is a party adverse to the Company or has a material interest adverse to the Company.

How often did the Board meet during fiscal 2011?

During 2011, the Board of Directors held 10 meetings. Each director attended no fewer than 95% of the aggregate of the total number of meetings of the Board and the total number of meetings held by all committees on which such director served. The Board also approved certain actions by unanimous written consent.

What committees has the Board established?

The Board of Directors has standing Audit, Compensation, Strategy and Governance and Nominating Committees. Information concerning the function of each Board committee follows.

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Audit Committee

The Audit Committee is responsible for overseeing management's implementation of effective internal accounting and financial controls, supervising matters relating to audit functions, reviewing and setting internal policies and procedures regarding audits, accounting and other financial controls, reviewing the results of our audit performed by the independent public accountants, and evaluating and selecting the independent public accountants. The Audit Committee has adopted an Audit Committee Charter, which is posted on our Corporate Governance landing page, under the tab labeled "Investors" on our website at <http://www.emagin.com>. The current members of the Audit Committee are Irwin Engelman (Chairman), Claude Charles and Stephen Seay. The Board has determined that Mr. Engelman is an "audit committee financial expert" as defined by the SEC. During 2011, the Audit Committee held 9 meetings in person or through conference calls.

Compensation Committee

The Compensation Committee determines matters pertaining to the compensation of our executive officers and outside directors, and administers our stock option and incentive compensation plans. The Compensation Committee has adopted a Charter, which is posted on our Corporate Governance landing page, under the tab labeled "Investors" on our website at <http://www.emagin.com>. The current members of the Compensation Committee are Stephen Seay (Chairman), Claude Charles, and Leslie Polgar. During 2011, the Compensation Committee held 7 meetings in person or through conference calls.

Governance and Nominating Committee

The Governance and Nominating Committee is responsible for considering potential Board members, nominating Directors for election to the Board, implementing the Company's corporate governance policies, and for all other purposes outlined in the Governance and Nominating Committee Charter, which is posted on our Corporate Governance landing page, under the tab labeled "Investors" on our website at <http://www.emagin.com>. The current members of the Governance and Nominating Committee are Claude Charles (Chairman), Paul Cronson and Stephen Seay. During 2011, the Governance and Nominating Committee held 5 meetings in person or through conference calls.

Strategy Committee

The primary purpose of the Strategy Committee is to be responsible to the Board of Directors for the oversight of the Company's Strategic Plan. The Strategy Committee will maintain an on-going, cooperative, interactive strategic planning process with the Company's executive management, including the identification, setting and maintenance of strategic goals and expectations as well as the review of potential acquisitions, joint ventures, and strategic alliances. The Strategy Committee was formed on November 14, 2011, pursuant to a Charter adopted by the Board (posted on our Corporate Governance landing page under the tab labeled "Investors" on our website at <http://www.emagin.com>) and met twice in 2011. Its current members are Leslie Polgar (Chairman), Jill Wittels and Stephen Seay.

Nomination of Directors

As provided in its charter, the Governance and Nominating Committee is responsible for identifying individuals qualified to become directors. The Governance and Nominating Committee seeks to identify director candidates based on input provided by a number of sources, including (1) the Governance and Nominating Committee members, (2) our other directors, (3) our stockholders, (4) our Chief Executive Officer or Chair of the Board, and (5) third parties such as service providers. In evaluating potential candidates for director, the Governance and Nominating Committee

considers the entirety of each candidate's credentials.

Qualifications for consideration as a director nominee may vary according to the particular areas of expertise being sought as a complement to the existing composition of the Board of Directors. However, at a minimum, candidates for director must possess:

- high personal and professional ethics and integrity;
- the ability to exercise sound judgment;
- the ability to make independent analytical inquiries;
- a willingness and ability to devote adequate time and resources to diligently perform Board and committee duties; and
- the appropriate and relevant business experience and acumen.

The Governance and Nominating Committee will consider nominees recommended by shareholders if such recommendations are made in writing to the committee. The Governance and Nominating Committee does not plan to change the manner in which the committee evaluates nominees for election as a director based on whether the nominee has been recommended by a stockholder or otherwise.

The Governance and Nominating Committee does not have a formal policy relating to diversity among directors. In considering new nominees and whether to re-nominate existing members of the Board, the committee seeks to achieve a Board with strengths in its collective knowledge and a broad diversity of perspectives, skills and business and professional experience. Among other items, the committee looks for a range of experience in strategic planning, sales, finance, executive leadership, industry and similar attributes.

At least a majority of the directors on the Board must be independent directors as defined in the rules of the NYSE Amex.

Board Leadership Structure and Role in Risk Oversight

The Company has separated the positions of Chair of the Board of Directors and Chief Executive Officer. Given the demanding nature of these positions, the Board believes it is appropriate to separate the positions of Chair and Chief Executive Officer. Our Chair presides over all meetings of the Board of Directors, including executive sessions of the independent directors, which are held at each Board meeting. She briefs the Chief Executive Officer on issues arising in executive sessions and communicates frequently with him on matters of importance. She has responsibility for shaping the Board's agendas and consults with all directors to ensure that the board agendas and board materials provide the Board with the information needed to fulfill its responsibilities. From time to time she may also represent the Company in interactions with external stakeholders, at the discretion of the Board.

The Board of Directors has determined that each of our current directors, except for Mr. Sculley, is an "independent director" as that term is defined in the listing standards of the NYSE Amex. The Board of Directors has also determined that each member of the Audit Committee, Compensation Committee and Governance and Nominating Committee meets the independence standards applicable to those committees prescribed by the NYSE Amex and the SEC. In making this decision, the Board considered all relationships between the Company and the directors, including Dr. Wittels' role as (and compensation related to) a consultant to the Company from April through July of 2011. The Board determined each such relationship, and the aggregate of such relationships, to be immaterial to the applicable director's ability to exercise independent judgment.

Our Board has overall responsibility for risk oversight. The oversight is conducted primarily through committees of the Board of Directors, as disclosed in each of the descriptions of each of the committees above and in the charters of each of the committees, but the full Board of Directors has retained responsibility for general oversight of risks.

Stockholder Communications

Shareholders requesting communication with directors can do so by writing to eMagin Corporation, c/o Corporate Secretary, 3006 Northup Way, Suite 103, Bellevue, WA 98004, or emailing to staylor@emagin.com. At this time we do not screen communications received and would forward any requests directly to the named director. If no director was named in a general inquiry, the Secretary would contact either the Chair of the Board of Directors or the chairman of a particular committee, as appropriate. We do not provide the physical address, email address, or phone numbers of directors to outside parties without a Director's permission.

Code of Ethics and Business Conduct

We have adopted a Code of Ethics and Business Conduct that applies to all of our directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer and principal accounting officer. The Code of Ethics and Business Conduct is posted on our website at <http://www.emagin.com>.

COMPENSATION OF DIRECTORS

The following table sets forth with respect to the named director, compensation information inclusive of equity awards and payments made in the year ended December 31, 2011.

Name	Fees earned or paid in cash(\$)	Option awards\$(1)	Total(\$)
Claude Charles	46,000	227,405	273,405
Paul Cronson	29,750	227,405	257,155
Irwin Engelman	71,500	484,905	556,405
Leslie G. Polgar	34,250	227,405	261,655
Stephen Seay	47,750	227,405	275,155
Jill J. Wittels	38,500	142,345	180,845

(1) Please see Note 10 to our financial statements for the year ended December 31, 2011, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Fees Earned or Paid in Cash

Board Retainer. Each Non-Employee Director received an annual cash retainer of \$15,000 for his or her service as a member of the Board of Directors.

Meeting Fees. Non-Employee Directors were eligible to receive meeting fees of \$1,250 for each in-person Board or committee meeting attended and \$750 for each Board or committee meeting attended over the telephone. In addition, the Committee Chairs received additional meeting fees as follows: \$500 for each Audit Committee meeting chaired and \$250 for chairing any one of the Compensation, Governance and Nominating or Strategy Committee meetings.

Option Awards

Each Non-Employee Director received equity compensation in the form of 50,000 stock options and 15,000 stock options granted in connection with the Director's re-election to the Board.

Chair of the Board

The 2011 director compensation program provided that as additional compensation, the Chair was to receive an annual cash retainer of \$60,000 and 50,000 additional stock options. Mr. Engelman served as Chair until August 2011, when Dr. Wittels began her service as Chair. For their service as Non-Executive Chair in 2011, Mr. Engelman received \$35,000 and 50,000 options (valued at \$257,500), while Dr. Wittels received \$25,000 and 20,833 options (valued at \$52,332). Mr. Engelman and Dr. Wittels each received a pro rata share of the compensation for serving as Chair for their partial year of service, except that Mr. Engelman was granted 50,000 options in anticipation of his serving a full year.

2012 Non-Employee Director Compensation

On March 13, 2012, following analysis and discussion of information provided by our compensation consultant as discussed in the "Compensation Discussion and Analysis" section, the Compensation Committee approved the following 2012 compensation for Non-Employee Directors:

- Annual Cash Retainer of \$40,000

- Stock Option grant valued at \$65,000
- No meeting fees

The Chair will receive as additional compensation an annual cash retainer of \$30,000 and 50,000 stock options. The Chairman of the Audit Committee will receive an annual cash retainer of \$5,000.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee, on behalf of our Board of Directors, serves as an independent and objective party to monitor and provide general oversight of the integrity of our financial statements, our independent registered public accounting firm's qualifications and independence, the performance of our independent registered public accounting firm and our standards of business conduct. The Audit Committee performs these oversight responsibilities in accordance with its Audit Committee Charter.

Our management is responsible for preparing our financial statements and managing our financial reporting process. Our independent registered public accounting firm is responsible for expressing an opinion on the conformity of our audited financial statements to generally accepted accounting principles in the United States of America. The Audit Committee met with our independent registered public accounting firm, with and without management present, to discuss the results of their examinations and the overall quality of our financial reporting.

In this context, the Audit Committee reviewed and discussed our audited financial statements for the year ended December 31, 2011 with management and with our independent registered public accounting firm. The Audit Committee has discussed with our independent registered public accounting firm the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (Communications with Audit Committees), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, which includes, among other items, matters related to the conduct of the audit of our annual financial statements.

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 regarding such independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm its independence from us and our management.

Based on its review of the audited financial statements and the various discussions noted above, the Audit Committee recommended to our Board of Directors that our audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2011.

Respectfully submitted by the Audit Committee,

Irwin Engelman, Chairman
 Claude Charles
 Brig. Gen. Stephen M. Seay (U.S. Army, Ret.)

The foregoing Audit Committee Report does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other filing of our company under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except to the extent we specifically incorporate this Audit Committee Report by reference therein.

INFORMATION ABOUT THE EXECUTIVE OFFICERS

The executive officers are elected annually by our Board of Directors and hold office until their successors are elected and duly qualified. There are no family relationships between any of our directors or executive officers. The current executive officers of the Company are as follows:

Name	Age	Position
Andrew G. Sculley	61	Chief Executive Officer and President
Paul Campbell	56	Chief Financial Officer and Treasurer
Jerome Carollo	60	Senior Vice President, Business Development
Amalkumar Ghosh	57	Senior Vice President, Research and Development
Olivier Prache	52	Senior Vice President, Display Operations and Manufacturing
Susan Taylor	51	Senior Vice President, General Counsel and Corporate Secretary

The following includes the principal occupations for the past five years (and, in some instances, for prior years) of each of our executive officers:

Andrew G. Sculley became the Company's Chief Executive Officer and President on June 1, 2008 and was appointed to the Board of Directors on November 2, 2009. Mr. Sculley served as the General Manager of Kodak's OLED systems Business Unit and Vice President of Kodak's Display Business from 2004 to 2008. From 2003 to 2006, he served on the Board of Directors of SK Display, a joint venture between Sanyo and Kodak. From 1996 to 2001, Mr. Sculley served as the Manager of Operations, CFO and member of the Board of Directors of Kodak Japan Ltd., where he managed Distribution, Information Technologies, Legal, Purchasing and Finance. Previously, he held positions in strategic planning and finance in Eastman Kodak Company. Mr. Sculley holds an MBA from Carnegie-Mellon University and an M.S. in physics from Cornell University. He attended Harvard University's International Senior Management Program while an executive at Kodak.

Paul Campbell became the Company's Chief Financial Officer and Treasurer as of May 8, 2009. Prior to this date, he had served as the Company's Interim Chief Financial Officer since April 15, 2008. He served as Interim Corporate Secretary from September, 2010 to February, 2011. Mr. Campbell is a partner with Tatum, LLC ("Tatum"), an executive services firm, since November 2007. Mr. Campbell served as the Chief Financial Officer of four public companies, including Checkers Drive-In Restaurants, Inc, which until 2006 was traded on the Nasdaq and Famous Dave's of America, Inc., which is currently trading on the Nasdaq. Mr. Campbell also served as Chief Financial Officer of Sonus Corporation, a medical device retailer, and from May 2007 through October 2007, he served as Chief Financial Officer of Organic To Go, Inc., an emerging publicly-held food company. From 2001 through April 2007, Mr. Campbell owned and operated Campbell Capital, LLC, a consulting and investment firm in Seattle, Washington providing strategic planning and financing services to small businesses. Mr. Campbell received his MBA from Pepperdine University and his B.A. degree in Business Economics from the University of California at Santa Barbara.

Jerome T. Carollo has served as the Senior Vice President of Business Development since March 15, 2011. He joined eMagin from Intevac Vision Systems where he held the positions of Vice President/General Manager and Vice President of Strategic Planning and Business Development since 2007. He was responsible for developing the domestic and international business strategy for Intevac's digital night vision systems, sensors, and helmet mounted and eyewear displays. From 2006 to 2007, he was the President and CEO of Creative Display Systems, a company he co-founded to provide innovative microdisplay and optical systems for both commercial and military markets, which he then sold to Intevac. Prior to this, Mr. Carollo held positions of increasing responsibility in the optical and display business including positions with Rockwell Collins Optronics and Kaiser Electro-Optics. Mr. Carollo holds a B.S. degree in Physics from the State University of New York and an M.S. in Optics from the University of Rochester's Institute of Optics.

Dr. Amalkumar Ghosh was appointed as Senior Vice President of Research and Development in April 2009, after serving as Vice President of OLED Research and Development at the Company since 2005. He is responsible for new microdisplay technology development, government programs, intellectual property and manufacturing process engineering. Dr. Ghosh has more than twenty five years of industrial research and development experience. From 2002 to 2005, he was employed by Eastman Kodak Company where he focused on OLED display technology. From 1995 to 2002, he was employed by the Company. From 1985 to 1995, he was employed by IBM Corporation where he was involved with semiconductor and LCD display technologies. He has numerous publications and patents to his credit and has been recognized as a leader by the Society for Information Display. He earned a Ph.D. degree in Physics from Massachusetts Institute of Technology in 1985.

Olivier Prache was appointed Senior Vice President, Display Operations and Development in February 2005, after overseeing microdisplay product development by the Company since 1995, when he joined the Company's predecessor, FED Corporation. He was employed by Philips-LCOS from 2002 until 2004, when he rejoined the Company. His current responsibilities encompass managing OLED manufacturing and product development. Prior to joining the Company's predecessor in 1995, he worked for Pixtech in France and OIS Optical Imaging Systems in Troy, Michigan. He received his Diplôme d'Ingénieur from E.N.S.E.R.G. in Grenoble France in 1983. Mr. Prache has published numerous papers and holds several patents related to the design of OLED-on-silicon microdisplays.

Susan R. Taylor joined the Company on February 1, 2011 as Senior Vice President, General Counsel and Corporate Secretary. Prior to joining the Company, Ms. Taylor provided legal services as a consultant to companies including Amazon.com, Inc. and Avanade Inc. From September 2008 to February 2009, Ms. Taylor served as Senior Vice President of JP Morgan Chase Bank subsequent to its acquisition of Washington Mutual Bank. Ms. Taylor joined Washington Mutual in 1999, and at the time of the bank's acquisition in 2008 served as Associate General Counsel, Senior Vice President and Corporate Secretary. Prior to that, Ms. Taylor was a partner with Foster Pepper PLLC, a regional law firm based in Seattle. Ms. Taylor holds a B.S. in Human Biology from Stanford University and a J.D.

from the University of California, Berkeley.

Involvement in Certain Legal Proceedings

To our knowledge, during the last ten years, none of our executives has:

- Had a bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.
- Been convicted in a criminal proceeding or been subject to a pending criminal proceeding, excluding traffic violations and other minor offenses.
- Been subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities.
- Been found by a court of competent jurisdiction (in a civil action), the SEC, or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.
- Been the subject to, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, any registered entity, or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

There are no material proceedings to which any executive of the Company is a party adverse to the Company or has a material interest adverse to the Company.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In 2011, we achieved a number of milestones while navigating through a challenging environment and increased competition. Our 2011 results were mixed. We opened additional avenues of growth by securing new contracts and developing key new technologies. We also installed new machinery that should significantly increase capacity. At the same time, our revenues and operating income for 2011 declined from 2010. As a result of not achieving all of our goals, the size of the bonus pool decreased and our named executive officers received smaller incentive payments in 2011 than in 2010. The exercise price of stock option awards granted in 2011 was generally below the market price of our common stock by the end of 2011 and the value of executive stock holdings decreased overall. Toward the end of 2011, the Compensation Committee engaged a compensation consultant and is now in the process of reviewing the compensation programs for the executive officers and the directors, as well as certain company-wide programs. We have already made some changes to our compensation policies, including changes to director compensation, adoption of a clawback policy and the decision to contribute to the Company's 401(k) plan, and other changes are under consideration. The Compensation Committee is reviewing the Company's incentive plans and employment arrangements to ensure that pay is aligned with performance, and is reaching out to our largest shareholders for input on compensation philosophy.

Executive Compensation Objectives

The objectives of our compensation program are as follows:

- Attract, hire and retain well-qualified executives.
- Reward performance that drives substantial increases in shareholder value, as evidenced through both future operating profits and increased market price of our common shares.

Compensation Setting Process

Role of Compensation Committee. The role of the Compensation Committee is to oversee the Company's executive compensation strategy, oversee the administration of its executive compensation and its equity based compensation plans, review and approve the compensation of the Company's CEO, and oversee the Company's compensation plan for the Board of Directors. The Compensation Committee is comprised exclusively of independent outside directors and includes members with executive level experience in other companies who bring a perspective of reasonableness to compensation matters with our Company. In addition, the Compensation Committee compares executive compensation practices of similar companies at similar stages of development.

Role of Compensation Consultant. The Compensation Committee has the authority to engage its own advisors to assist in carrying out its responsibilities. In October 2011, the Compensation Committee engaged Towers Watson, a global professional services company with strong compensation and awards expertise, to provide a share usage analysis, in part so that the Compensation Committee had information to better understand issues raised by shareholders voicing concerns on the proposed 2011 Incentive Stock Plan. Then, in December of 2011, the Compensation Committee again engaged Towers Watson to assist in the identification and selection of peer companies for purposes of comparing compensation practices, to provide guidance regarding the amount and types of compensation that we provide to our executives and board of directors, and other compensation-related matters. Towers Watson reports directly to the Compensation Committee and provides no services to management, although Towers Watson meets with members of management for the purpose of gathering information. Towers Watson provided its analysis of board and executive compensation to the Compensation Committee in March 2012. The Compensation Committee anticipates working with Towers Watson to continue to improve our

compensation program. Implementation of agreed upon policies will be made during 2012 and disclosed in our proxy statement for 2013.

Role of Management. In setting compensation for 2011, our CEO worked closely with the Compensation Committee and attended its meetings of the Compensation Committee. Our CEO made recommendations to the Compensation Committee regarding compensation of our executive officers other than him. No executive officer participated directly in the final deliberations regarding his or her own compensation package.

Use of Comparative Market Data. The Compensation Committee approved a benchmark peer group of companies based on the analysis and advice of Towers Watson in January of 2012. The companies were selected as peers based on their being in a similar industry, primarily manufacturers of electronic components or electronic equipment and instruments, and of a generally similar size, based mainly on revenue. Our peer group consists of the following 17 companies:

Advanced Photonix Inc.	Microvision Inc.
Clearfield, Inc.	NVE Corporation
Digital Ally Inc.	Photonic Products Group Inc.
Intricon Corp.	RF Monolithics Inc.
Kopin Corp.	Solar Power, Inc.
LightPath Technologies Inc.	Supertex Inc.
LRAD Corporation	The LGL Group, Inc.
Micronetics Inc.	Universal Display Corp.
Micropac Industries Inc.	

The peer group was established after Mr. Sculley's new employment contract was entered into in June of 2011, but the Compensation Committee compared the total direct compensation of the Company's executive officers with the total direct compensation paid to the top executive officers at the companies in the peer group, as well as to compensation levels revealed in survey data provided by Towers Watson, for purposes of establishing 2012 salaries for executives other than Mr. Sculley.

The Compensation Committee set Mr. Sculley's base salary under his new employment contract at \$384,000, which represents a 20% increase over the salary of \$320,000 that he had been earning since mid-2009. The Compensation Committee evaluated Mr. Sculley's performance prior to the Company entering into the new employment contract and recognized his achievements since joining the Company as CEO in 2008 and the progress made. During his three year tenure from June, 2008 to June, 2011 the Company's stock price had increased from \$0.88 to \$6.33, the Company's debt had been paid off and the Company's manufacturing process had been stabilized. The peer group listed above had not been determined prior to reviewing Mr. Sculley's contract. The Compensation Committee reviewed CEO salaries of companies that they identified as comparable, based on their being competitive firms or in similar industries and of generally the same size, measured both in revenue and market capitalization as of early 2011. In setting Mr. Sculley's compensation the Committee considered compensation levels for CEOs of the following companies: QuikLogic Corporation, RAE Systems, Lime Energy, Co., Microvision, RadiSys Corporation, Spectrum Control, Herley Industries, Kopin Corporation and Planar Systems, Inc. Additional information on Mr. Sculley's employment agreement is described below in the "Employment Agreements" section.

Elements of Executive Compensation

The compensation level of our executives generally reflects their level of experience and is designed to provide an incentive to positively affect our future operating performance and shareholder value.

Salary. Base salary is the primary fixed element in the Company's compensation program and is intended to provide an element of certainty and security to the Company's executive officers on an ongoing basis. Most of the executive officers have three-year employment agreements with the Company and their initial salaries are set by contract. Messrs. Prache and Ghosh, the two executive officers who have been employed the longest, do not have contracts. The Compensation Committee is currently assessing the desirability of continuing to enter into employment contracts with executives. Salaries are based on the executive's level of experience, specialty and responsibility. Executive salaries are reviewed on an annual basis by the Compensation Committee. Any increases in

salary are based on an evaluation of the individual's performance, level of responsibility and, when such information is available, the level of pay compared to the salaries paid to persons in similar positions in the Company's peer group or as shown in survey data.

In 2011, the base salaries of our executive officers were moderately increased over the prior year. The increases were primarily merit based and intended to reward our executive officers for their overall performance on behalf of the Company in 2010.

Equity. Part of the compensation paid to our executives is in the form of equity, which to date has been exclusively through stock option grants. The stock option exercise price is generally the fair market value of the stock on the date of grant. Therefore, a gain is only recognized if the value of the stock increases, which promotes a long term alignment between the interests of the Company's executives and its shareholders. The Compensation Committee is currently considering whether to start granting restricted stock as another form of equity compensation and is assessing the economic and practical implications to both the Company and its employees, including executives.

The Compensation Committee approves all option grants, generally in connection with the annual performance assessment that occurs during the first quarter of the year with input and recommendations from the Chief Executive Officer, with the exception that the Chief Executive Officer and Chief Financial Officer have been delegated authority to approve initial grants made to newly hired employees. New executives typically receive a substantial option grant when hired in order to immediately align their interests with the new company and then are eligible for an option grant on the same basis as all other employees going forward.

In 2011, significant option grants were made to Ms. Taylor in connection with her joining the Company and to Messrs. Prache and Ghosh, in recognition of their becoming ex