

Bacterin International Holdings, Inc.  
Form DEF 14A  
May 22, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**BACTERIN INTERNATIONAL HOLDINGS, 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:

(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:

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.. Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

## Notice of Annual Meeting of Stockholders

**To Be Held June 24, 2015**

To Our Stockholders:

You are invited to attend the Annual Meeting of Stockholders (the “Annual Meeting”) of Bacterin International Holdings, Inc. (the “Company”) on June 24, 2015 at 8:00 a.m. Mountain Time, at the Hilton Garden Inn, Denver Tech Center, 7675 E. Union Avenue, Denver, CO 80237, for the following purposes:

- To elect the two Class I directors named in the accompanying Proxy Statement to serve on the Company’s Board of
1. Directors for three year terms until the 2018 Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified;
  2. To ratify the appointment of EKS&H LLLP as the Company’s independent registered public accounting firm for the year ending December 31, 2015;
  3. To approve the Second Amended and Restated Bacterin International Equity Incentive Plan (the “Plan”) to increase the number of shares of common stock authorized for issuance under the Plan from 900,000 shares to 1,400,000 shares; and
  4. To transact such other business as may properly be brought before the Annual Meeting and any adjournment or postponement thereof.

Stockholders of record at the close of business on May 15, 2015 shall be entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements thereof.

**Your vote is important. Please submit a proxy as soon as possible so that your shares can be voted at the Annual Meeting. You may submit your proxy by mail or Internet, and you may revoke your proxy and vote in person if you decide to attend the Annual Meeting.**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on June 24, 2015:** The Proxy Statement, along with our 2014 Annual Report on Form 10-K, are available at [www.bacterin.com](http://www.bacterin.com)

(click “About,” “Investor Info” and “SEC Filings”).

**By order of the Board of Directors**

/s/ Daniel Goldberger  
Daniel Goldberger  
*Chief Executive Officer*

Belgrade, Montana

May 22, 2015

### **Information about Attending the Annual Meeting**

Only stockholders of record on the record date of May 15, 2015, are entitled to notice of, and to attend or vote at, our Annual Meeting. If you plan to attend the meeting in person, please bring the following:

1. Photo identification.
2. Acceptable Proof of Ownership if your shares are held in “street name.”

*Street Name* means your shares are held of record by brokers, banks or other institutions.

*Acceptable Proof of Ownership* is either (a) a letter from your broker confirming that you beneficially owned shares of the Company’s common stock on the record date or (b) an account statement showing that you beneficially owned shares of the Company’s common stock on the record date. If your shares are held in street name, you may attend the meeting with proof of ownership, but you may not vote your shares in person at the Annual Meeting unless you have obtained a “legal proxy” or other evidence from your Broker giving you the right to vote your shares at the Annual Meeting.

**BACTERIN INTERNATIONAL HOLDINGS, INC.**

**664 Cruiser Lane, Belgrade, Montana 59714**

**PROXY STATEMENT FOR THE  
ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JUNE 24, 2015**

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS  
AND THE ANNUAL MEETING**

**Q: Why am I receiving these materials?**

A: We are providing these proxy materials to you in connection with the Board's solicitation of proxies for our 2015 Annual Meeting of Stockholders (the "Annual Meeting"), which will take place on June 24, 2015. As a stockholder of record, you are invited to attend the Annual Meeting and are entitled and requested to vote on the items of business described in this Proxy Statement. This Proxy Statement and accompanying proxy card (or voting instruction card) are being mailed on or about May 22, 2015 to all stockholders entitled to vote at the Annual Meeting.

**Q: When and where will the annual meeting be held?**

A: The Annual Meeting will be held on June 24, 2015 at 8:00 a.m. Mountain Time at the Hilton Garden Inn, Denver Tech Center, 7675 E. Union Avenue, Denver, CO 80237.

**Q: What information is contained in this Proxy Statement?**

A: This Proxy Statement contains information regarding our corporate governance practices, our board of directors, our named executive officers, the compensation of our board of directors and named executive officers, the proposals to be voted on at the Annual Meeting and certain other required information.

**Q: How may I obtain the Company's Annual Report on Form 10-K for the year ended December 31, 2014?**

A: We have enclosed with this Proxy Statement a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. Our Annual Report on Form 10-K can also be accessed through our website at [www.bacterin.com](http://www.bacterin.com) (click "About," "Investor Info" and "SEC Filings"). We filed our Annual Report on Form 10-K with the Securities and Exchange Commission (the "SEC") on March 18, 2015.



**Q: What items of business will be voted on at the Annual Meeting?**

**A:** The items of business scheduled to be voted on at the Annual Meeting are:

1. To elect two Class I directors to serve on the Board until the 2018 Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified;
2. To ratify the appointment of EKS&H LLLP (“EKS&H”) as the Company’s independent registered public accounting firm for the year ending December 31, 2015;

3. To approve the Second Amended and Restated Bacterin International Equity Incentive Plan (the “Plan”) to increase the number of shares of our common stock authorized for issuance under the Plan from 900,000 shares to 1,400,000 shares; and

4. To transact such other business as may properly be brought before the Annual Meeting and any adjournment or postponement thereof.

**Q: How many votes must the nominees for director have to be elected?**

**A:** In order for a director to be elected at a meeting at which a quorum is present, he must receive the affirmative vote of a plurality of the shares voted. There is no cumulative voting for our directors or otherwise.

**Q: What are the voting requirements to approve the other proposals?**

**A:** The affirmative vote of a majority of the shares cast in person or represented by proxy at the Annual Meeting and entitled to vote on the matter is required to ratify the appointment of EKS&H and to approve the Second Amended and Restated Bacterin International Equity Incentive Plan.

**Q: How does the Board recommend that I vote?**

**A:** Our Board recommends that you vote your shares “FOR” the nominees to the Board; “FOR” the ratification of the appointment of EKS&H as our registered public accounting firm; and “FOR” the approval of the Second Amended and Restated Bacterin International Equity Incentive Plan.

**Q: What shares may I vote?**

**A:** Each share of our common stock issued and outstanding as of the close of business on May 15, 2015 (the “Record Date”) is entitled to one vote on each of the matters to be voted upon at the Annual Meeting.

You may vote all shares owned by you as of the Record Date, including (a) shares held directly in your name as the stockholder of record and (b) shares held for you as the beneficial owner through a broker, trustee or other nominee (collectively, a “Broker”).



We had 7,076,670 shares of common stock issued and outstanding on the Record Date.

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

**A:** A stockholder of record owns shares which are registered in his or her own name. A beneficial owner owns shares which are held in street name through a third party, such as a Broker. As summarized below, there are some distinctions between stockholders of record and beneficial owners.

**Stockholder of Record**

You are the stockholder of record of any of your shares registered directly in your name with our transfer agent, Corporate Stock Transfer. With respect to such shares, these proxy materials are being sent to you by the Company. As the stockholder of record, you have the right to grant your voting proxy directly to our designees, Daniel Goldberger, Chief Executive Officer, and John P. Gandolfo, Chief Financial Officer, or to any other person you wish to designate, or to vote in person at the Annual Meeting. We have enclosed a proxy card for you to grant your voting proxy to Messrs. Goldberger and Gandolfo.

### **Shares Beneficially Held in Street Name**

You are the beneficial owner of any of your shares held in street name. With respect to such shares registered through a Broker, these proxy materials, together with a voting instruction card, are being forwarded to you by your Broker. As the beneficial owner, you have the right to direct your Broker how to vote. You may use the voting instruction card provided by your Broker for this purpose. Even if you have directed your Broker how to vote, you may also attend the Annual Meeting. However, you may not vote your shares in person at the Annual Meeting unless you obtain a “legal proxy” or other evidence from your Broker giving you the right to vote the shares at the Annual Meeting.

#### **Q: Who is entitled to attend the Annual Meeting and what are the admission procedures?**

A: You are entitled to attend the Annual Meeting only if you were a stockholder as of the close of business on the Record Date or if you hold a valid proxy for the Annual Meeting. A list of stockholders eligible to vote at the Annual Meeting will be available for inspection at the Annual Meeting. If you are a beneficial holder, you will need to provide proof of beneficial ownership as of the Record Date, such as a brokerage account statement showing that you owned shares of the Company’s common stock as of the Record Date or the voting instruction card provided by your Broker. The Annual Meeting will begin promptly at 8:00 a.m., Mountain Time. You should be prepared to present photo identification for admittance. Check-in will begin one-half hour prior to the meeting. Please allow ample time for the admission procedures.

#### **Q: May I vote my shares in person at the Annual Meeting?**

A: If you were a stockholder of record on the Record Date, you may vote your shares in person at the Annual Meeting or through a proxy. If you decide to vote your shares in person, you do not need to present your share certificate(s) at the Annual Meeting; your name will be on the list of stockholders eligible to vote. If you hold your shares beneficially in street name, you may vote your shares in person at the Annual Meeting only if you obtain a legal proxy or other evidence from your Broker giving you the right to vote the shares. *Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the Annual Meeting.*

#### **Q: How can I vote my shares without attending the Annual Meeting?**

A: Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the Annual Meeting. If you are a stockholder of record, you may vote by submitting a proxy. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your Broker. For directions on how to vote, please refer to the instructions on your proxy card or, for shares held beneficially in street name, the voting instruction card provided by your Broker.

Stockholders of record may submit proxies by completing, signing, dating and mailing their proxy cards to the address provided on the proxy card. Stockholders who hold shares beneficially in street name may vote by completing, signing and dating the voting instruction cards provided and mailing them to the address provided on the voting instructions card. The proxy card and voting instructions card also include directions as to how you may submit your vote through the Internet. The voting instructions card may also include directions for alternative methods of submitting your vote. We encourage you to vote early. If you choose to vote by mail, please allow sufficient time for your proxy or voting instructions card to reach our vote tabulator prior to the Annual Meeting.

**Q: Who will count the votes?**

**A:** Votes at the Annual Meeting will be counted by an inspector of election, who will be appointed by the Board of Directors.

**Q: What is the effect of not voting?**

If you are a stockholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the Annual Meeting. If you are a stockholder of record and you properly sign and return your proxy card, your shares will be voted as you direct. If no instructions are indicated on such proxy card and you are a stockholder of record, shares represented by the proxy will be voted in the manner recommended by the Board of Directors on all matters presented in this Proxy Statement, namely “FOR” both of the director nominees, “FOR” the ratification of the appointment of EKS&H as the Company’s independent registered public accounting firm for the year ending December 31, 2015, and “FOR” the approval of the Second Amended and Restated Bacterin International Equity Incentive Plan.

If you are a beneficial owner of shares in street name and do not provide the Broker that holds your shares with specific voting instructions then, under applicable rules, the Broker may generally vote on “routine” matters but cannot vote on “non-routine” matters. In the case of a non-routine item, your shares will be considered “broker non-votes” on that proposal. Proposal 2 (ratification of the appointment of EKS&H) is a matter the Company believes will be considered “routine.” Proposal 1 (election of directors) and Proposal 3 (approval of the Second Amended and Restated Bacterin International Equity Incentive Plan) are matters the Company believes will be considered “non-routine.”

**Q: How are broker non-votes and abstentions treated?**

Broker non-votes and abstentions with respect to a proposal are counted as present or represented by proxy for purposes of establishing a quorum.

**Q: Can I revoke my proxy or change my vote after I have voted?**

You may revoke your proxy and change your vote by voting again or by attending the Annual Meeting and voting in person. Only your latest dated proxy card received at or prior to the Annual Meeting will be counted. However, your attendance at the Annual Meeting will not have the effect of revoking your proxy unless you forward written notice to the Corporate Secretary at Bacterin International Holdings, Inc., 664 Cruiser Lane, Belgrade, MT 59714, or you vote by ballot at the Annual Meeting. If you are a beneficial owner, you will need to request a legal proxy from your Broker and bring it with you to vote at the Annual Meeting.

**Q: How many votes do you need to hold the Annual Meeting?**

The presence, in person or by proxy, of the holders of one-third of the shares of common stock outstanding and entitled to vote on the Record Date is necessary to hold the Annual Meeting and conduct business. This is called a quorum. Abstentions and broker non-votes will be considered as present at the Annual Meeting for purposes of establishing a quorum.

**Q: May the Company postpone or adjourn the Annual Meeting?**

If sufficient votes for approval of the matters to be considered at the Annual Meeting have not been received prior to the meeting date, the Company may postpone or adjourn the Annual Meeting in order to solicit additional votes. The enclosed proxy card requests authority for the proxy holders, in their discretion, to vote the stockholders’ common shares with respect to a postponement or adjournment of the Annual Meeting. At any postponed or adjourned meeting, proxies received pursuant to this Proxy Statement will be voted in the same manner described

in this Proxy Statement with respect to the original meeting.

**Q: Who will bear the cost of soliciting votes for the Annual Meeting?**

The Company is making this solicitation and will pay the entire cost of preparing, printing, assembling, mailing and distributing these proxy materials. In addition to the use of the mails, proxies may be solicited by personal interview, telephone, electronic mail and facsimile by directors, officers and regular employees of the Company.

**A:** None of the Company's directors, officers or employees will receive any additional compensation for soliciting proxies on behalf of the Board. The Company may also make arrangements with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of soliciting material to the beneficial owners of common stock held of record by those owners. The Company will reimburse those brokers, custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses incurred in connection with that service.

**Q: Where can I find the voting results of the Annual Meeting?**

**A:** We intend to announce preliminary voting results at the Annual Meeting and will disclose results in a Current Report on Form 8-K that will be filed not more than four business days following the Annual Meeting.

## PROPOSAL 1: ELECTION OF DIRECTORS

### Nominees for Director

The Company's Board of Directors consists of three classes of directors with staggered terms of three years each. Our Class I directors are Daniel Goldberger and David Goodman, our Class II directors are Kent Swanson and John Deedrick, and our Class III directors are Michael Lopach and Jon Wickwire. Each director holds office until his or her successor has been elected and qualified or until the director's earlier resignation or removal. The term of our Class I directors expires at the Annual Meeting, and both of our current Class I directors are standing for re-election. Biographical information about our directors is provided below.

**The Board of Directors recommends that you vote "FOR" the election of Mr. Goldberger and Dr. Goodman.**

The names, ages and positions of our directors are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Kent Swanson	70	Chairman of the Board
Daniel Goldberger	56	Chief Executive Officer and Director
David Goodman, MD	59	Director
Michael Lopach	66	Director
Jon Wickwire	71	Director
John Deedrick	52	Director

The business experience of our directors for the past five years (and, in some instances, for prior years) is summarized below.

### Nominees standing for re-election as Class I Directors:

**Daniel Goldberger, Chief Executive Officer and Director**, has more than 25 years of experience as a leader of both publicly traded and privately held medical technology companies, with a proven track record of building revenue and profits through the introduction of market changing product innovations. Before joining Bacterin as CEO and a director in August 2013, Mr. Goldberger was CEO and a director of Sound Surgical Technologies from April 2007

through its merger with Solta Medical (Nasdaq SLTM) in February 2013. Previously, he was President/CEO and a director of Xcorporeal (NYSE Amex XCR) an innovator in portable dialysis and Glucon (private) a developer of glucose measurement technology and several other successful enterprises. Mr. Goldberger is a named inventor on more than 60 US patents. He holds a BS in Mechanical Engineering from the Massachusetts Institute of Technology and an MS in Mechanical Engineering from Stanford University. Mr. Goldberger contributes medical industry and management experience to the Board of Directors.

**David Goodman, MD, Director**, has devoted his career to improving health through the development and integration of innovative technologies into clinical practice. Dr. Goodman currently serves as Co-Founder and Chief Medical Officer of FirstVitals Health & Wellness, a technology-enabled service company focused on preventing complications such as foot ulcers and lower extremity amputations in people with diabetes. Dr. Goodman also serves on the board of directors of NEUROMetrix (Nasdaq: NURO), a neurotechnology company focused on the early detection of diabetic peripheral neuropathy (DPN) and treatment of painful diabetic neuropathy (PDN). In addition, Dr. Goodman served as a director of Sound Surgical Technologies LLC, a private manufacturer of aesthetic surgical tools until its successful acquisition by Solta Medical (Nasdaq:SLTM) in 2013. Dr. Goodman has a long track record of accomplishment in executive management as well as through his own entrepreneurial efforts. As an executive, Dr. Goodman served as CEO of SEDLine, an EEG-based brain monitoring company as well as the EVP of Business Development for Masimo (Nasdaq:MASI), a leading company in non-invasive patient monitoring. As an entrepreneur, Dr. Goodman was the founding CEO of LifeMasters Supported SelfCare, a pioneering disease management company, and Aradigm, a developer of electronic aerosol drug delivery systems. Dr. Goodman began his career as the first engineer at Nellcor, the company that developed modern pulse oximetry. He holds a B.A.S. in applied science and bioengineering and a M.S.E. in bioengineering from the University of Pennsylvania. Dr. Goodman also received an M.D. cum laude from Harvard Medical School and the Harvard-M.I.T. Division of Health Sciences and Technology. Dr. Goodman completed his internship at the University of California, San Francisco (UCSF) in the Department of Medicine. He holds 18 issued and 4 pending US patents and maintains clinical practices in California and Hawaii. Dr. Goodman contributes medical and industry experience to the Board of Directors.

#### **Continuing Directors:**

**Kent Swanson, Chairman of the Board**, was with Accenture for over 32 years, retiring from the firm in 2001 as a Senior Partner. He held global leadership and management positions in a wide range of industries and geographies. From 2001 to 2008, he was the Board Chair of ALN Medical Management; providing outsourced services for clinic-based physician practices. Also from 2001 to 2008, he was Board Chair for Boys Hope Girls Hope of Colorado, a charitable organization providing a home and scholarship education for disadvantaged children with significant capabilities and promise. From 2002 to 2009, he was a Board member, Audit Committee member and Compensation Committee Chair for MPC Computers. Mr. Swanson graduated with distinction from the University of Minnesota earning an M.S. in Business and received an M.B.A. from the University of Chicago in 1969. Mr. Swanson contributes significant management experience to the Board of Directors.

**Michael Lopach, Director**, is a certified public accountant with over 40 years of accounting experience. Mr. Lopach spent 27 years of his career with Galusha, Higgins, Galusha & Co., the largest privately held accounting firm in Montana and northern Idaho, where he served as president and CEO. In 1999, Mr. Lopach founded Lopach & Carparelli PC, an accounting firm that focuses on medical practitioners. Mr. Lopach received his MBA from the

University of Notre Dame. Mr. Lopach serves as chairman of the Audit Committee. Mr. Lopach contributes significant accounting experience to the Board of Directors.

**Jon Wickwire, Director**, is an attorney and founding shareholder of Wickwire Gavin, P.C., a national construction law firm which merged with Akerman Senterfitt, one of the top 100 law firms in the United States. Mr. Wickwire served as lead counsel on major infrastructure litigation and alternative dispute resolutions, both domestically and internationally, throughout his 35 year career, and was the founding fellow of the American College of Construction Lawyers. Mr. Wickwire also served as the founding chairman of the College of Scheduling, an organization dedicated to advancing the techniques, practice and profession of project scheduling, and has authored several books and articles on construction and public contract law, including *Construction Management: Law and Practice* and *The Construction Subcontracting Manual: Practice Guide with Forms*. Mr. Wickwire is a graduate of the University of Maryland and Georgetown University Law Center. Mr. Wickwire serves as chairman of the Nominations and Corporate Governance Committee. Mr. Wickwire contributes legal experience to the Board of Directors.

**John Deedrick, Director**, is an experienced senior executive with 30 years experience in healthcare, defense, and business consulting. He was a co-founder and managing director for Accuitive Medical Ventures and a corporate venture capitalist for Mayo Clinic. Mr. Deedrick currently serves as President and CEO of CHIP Solutions and is Founder and Chairman of GreatDeeds, a Minnesota non-profit organization. Mr. Deedrick has served on the board of numerous early, mid and growth stage healthcare companies over the last 17 years, including GreatDeeds and Ironwood Springs Ranch. Mr. Deedrick received his undergraduate degree from the University of Northwestern St. Paul (Roseville, MN) and his MBA from St. Thomas University (St. Paul, MN). Mr. Deedrick serves as chairman of the Compensation Committee. Mr. Deedrick contributes significant financial, management and industry experience to the Board of Directors.



## **GENERAL INFORMATION ABOUT THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**

### **Director Independence**

A majority of our Board members and all members of our audit, compensation and nominations and corporate governance committees are independent directors. Our independent Board members are Kent Swanson, Michael Lopach, Jon Wickwire, John Deedrick and David Goodman.

### **Board Meetings; Attendance at Annual Stockholders Meeting**

The Board of Directors met fifteen times during fiscal 2014. All directors attended at least 75% of the meetings of the Board and Board Committees on which the director served during the last fiscal year. The Company does not have a formal policy on Board member attendance at annual meetings of stockholders, but encourages Directors to attend. All Directors attended the Company's 2014 annual meeting of stockholders.

### **Board Leadership Structure and Risk Oversight**

The Board is led by Kent Swanson in his role as Chairman. Mr. Swanson is an independent director. The Company believes this structure is appropriate because it enables the Board to provide independent oversight and guidance.

The Board of Directors has overall responsibility for risk oversight with a focus on the most significant risks facing the Company. The Board of Directors relies upon the Chief Executive Officer to supervise day-to-day risk management, and the Chief Executive Officer reports directly to the Board and certain committees on such matters as appropriate. In addition, Company management recently formed a Risk Committee reporting to the Audit Committee.

### **Stockholder Communications**

The Board does not have a formal process for stockholders to send communications to the Board of Directors and does not feel that such a process is necessary at this time. If the Company receives stockholder communications that cannot be properly addressed by officers of the Company, the officers bring the matter to the attention of the Board of Directors.

## Corporate Governance

The Company has adopted a Code of Ethics for the CEO and Senior Financial Officers, as well as a Code of Conduct that applies to all directors, officers and employees. Our corporate governance materials, including our Code of Conduct and our Code of Ethics for the CEO and Senior Financial Officers, are available on our website at [www.bacterin.com](http://www.bacterin.com) (click “About,” “Investor Info” and “Corporate Governance”).

## Committees

Our Board has the following committees and committee members (all of whom are independent directors):

<b>Audit</b>	<b>Compensation</b>	<b>Nominations &amp; Corporate Governance</b>	<b>Business Development</b>
Mr. Lopach, Chair	Mr. Deedrick, Chair	Mr. Wickwire, Chair	Mr. Deedrick, Chair
Mr. Swanson	Mr. Lopach	Dr. Goodman	Mr. Swanson
Mr. Wickwire	Dr. Goodman	Mr. Deedrick	

Our Audit Committee, Compensation Committee, and Nominations & Corporate Governance Committee charters are posted on our website at [www.bacterin.com](http://www.bacterin.com) (click “About,” “Investor Info” and “Corporate Governance”). A description of each committee's function and number of meetings during fiscal 2014 follows.

### *Audit Committee*

The purpose of the Audit Committee is to assist the oversight of our Board of Directors of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory matters, the independent auditor's qualifications and independence, and the performance of the Company's independent auditor and internal audit function. The primary responsibilities of the Audit Committee are set forth in its charter, and include various matters with respect to the oversight of the Company's accounting and financial reporting process and audits of the financial statements of the Company. The Audit Committee also selects the independent auditor to conduct the annual audit of the financial statements of the Company; reviews the proposed scope of such audit; reviews accounting and financial

controls of the Company with the independent auditor and our financial accounting staff; and reviews and approves transactions between the Company and directors, officers, and affiliates.

The Audit Committee currently consists of Messrs. Lopach, Swanson and Wickwire, each an independent director. Mr. Lopach serves as the Chairman of the Audit Committee. The Board of Directors has determined that Messrs. Lopach and Swanson (whose backgrounds are detailed above) each qualify as an “audit committee financial expert” in accordance with applicable rules and regulations of the SEC. The Audit Committee met five times during 2014.

### **Report of the Audit Committee**

The Audit Committee reviews the Company’s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for establishing and maintaining adequate internal financial control, for preparing the financial statements and for the public reporting process. EKS&H, our independent auditor, is responsible for expressing opinions on the conformity of the Company’s audited financial statements with generally accepted accounting principles. In this context, the Audit Committee has (i) reviewed and discussed the audited financial statements with management and our independent auditor, (ii) discussed with our independent auditor the matters that are required to be discussed by the applicable Public Company Accounting Oversight Board standards, and (iii) received written disclosures and the letter from the independent auditor required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor’s communications with the Audit Committee concerning independence, and has discussed with the independent auditor the independent auditor’s independence. Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company’s 2014 Annual Report on Form 10-K.

Respectfully submitted,

Michael Lopach

Kent Swanson

Jon Wickwire

*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, or the Exchange Act of 1934, except to the extent we specifically incorporate this Audit Committee Report by reference therein.*

### **Compensation Committee**

The primary purposes of the Compensation Committee are to determine or recommend the compensation of our CEO and other executive officers and to oversee the administration of the Amended and Restated Bacterin International Equity Incentive Plan. Our Compensation Committee currently consists of John Deedrick, Michael Lopach and David Goodman, each of whom is an independent director. The Compensation Committee met six times during 2014.

Our Chief Executive Officer makes recommendations to the Compensation Committee regarding the Company's business goals and the performance of executives in achieving those goals, and recommends other executives' compensation levels to the Compensation Committee based on such performance. The Compensation Committee considers these recommendations and then makes an independent decision regarding officer compensation levels and awards. Neither the Compensation Committee nor management engaged the services of a compensation consultant during the year ended December 31, 2014.

### *Nominations and Corporate Governance Committee*

The purposes of the Nominations and Corporate Governance Committee include the selection or recommendation to our Board of Directors of nominees to stand for election as directors at each election of directors, the oversight of the selection and composition of committees of our Board of Directors, the oversight of the evaluations of our Board of Directors and management, and the development and recommendation to our Board of Directors of a set of corporate governance principles applicable to our company.

In identifying and evaluating candidates for membership on the Board of Directors, the Nominations and Corporate Governance Committee may take into account all factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills, diversity (including, but not limited to, gender, race, ethnicity, age, experience and skills), and the extent to which the candidate would fill a present need on the Board of Directors. The Company does not have a formal diversity policy for directors. The Nominations and Corporate Governance Committee identifies director candidates based on input provided by a number of sources, including members of the Committee, other directors, our stockholders, members of management and third parties. The Nominations and Corporate Governance Committee does not distinguish between nominees recommended by our stockholders and those recommended by other parties. Any stockholder recommendation must be sent to our Corporate Secretary at Bacterin International Holdings, Inc., 664 Cruiser Lane, Belgrade, MT 59714, and must include certain information concerning the nominee as specified in the Company's Amended and Restated Bylaws.

The Nominations and Corporate Governance Committee currently consists of Messrs. Wickwire, Goodman and Deedrick, each of whom is an independent director. Mr. Wickwire serves as the Chairman of the Nominations and Corporate Governance Committee. The Nominations and Corporate Governance Committee met two times in 2014.

### *Business Development Committee*

The purpose of the Business Development Committee is to assist the Board in carrying out oversight responsibilities related to potential strategic transactions. The Business Development Committee consists of Messrs. Deedrick and Swanson, each of whom is an independent director. Mr. Deedrick serves as the Chairman of the Business Development Committee. The Business Development Committee met eleven times in 2014.

### **Director Compensation**

Effective September 4, 2014, compensation for our independent Board members was revised as follows: independent directors receive an annual retainer of \$40,000 per year, the independent Chairman of our Board receives an additional \$20,000 per year, the Audit Committee Chair receives an additional \$12,500 per year, other Committee Chairs receive an additional \$10,000 per year, Audit Committee members receive \$5,000 per year, other Committee members receive \$4,000 per year and all independent directors receive an annual equity grant valued at \$40,000. On November 10, 2014, the Company granted an aggregate of 39,312 shares of restricted stock to independent directors; the restricted stock grants vest on July 1, 2015. In addition, the Chair of our newly formed Business Development Committee earned \$60,000 in 2014 and the other member of the Business Development Committee earned \$20,000 in 2014.

Prior to September 4, 2014, our independent Board members received an annual retainer of \$40,000 per year, our Committee Chairs received an additional \$10,000 per year, new independent directors received an option to purchase 5,000 shares of our common stock and continuing directors received an annual grant of options to purchase 3,000 shares of our common stock. Beginning in 2014, our independent Board Chair also received an additional \$20,000 per year.

The following table describes the compensation earned by our independent Board members during fiscal 2014.

### Director Compensation

Name	Fees Earned or Paid in Cash	Stock Awards <sup>(1)</sup>	Option Awards <sup>(1)</sup>	Total
Kent Swanson	\$ 81,250	\$40,000	\$ -	\$ 121,250
Michael Lopach	\$ 51,625	\$40,000	\$ -	\$ 91,625
Jon Wickwire	\$ 51,250	\$40,000	\$ -	\$ 91,250
John Deedrick	\$ 111,000	\$40,000	\$ -	\$ 151,000
David Goodman	\$ 22,000	\$	\$ 13,779	\$ 35,779

Key assumptions used to estimate the grant date fair value of option awards are contained in Note 9 to the financial statements in our 2014 Annual Report on Form 10-K. As of December 31, 2014, each director held the following number of stock options: Kent Swanson, 11,000, Michael Lopach, 16,000, Jon Wickwire 16,000, John Deedrick 10,000 and David Goodman 5,000.

## **TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS**

Guy Cook was our President, Chief Executive Officer and Chairman of our Board of Directors until April 5, 2013, when he resigned. Mr. Cook has advised us that he is currently an owner and executive officer of Lattice Biologics, Inc., a competitor of ours that was formerly known as International Biologics, LLC.

Mr. Cook assisted unrelated parties in the initial capitalization of Holgan, LLC, a former stocking distributor that purchased a bulk shipment of products from Bacterin at a discount in 2012 (“Holgan”). Holgan subsequently obtained financing from Lacuna Hedge Fund LLLP (“Lacuna”), formerly a significant Bacterin stockholder. Holgan failed to fully pay for the products it acquired from Bacterin and defaulted under its credit agreement with Lacuna. In April 2014, we entered into a settlement agreement with Lacuna whereby we paid Lacuna \$350,000 in exchange for a release of claims against Bacterin and its current and former directors and officers. We also understand that Mr. Cook’s new company Lattice has purchased substantially all of the Bacterin products held by Holgan, with the proceeds to be paid to Lacuna.

Mr. Cook’s spouse was employed by Bacterin as the Director of Human Resources until April 9, 2013. Mr. Cook, together with his adult children, owned and operated Silver Forest Fund, LP (“Silver Forest”), a former distributor of Bacterin products. We terminated the contractual relationship with Silver Forest on October 24, 2013.

Mr. Cook also formerly served as a board member of West Coast Tissue Services (“WCTS”) and American Donor Services (“ADS”). Mr. Cook did not receive any compensation for his board service from either entity. Darrel Holmes, our Chief Operating Officer, and Mitchell Godfrey, a former director, also serve on the board of ADS, and Mr. Godfrey serves as secretary and treasurer for ADS. Msrs. Godfrey and Holmes receive \$5,000 per year for their service to ADS. ADS and WCTS recover tissue from donors. We reimburse them for their recovery fees, which are comprised primarily of labor costs. The approximate aggregate amount of all transactions with WCTS was \$98,600 for 2014 and \$840,100 for 2013, and the approximate aggregate amount of all transactions with ADS was \$2,406,926 for 2014 and \$2,055,523 for 2013. These relationships have benefited us, as these entities provide us with donors, thus insuring that we have a pipeline of current and future donors, which is necessary to our success.

Unless delegated to the Compensation Committee by the Board of Directors, the Audit Committee or the disinterested members of the full Board of Directors reviews and approves all related party transactions.

### **Family Relationships**



There are no family relationships between or among our directors, executive officers, or persons nominated or chosen by the Company to become directors or executive officers.

#### **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information regarding the beneficial ownership of our common stock as of May 15, 2015, by (a) each of our directors and named executive officers, (b) all of our current directors and executive officers as a group, and (c) each person who is known by us to beneficially own more than 5% of our common stock.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned <sup>(2)</sup>		Percentage of Shares Beneficially Owned <sup>(3)</sup>	
<b><i>Directors and Named Executive Officers <sup>(1)</sup>:</i></b>				
Daniel Goldberger	85,840	(4)	1.2	%
Kent Swanson	80,828	(5)	1.1	%
Michael Lopach	32,943	(6)	*	
Jon Wickwire	65,201	(7)	*	
John Deedrick	19,828	(8)	*	
David Goodman, MD	-		*	
John P. Gandolfo	14,787	(9)	*	
Robert Di Silvio	1,198	(10)	*	
All executive officers and directors as a group (10 persons)	323,140		4.6	%
<b>Five Percent Shareholders:</b>				
OrbiMed Advisors LLC 601 Lexington Ave., 54 <sup>th</sup> Floor New York, NY 10022	563,158	(11)	8.4	%
Perkins Capital Management, Inc. 730 East Lake Street Wayzata, MN 55391	539,734	(12)	8.1	%
Guy S. Cook 246 Painted Hills Rd. Bozeman, MT 59714	411,482	(13)	6.2	%

\*Less than 1% of outstanding shares of common stock.

(1) The address for directors and named executive officers is c/o Bacterin International, Inc., 664 Cruiser Lane, Belgrade Montana 59714.

Unless otherwise indicated, includes shares owned by a spouse, minor children and relatives sharing the same home, as well as entities owned or controlled by the named person. Also includes shares that the named person has (2) the right to acquire within 60 days after May 15, 2015, by the exercise or conversion of any warrant, stock option or convertible preferred stock. Unless otherwise noted, shares are owned of record and beneficially by the named person.

(3) The calculation in this column is based upon 7,076,670 shares of common stock outstanding on May 15, 2015. The shares of common stock underlying warrants and stock options are deemed outstanding for purposes of computing the percentage of the person holding them, but are not deemed outstanding for the purpose of computing the percentage of any other person.

(4) Includes (a) 12,510 shares of our common stock, and (b) vested options to purchase 73,330 shares of our common stock.

(5) Includes (a) 35,000 shares of our common stock held directly, (b) 20,000 shares held by a family limited partnership, (c) 9,828 shares of restricted stock vesting on July 1, 2015, (d) warrants to purchase 5,000 shares of our common stock, and (e) options to purchase 11,000 shares of our common stock.

(6) Includes (a) 1,694 shares of our common stock held directly, (b) 3,389 shares held by a 401(k) plan, (c) 9,828 shares of restricted stock vesting on July 1, 2015, (d) warrants to purchase 2,032 shares, and (e) options to purchase 16,000 shares.

(7) Includes (a) 10,550 shares of our common stock, (b) 25,762 shares of common stock held by trusts, (c) 9,828 shares of restricted stock vesting on July 1, 2015, (d) warrants to purchase 3,061 shares of common stock, and (e) options to purchase 16,000 shares of our common stock.

(8) Includes (a) 9,828 shares of restricted stock vesting on July 1, 2015, and (b) vested options to purchase 10,000 shares of our common stock.

(9) Includes (a) 6,396 shares of our common stock, (b) 994 shares of our common stock held by an IRA, (b) warrants to purchase 397 shares of our common stock, and (c) vested options to purchase 7,000 shares of our common stock.

(10) Includes 1,198 shares of our common stock.

(11) Based on Schedule 13G filed with the SEC on February 17, 2015. Includes 475,439 shares of our common stock and warrants to purchase 87,719 shares of our common stock held by Royalty Opportunities S.a r. l (“ROS”), an entity managed by OrbiMed Advisors LLC. OrbiMed Advisors LLC, an investment advisor, and Samuel D. Isaly, its managing member and a control person, each have shared voting and dispositive power with respect to all 563,158 shares held by ROS.

(12) Based on Schedule 13G/A filed with the SEC on January 28, 2015. Includes 459,646 shares of our common stock and warrants to purchase 80,088 shares of our common stock. Perkins Capital Management, Inc., an investment advisor, has sole voting power with respect to 403,087 shares and sole dispositive power with respect to 539,734 shares.

(13) Based on Amendment No. 6 to Schedule 13D filed with the SEC on February 25, 2015. Includes (a) 31,482 shares of our common stock held directly by Mr. Cook, and (b) 380,000 shares of our common stock held by trusts for the benefit of Mr. Cook’s children, with respect to which Mr. Cook has shared voting and dispositive power.

*Economic Ownership; Stock Ownership Guidelines*

Because the table above is limited to shares that are owned or which the person has the right to acquire within 60 days, it does not present a complete view of the economic exposure our directors and executive officers have to our common stock. Excluded from the table above are unvested stock options and unvested warrants which will become vested more than 60 days from May 15, 2015.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) requires directors, executive officers and holders of more than 10% of an equity security registered pursuant to Section 12 of the Exchange Act of 1934 to file various reports with the SEC.

To the Company's knowledge, based solely on our review of the Section 16 reports furnished to us with respect to 2014, we believe all reports required pursuant to Section 16(a) were filed on a timely basis except for the following: Darrel Holmes filed one Form 4 late due to a delay in receipt of transaction information from his broker.

**EXECUTIVE OFFICERS**

The following table sets forth certain information concerning each of our executive officers:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Daniel Goldberger	56	Chief Executive Officer and Director
John P. Gandolfo	54	Chief Financial Officer, Treasurer and Secretary
Robert Di Silvio	61	President
Darrel Holmes	62	Chief Operating Officer
Gregory Juda	39	Chief Scientific Officer

The business experience of our executive officers for the past five years (and, in some instances, for prior years) is summarized below.

**Daniel Goldberger, Chief Executive Officer and Director**, has more than 25 years of experience as a leader of both publicly traded and privately held medical technology companies, with a proven track record of building revenue and profits through the introduction of market changing product innovations. Prior to joining the Company as CEO and a director in August 2013, Mr. Goldberger was most recently CEO and a director of Sound Surgical Technologies from April 2007 through its merger with Solta Medical (Nasdaq SLTM) in February 2013. Previously, he was President/CEO and a director of Xcorporeal (Amex XCR) an innovator in portable dialysis and Glucon (private) a developer of glucose measurement technology and several other successful enterprises. Mr. Goldberger is a named inventor on more than 60 US patents. He holds a BS in Mechanical Engineering from the Massachusetts Institute of Technology and an MS in Mechanical Engineering from Stanford University.

**John Gandolfo, Chief Financial Officer**, joined Bacterin as its interim Chief Financial Officer on a part-time basis, effective June 4, 2010, and filled this position full time commencing on July 6, 2010. Mr. Gandolfo also served as Interim Co-Chief Executive Officer from April 5, 2013 to August 14, 2013, and as a Director from July 9, 2013 to August 14, 2013. Mr. Gandolfo has 25 years of experience as chief financial officer of rapidly growing private and publicly held companies with a primary focus in the life sciences, healthcare and medical device areas. Mr. Gandolfo has had direct responsibility over capital raising, including four public offerings, financial management, mergers and acquisition transactions and SEC reporting throughout his professional career. Prior to joining Bacterin, Mr. Gandolfo served as the Chief Financial Officer for Progenitor Cell Therapy LLC, a leading manufacturer of stem cell therapies. Prior to joining Progenitor, Mr. Gandolfo served as the Chief Financial Officer for Power Medical Interventions, Inc., a publicly held developer and manufacturer of computerized surgical stapling and cutter systems, from January 2007 to January 2009. Prior to joining PMI, Mr. Gandolfo was the Chief Financial Officer of Bioject Medical Technologies, Inc., a publicly held supplier of needle-free drug delivery systems to the pharmaceutical and biotechnology industries, from September 2001 to May 2006, and served on the Bioject's Board of Directors from September 2006 through May 2007. Prior to joining Bioject, Mr. Gandolfo was the Chief Financial Officer of Capital Access Network, Inc., a privately held specialty finance company, from 2000 through September 2001, and Xceed, Inc., a publicly held Internet consulting firm, from 1999 to 2000. From 1994 to 1999, Mr. Gandolfo was Chief Financial Officer and Chief Operating Officer of Impath, Inc., a publicly held, cancer-focused healthcare information

company. From 1987 through 1994, he was Chief Financial Officer of Medical Resources, Inc., a publicly held manager of diagnostic imaging centers throughout the United States. A graduate of Rutgers University, Mr. Gandolfo is a certified public accountant (inactive status) who began his professional career at Price Waterhouse.

**Robert Di Silvio, President**, has over 30 years of experience serving in executive management positions in the medical industry, overseeing sales and marketing efforts in the management of medical sales operations. Prior to joining Bacterin as a consultant in January of 2014, Mr. Di Silvio served as Senior Vice President and General Manager of the Americas region for Lumenis since January 2012, and prior to that role, beginning in October 2010, as Senior Vice President and General Manager, Lumenis North America Region. Mr. Di Silvio previously served as President and Chief Executive Officer of Pyng Medical Inc. from February 2009 to September 2010; as Vice President Global Sales and Marketing of Safe Life from May 2007 to September 2008; as Vice President of US Field Operations Physio-Control Division of Medtronic, Inc. from May 2002 to April 2007; and as Vice President, US Field Operations of Coherent Medical Group (“CMG”) from February 1999 to January 2002. Mr. Di Silvio currently serves as a member of the board of directors of Pyng Medical Corp. He holds a bachelor’s degree in economics and organic chemistry and a master’s degree in biochemistry from the University of Connecticut, and he also completed three years at the University of Rome School of Medicine in Italy.

**Darrel Holmes, Chief Operating Officer**, Mr. Holmes has over 25 years of experience in the medical device, biologics, and diagnostic industries. He previously served as Operations Executive for American Qualex, HYCOR Biomedical and Stratagene, and as Executive Vice President and COO of Big Spring Water Company. Since joining Bacterin International, Inc. in 2003, Mr. Holmes has assumed responsibilities for all aspects of medical device and biologic product design and development, process scale-up, and production, and Mr. Holmes also served as Interim Co-Chief Executive Officer from April 5, 2013 to August 14, 2013. Mr. Holmes has worked with numerous regulatory agencies at the federal, state, and local level and coordinates Bacterin’s ISO 13485 compliance and environmental health and safety programs. He oversees Bacterin’s operations and production, facility management, engineering and information technology (IT) to produce Bacterin’s medical devices and biologic products, and to accommodate business growth. He directs the design, purchase, validation and implementation of capital assets and facility expansions for the company, and is responsible for strategic planning as well as the development and administration of division-level budgets. Currently, Mr. Holmes serves as the Company’s Tissue Bank Director and on Bacterin’s Medical Advisory Committee, as a member of Montana State University’s Employer Advisory Board, as a Scientific Advisory Board Member for Montana Molecular in Bozeman, Montana, and as member of the Board of Directors of American Donor Services. Mr. Holmes graduated from California State University at Long Beach with a degree in Biological Science.

**Gregory Juda, Chief Scientific Officer**, joined Bacterin in 2005 and has played an integral role in the growth of Bacterin’s orthobiologics business. During his time with the company, Dr. Juda has been responsible for guiding the development, commercialization, and marketing of four revolutionary, life-enhancing allograft products; Bacterin’s OsteoSponge® allograft family, OsteoSelect® Demineralized Bone Matrix Putty, hMatrix® Acellular Dermal Matrix and Bacterin’s new line of 3Demin products. Dr. Juda is an expert in the design, manufacturing, regulation, and marketing of biologics and biologic based medical devices. He was responsible for directing equipment, facility, and process validation efforts for Bacterin’s state-of-the-art allograft tissue processing facility. These efforts included the design and validation of programs for tissue processing and decontamination, facility cleaning and monitoring, and sterilization of finished product. Currently, Dr. Juda directs research and development efforts for Bacterin’s orthobiologic product lines and serves as the primary source of technical expertise for Bacterin’s direct and indirect sales initiatives. Dr. Juda received a Bachelor of Science in Biochemistry from Virginia Polytechnic Institute and

State University and a Doctorate of Philosophy in Biochemistry from Montana State University-Bozeman.



**EXECUTIVE COMPENSATION**

The table below summarizes the compensation earned for services rendered to the Company for the fiscal years indicated, by our Chief Executive Officer and two most highly-compensated executive officers other than the Chief Executive Officer for fiscal year 2014 (the “Named Executive Officers”).

**Summary Compensation Table**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Stock Awards</b> (1)	<b>Option Awards</b> (1)	<b>All Other Compensation</b>	<b>Total</b>
Daniel Goldberger Chief Executive Officer From August 14, 2013 to present	2014	400,000	100,154	-	-	143,422 (2)	643,576
	2013	143,077	-	-	1,098,055 (4)	-	1,241,132
John Gandolfo Chief Financial Officer Interim Co-Chief Executive Officer from April 5 2013 to August 14, 2013	2014	330,000	20,000	-	90,841	-	440,841
	2013	321,462	100,800	68,340	34,745	-	525,347
Robert Di Silvio President From July 1, 2014 to present	2014	153,750	-	-	150,090 (4)	129,300 (3)	433,140

(1) Key assumptions used to estimate the grant date fair value of restricted stock and option awards are contained in Note 9 to the financial statements in our Annual Report on Form 10-K.

(2) Relocation reimbursement.

(3) Consulting fees paid to Mr. Di Silvio for services provided prior to his employment.

(4) Stock options granted to Mr. Goldberger and Mr. Di Silvio, respectively, outside of the Amended and Restated Bacterin International Equity Incentive Plan as inducements material to entering into employment with Bacterin.



The following table shows information about Outstanding Equity Awards to our Named Executive Officers as of December 31, 2014.

Name	Option Awards		Option Exercise Price	Option Expiration Date
	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options		
Daniel Goldberger	59,998	140,002	(1) \$ 6.00	8/14/23
John Gandolfo	-	30,000	(2) 5.01	9/4/24
	7,000	-	6.80	5/24/23
Robert Di Silvio	-	55,000	(3) 6.80	7/1/24

(1) This option vested with respect to 40,000 underlying shares on August 15, 2014 and on a monthly basis thereafter with respect to 3,333 underlying shares per month.

(2) This option vests with respect to 6,000 underlying shares on September 4, 2015 and on a monthly basis thereafter with respect to 500 underlying shares per month.

(3) This option vests with respect to 11,000 underlying shares on July 1, 2015 and on a monthly basis thereafter with respect to 917 underlying shares per month.

The Company also has a 401(k) plan available to all full time employees after six months of employment, and the Company matches up to 2% of employee contributions at the end of the year.

**Potential Payments Upon Termination or Change-in-Control**

All of our Named Executive Officers have employment agreements that provide for severance payments for termination in connection with a change in control.

Mr. Goldberger's employment agreement provides for an annual base salary of \$400,000, along with other incentive compensation as determined by the Board of Directors, with a bonus target of 50%-70% of Mr. Goldberger's annual base salary. Mr. Goldberger's employment agreement contains customary intellectual property provisions and restrictive covenants and provides for six (6) months severance for termination without cause or resignation with good reason and twelve (12) months of severance for termination in connection with a change in control.

Mr. Gandolfo's employment agreement provides for an annual base salary of \$330,000, along with other incentive compensation as determined by the Compensation Committee of the Board of Directors, with a bonus target of 30% of Mr. Gandolfo's annual base salary. Mr. Gandolfo's employment agreement contains customary intellectual property provisions and restrictive covenants and provides for twelve (12) months severance for termination without cause, resignation with good reason, or termination in connection with a change in control.

Mr. Di Silvio's employment agreement provides for an annual base salary of \$325,000, along with other incentive compensation as determined by the Compensation Committee of the Board of Directors, with a bonus target of 50% of Mr. Di Silvio's annual base salary. Mr. Di Silvio's employment agreement contains customary intellectual property provisions and restrictive covenants and provides for six (6) months severance for termination without cause or resignation with good reason and twelve (12) months of severance for termination in connection with a change in control.

**PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT**

**REGISTERED PUBLIC ACCOUNTING FIRM**

We are seeking stockholder ratification of the appointment of EKS&H LLLP (“EKS&H”) as our independent registered public accounting firm for the fiscal year ending December 31, 2015. If the stockholders fail to ratify the appointment of EKS&H, the Audit Committee may reconsider its selection. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee feels that such a change would be in the best interests of the Company and our stockholders.

We do not expect representatives from EKS&H to attend the Annual Meeting.

**The Board of Directors recommends that stockholders vote “FOR” the ratification of the appointment of EKS&H as our independent registered public accounting firm for the fiscal year ending December 31, 2015.**

**Audit and Non-audit Fees**

EKS&H LLLP (“EKS&H”) served as the independent registered public accounting firm to audit our books and accounts for the fiscal years ending December 31, 2014 and December 31, 2013. The following table presents the aggregate fees billed for professional services rendered by EKS&H for the years ended December 31, 2014 and December 31, 2013.

	2014	2013
Audit fees	\$ 157,500	\$ 138,500
Audit-related fees	\$ 49,546	\$ 11,073
Tax fees	\$-	\$-
All other fees	\$-	\$-

In the above table, “audit fees” are fees billed for services provided related to the audit of our annual financial statements, quarterly reviews of our interim financial statements and services normally provided by the independent accountant in connection with statutory and regulatory filings or engagements for those fiscal periods. “Audit-related fees” are fees not included in audit fees that are billed by the independent accountant for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. “Tax fees” are fees billed by the independent accountant for professional services rendered for tax compliance, tax advice and tax

planning. “All other fees” are fees billed by the independent accountant for products and services not included in the foregoing categories.

### **Audit Committee’s Pre-Approval Policy**

It is the Audit Committee’s policy to approve in advance the types and amounts of audit, audit-related, tax and any other services to be provided by our independent accountants. In situations where it is not possible to obtain full Audit Committee approval, the Audit Committee has delegated authority to the Chairman of the Audit Committee to grant pre-approval of audit, audit-related, tax and all other services. Any pre-approved services by the Chairman are required to be reviewed with the Audit Committee at its next scheduled meeting.

The Audit Committee approved 100% of the foregoing services provided by EKS&H.

### **PROPOSAL 3: APPROVAL OF THE SECOND AMENDMENT AND RESTATEMENT OF THE BACTERIN INTERNATIONAL EQUITY INCENTIVE PLAN**

A proposal will be presented at the Annual Meeting to approve the Second Amended and Restated Bacterin International Equity Incentive Plan (the "Plan") attached as Annex A to this Proxy Statement to increase the number of shares of common stock that may be issued under the Plan from 900,000 to 1,400,000 shares. Our Board of Directors has approved this amendment, subject to shareholder approval. Some key features of the Plan are summarized below.

The purpose of the Plan is to enable us to attract, retain and motivate key employees, directors and, on occasion, independent consultants, by providing them with stock options, restricted stock awards, stock appreciation rights ("SARs"), stock bonuses, restricted stock units and other stock grants. Stock options granted under the Plan may be either incentive stock options to employees, as defined in Section 422A of the Internal Revenue Code of 1986 (the "Code"), or non-qualified stock options. The Plan is administered by the compensation committee of our board of directors. The compensation committee is composed of persons who are both non-employee directors, as defined under Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and "outside directors" within the meaning of Section 162(m) of the Code. The compensation committee has the power to determine the terms of any stock options granted under the Plan, including the exercise price, the number of shares subject to the stock option and conditions of exercise. Stock options granted under the incentive plan are generally not transferable, vest in installments and are exercisable during the lifetime of the optionee only by such optionee. The exercise price of all incentive stock options granted under the plan must be at least equal to the fair market value of the shares of common stock on the date of the grant. The specific terms of each stock option grant will be reflected in a written stock option agreement.

#### **Federal Income Tax Consequences**

The following summary constitutes a brief overview of the principal U.S. Federal income tax consequences relating to awards that may be granted under the plan based upon current tax laws. This summary is not intended to be exhaustive and does not describe state, local, or foreign tax consequences.

**Non-Qualified Stock Options.** A participant will realize no taxable income at the time a non-qualified option is granted under the plan, but generally at the time such non-qualified option is exercised, the participant will realize ordinary income in an amount equal to the excess of the fair market value of the shares on the date of exercise over the option exercise price. Upon a disposition of such shares, the difference between the amount received and the fair market value on the date of exercise will generally be treated as a long-term or short-term capital gain or loss, depending on the holding period of the shares. The company will generally be entitled to a deduction for Federal income tax purposes at the same time and in the same amount as the participant is considered to have realized ordinary income in connection with the exercise of a non-qualified option.

**Incentive Stock Options.** A participant will realize no taxable income, and the company will not be entitled to any related deduction, at the time any incentive stock option is granted. If certain employment and holding period conditions are satisfied, then no taxable income will result upon the exercise of such option and the company will not be entitled to any deduction in connection with such exercise. Upon disposition of the shares after expiration of the statutory holding periods, any gain realized by a participant will be taxed as long-term capital gain and any loss sustained will be long-term capital loss, and the company will not be entitled to a deduction in respect to such disposition. While no ordinary taxable income is recognized at exercise (unless there is a "disqualifying disposition", see below), the excess of the fair market value of the shares over the option exercise price is a preference item that is recognized for alternative minimum tax purposes. Except in the event of death, if shares acquired by a participant upon the exercise of an incentive stock option are disposed of by such participant before the expiration of the statutory holding periods (i.e., a "disqualifying disposition"), such participant will be considered to have realized as compensation taxed as ordinary income in the year of such disposition an amount, not exceeding the gain realized on such disposition, equal to the difference between the option price and the fair market value of such shares on the date of exercise of such option. Generally any gain realized on the disposition in excess of the amount treated as compensation or any loss realized on the disposition will constitute capital gain or loss, respectively. If a participant makes a "disqualifying disposition," generally in the fiscal year of such "disqualifying disposition," the Company will be allowed a deduction for Federal income tax purposes in an amount equal to the compensation realized by such participant.

**SARs.** A grant of SARs has no federal income tax consequences at the time of grant. Upon the exercise of SARs, the value of the shares and cash received is generally taxable to the grantee as ordinary income, and the company generally will be entitled to a corresponding tax deduction.

**Restricted Stock.** A participant receiving restricted stock under the plan may be taxed in one of two ways: the participant (i) pays tax when the restrictions lapse, or (ii) makes a special election to pay tax in the year the grant is made. At either time, the value of the award for tax purposes is the excess of the fair market value of the shares at that time over the amount (if any) paid for the shares. This value is taxed as ordinary income and is subject to income tax withholding. The company receives a tax deduction at the same time and for the same amount taxable to the participant. If a participant elects to be taxed at grant, then, when the restrictions lapse, there will be no further tax consequences attributable to the awarded stock until disposition of the stock.

**Restricted Stock Units.** In general, no taxable income is realized by a participant in the plan upon the grant of a restricted stock unit award. Such participant generally would include in ordinary income the fair market value of the award of stock at the time shares of stock are delivered to the participant. The company generally will be entitled to a tax deduction at the time and in the amount that the participant recognizes ordinary income.

**Section 162(m) Limit.** The plan is intended to enable the company to provide certain forms of performance-based compensation to executive officers that will meet the requirements for tax deductibility under Section 162(m) of the Code. Section 162(m) provides that, subject to certain exceptions, the company may not deduct compensation paid to any one of certain executive officers in excess of \$1 million in any one year. Section 162(m) excludes certain performance-based compensation from the \$1 million limitation.





## New Plan Benefits

There are currently 900,000 shares of our common stock authorized to be issued under the Amended and Restated Bacterin International Equity Incentive Plan. At March 31, 2015, we had approximately 103,000 shares available for issuance under the plan, and we are proposing to increase the number of shares authorized under the plan from 900,000 to 1,400,000 shares.

The Compensation Committee has the discretion to determine the type, term, conditions and recipients of awards granted under the Plan. Accordingly, it is not possible to determine the amounts of awards that will be received by any director, officer, employee or consultant under the Plan if approved by shareholders.

On May 21, 2015, the OTCQX marketplace reported a closing price of \$3.63 for our common stock.

## Equity Compensation Plan Information

The following table shows information about shares authorized for issuance under the Amended and Restated Bacterin International Equity Incentive Plan as of December 31, 2014.

### Securities authorized for issuance under equity compensation plans

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	440,336	\$ 14.19	107,700
Equity compensation plans not approved by security holders <sup>(1)</sup>	255,000	\$ 6.17	N/A

Total	695,336	\$ 11.25	107,700
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(1) Inducement stock option grants outside of the Plan.

As indicated in the table above, the average exercise price of outstanding stock options granted under the Plan is \$14.19, well above the Company's current stock price. These underwater stock options do not provide employees with long term incentives the Company would like to be able to offer in order to attract, retain and motivate key employees. Therefore, the Company seeks your approval to increase the shares of common stock authorized for issuance under the Plan from 900,000 to 1,400,000 shares.

**The Board of Directors recommends that you vote "FOR" the approval of the Second Amended and Restated Bacterin International Equity Incentive Plan.**

## **ADDITIONAL INFORMATION**

### **Stockholder Proposals**

Proposals by stockholders that are submitted for inclusion in our proxy statement for our 2016 Annual Meeting must follow the procedures set forth in Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and our bylaws. To be timely under Rule 14a-8, stockholder proposals must be received by our Corporate Secretary at Bacterin International Holdings, Inc., 664 Cruiser Lane, Belgrade, MT 59714 by January 23, 2016.

The Company's Amended and Restated Bylaws also establish an advance notice procedure with regard to nominations of persons for election to the Board of Directors and stockholder proposals to be brought before an annual meeting. Stockholder proposals and nominations may not be brought before an annual meeting unless, among other things, the stockholder's submission contained certain information concerning the proposal or the nominee, as the case may be, and other information specified in the Company's Amended and Restated Bylaws. Proposals or nominations not meeting these requirements will not be entertained at an annual meeting.

Stockholder proposals and nominations may not be brought before the 2016 Annual Meeting unless, among other things, the stockholder's submission contains certain information concerning the proposal or the nominee, as the case may be, and other information specified in the Company's Amended and Restated Bylaws, and the stockholder's submission is received by us no earlier than the close of business on February 25, 2016, and no later than March 26, 2016. Proposals or nominations not meeting these requirements will not be entertained at the 2016 Annual Meeting.

Stockholders recommending candidates for consideration by the Nominating and Corporate Governance Committee must provide the candidate's name, biographical data and qualifications. Any such recommendation should be accompanied by a written statement from the individual of his or her consent to be named as a candidate and, if nominated and elected, to serve as a director. These requirements are separate from, and in addition to, the SEC's requirements that a stockholder must meet in order to have a stockholder proposal included in the proxy statement.

### **Householding Information**

If you share an address with any of our other stockholders, your household might receive only one copy of our proxy statement, unless you have instructed us otherwise. This delivery method is referred to as "householding" and can result in cost savings for us. To take advantage of this opportunity, we may deliver a single proxy statement to multiple stockholders who share an address. We will deliver upon oral or written request a separate copy of our proxy

statement to any stockholder of a shared address to which a single copy of our proxy statement was delivered. If you prefer to receive separate copies of our proxy statement, either now or in the future, or if you currently are a stockholder sharing an address with another stockholder and wish to receive only one copy of future proxy statements for your household, please call us at (406) 388-0480 or send your request in writing to us at the following address: 664 Cruiser Lane, Belgrade, MT 59714, Attention: Corporate Secretary.

## **OTHER MATTERS**

Whether or not you plan to attend the meeting, please vote over the Internet or complete, sign and return the proxy card or voting instructions form sent to you in the envelope provided.

Our 2014 Annual Report on Form 10-K, which is not a part of this Proxy Statement and is not proxy soliciting material, is enclosed.

### **By order of the Board of Directors**

/s/ Daniel Goldberger  
Daniel Goldberger  
*Chief Executive Officer*

Belgrade, Montana

May 22, 2015

**Annex A**

**SECOND AMENDED AND RESTATED**

**BACTERIN INTERNATIONAL**

**EQUITY INCENTIVE PLAN**

*Effective June 7, 2010,*

*Amended and Restated July 8, 2011 and June 24, 2015*

## SECOND AMENDED AND RESTATED

### BACTERIN INTERNATIONAL

### EQUITY INCENTIVE PLAN

## ARTICLE I

### INTRODUCTION

1.1 *Establishment.* Bacterin International Holdings, Inc., a Delaware corporation, hereby amends and restates the Bacterin International Equity Incentive Plan for certain key employees of the Company and certain directors and consultants to the Company. The Plan permits the grant of incentive stock options within the meaning of Code § 422, non-qualified stock options, restricted stock awards, stock appreciation rights, stock bonuses, restricted stock units and other stock grants to certain key employees of the Company and to certain directors and consultants to the Company.

1.2 *Purposes.* The purposes of the Plan are to provide those who are selected for participation in the Plan with added incentives to continue in the long-term service of the Company and to create in such persons a more direct interest in the future success of the operations of the Company by relating incentive compensation to increases in shareholder value, so that the income of those participating in the Plan is more closely aligned with the income of the Company's shareholders. The Plan is also designed to provide a financial incentive that will help the Company attract, retain and motivate the most qualified employees, directors, and consultants.

## ARTICLE II

### DEFINITIONS

2.1 "*Affiliated Corporation*" means any corporation or other entity that is affiliated with the Plan Sponsor through stock ownership or otherwise, provided, however, that for purposes of Incentive Options granted pursuant to the Plan, an "Affiliated Corporation" means any parent or subsidiary of the Plan Sponsor as defined in Code § 424.

2.2 "*Award*" means an Option, a Restricted Stock Award, a Stock Appreciation Right, a Restricted Stock Unit, or grants of Stock issued under the Plan.

2.3 "**Board**" means the Board of Directors of the Plan Sponsor.

2.4 "**Cause**" shall have the meaning assigned to it by the Participant's employment agreement, if the Company has entered into an employment agreement with the Participant; otherwise termination for "Cause" shall mean termination of employment as a result of a violation of any Company policy, procedure or guideline, or engaging in any of the following forms of misconduct: conviction of any felony or of any misdemeanor involving dishonesty or moral turpitude; theft or misuse of the Company's property or time; use of alcohol or controlled substances on the Company's premises or appearing on such premises while intoxicated or under the influence of drugs not prescribed by a physician, or after having abused prescribed medications; illegal use of any controlled substance; illegal gambling on the Company's premises; discriminatory or harassing behavior, whether or not illegal under federal, state or local law; willful misconduct; or falsifying any document or making any false or misleading statement relating to employment by the Company; or injures the economic or ethical welfare of the Company by misconduct or inattention to duties and responsibilities, or fails to meet the Company's performance expectations, as determined by the Company in its sole discretion.



2.5 "*Change in Control*" occurs on the date that:

any one person, or more than one person acting as a group, acquires ownership of stock of the Plan Sponsor that, together with stock held by such person or group, constitutes more than 50% of the total Fair Market Value or total voting power of the stock of the Plan Sponsor. However, if any one person or more than one person acting as a group, is considered to own more than 50% of the total Fair Market Value or total voting power of the stock of the (a) Plan Sponsor, the acquisition of additional stock by the same person or persons is not considered to cause a change in the ownership of the Plan Sponsor (or to cause a change in the effective control of the Plan Sponsor. An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the Plan Sponsor acquires its stock in exchange for property will be treated as an acquisition of stock for purposes of this Section.

(b) there is a change in the effective control of the Plan Sponsor. A change in the effective control of the Plan Sponsor occurs on the date that either:

Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period (i) ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Plan Sponsor possessing 30% or more of the total voting power of the stock of such corporation; or

a majority of members of the Plan Sponsor's board of directors is replaced during any 12-month period by directors (ii) whose appointment or election is not endorsed by a majority of the members of the Plan Sponsor's board of directors prior to the date of the appointment or election.

any one person, or more than one person acting as a group, acquires ownership of assets of the Plan Sponsor that have a gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of (c) the Plan Sponsor immediately prior to such acquisitions. For this purpose, gross fair market value means the value of the assets of the Plan Sponsor, or the value of the assets being disposed of, determined without regard to any liabilities associated with the assets.

Persons Acting as a Group. Persons will not be considered to be acting as a group solely because they purchase or own stock of the Plan Sponsor at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the corporation. If a person, including an entity, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in a corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation.

This Section shall be interpreted in accordance with Treasury guidance for the definition of Change in Control under Code § 409A.

2.6 "**Code**" means the Internal Revenue Code of 1986, as it may be amended from time to time.

2.7 "**Committee**" means a committee established under Article X of the Plan which is empowered to take actions with respect to the administration of the Plan.

2.8 "**Company**" means the Plan Sponsor and the Affiliated Corporations.

2.9 "**Disabled**" or "**Disability**" shall have the meaning given to such terms in Code § 22(e)(3).

2.10 "**Effective Date**" means the effective date of the Plan which is June 7, 2010; however, the adoption of those provisions of the Plan by the Board which relate to the grant of Incentive Options are subject to approval and ratification by the shareholders of the Plan Sponsor within 12 months of the effective date. Incentive Options granted under the Plan prior to the approval of the Plan by the shareholders of the Plan Sponsor shall be subject to approval of the Plan by the shareholders of the Plan Sponsor. The Plan was amended and restated effective as of July 8, 2011 and June 24, 2015.

2.11 "**Eligible Employees**" means the employees (including, without limitation, officers and directors who are also employees) of the Company who are selected for participation in the Plan. For purposes of the Plan, an employee is an individual whose wages are subject to the withholding of federal income tax under Code § 3401.

2.12 "**Eligible Individuals**" means those consultants to the Company and directors of the Company who are selected by the Committee for participation in the Plan.

2.13 "**Fair Market Value**" means the closing price, on the Over-The-Counter Bulletin Board (OTCBB), the principal stock exchange or other market on which the Stock is traded, on the trading day preceding the grant date. If the price of the Stock is not reported on any securities exchange or national market system, the Fair Market Value of the Stock on a particular date shall be as determined by the Committee in good faith by applying any reasonable valuation method permitted under Code § 409A to determine fair market value in accordance with Code § 409A.

2.14 "***Incentive Option***" means an Option designated as an incentive stock option and granted in accordance with Code § 422.

2.15 "***Non-Qualified Option***" means any Option other than an Incentive Option.

2.16 "**Option**" means a right to purchase Stock at a stated or formula price for a specified period of time. Options granted under the Plan shall be either Incentive Options or Non-Qualified Options.

2.17 "**Option Agreement**" shall have the meaning given to it in Section 4.3.

2.18 "**Option Holder**" means a Participant who has been granted one or more Options under the Plan.

2.19 "**Option Period**" shall have the meaning given to it in Section 4.3(c).

2.20 "**Option Price**" means the price at which each Share subject to an Option may be purchased, determined in accordance with Section 4.3(b).

2.21 "**Participant**" means an Eligible Employee or Eligible Individual designated by the Committee during the term of the Plan to receive one or more Awards under the Plan.

2.22 "**Plan**" means the Second Amended and Restated Bacterin International Equity Incentive Plan.

2.23 "**Plan Sponsor**" means Bacterin International Holdings, Inc. and any successor thereto.

2.24 "**Restricted Stock Award**" means Stock granted to a Participant that is subject to certain restrictions.

2.25 "**Restricted Stock Award Agreement**" shall have the meaning given to it in Section 5.2.

2.26 "**Restricted Stock Unit**" means a hypothetical interest in the value of one Share, denominated in United States dollars.

2.27 "**RSU Agreement**" shall have the meaning given to it in Section 6.2.

2.28 "**RSU Holder**" means a Participant who has been granted one or more RSUs under the Plan. The term "RSU Holder" also includes the beneficiary of a deceased Participant.

2.29 "**RSUs**" means Restricted Stock Units.

2.30 "**SAR Agreement**" shall have the meaning given to it in Section 7.3.

2.31 "**SAR Holder**" means a Participant who has been granted one or more SARs under the Plan.

2.32 "**SAR Period**" shall have the meaning given to it in Section 7.3(c).

2.33 "**SARs**" means Stock Appreciation Rights.

2.34 "**Section**" or "**Subsection**" means a reference to a section or subsection of the Plan, unless another reference specifically applies.

2.35 "**Share**" means a share of Stock.

2.36 "**Shareholders Agreement**" shall have the meaning given to it in Section 12.4.

2.37 "**Stock**" means the common stock of the Plan Sponsor and any stock issued or issuable subsequent to the Effective Date in substitution for the common stock.

2.38 "**Stock Appreciation Right**" means the right, granted by the Committee pursuant to the Plan, to receive a payment equal to the increase in the Fair Market Value of a Share subsequent to the grant of such right.

2.39 "**Stock Bonus**" means either an outright grant of Stock or a grant of Stock subject to and conditioned upon certain employment or performance related goals.

### ARTICLE III

#### PARTICIPATION AND LIMIT ON AWARDS

3.1 **Participation.** The Committee shall select the Eligible Employees and Eligible Individuals who are Participants in the Plan. The Committee shall select the Eligible Employees who, in the judgment of the Committee, are performing, or during the term of their incentive arrangement will perform, vital services in the management, operation and development of the Company, and significantly contribute, or are expected to significantly contribute, to the achievement of long-term corporate economic objectives. The Committee shall select the Eligible Individuals from the non-employee consultants and directors for the Company who are performing services important to the operation and growth of the Company. Participants may be granted from time to time one or more Awards.

3.2 **Limit on Awards.** No Participant shall receive Awards for any calendar year in excess of 2,500,000 Shares and all Awards for all Participants in any calendar year shall not exceed 5,000,000 Shares.

## ARTICLE IV

### OPTIONS

4.1 *Grant of Options.* A Participant may be granted one or more Options. Options shall be granted as of the date specified in the Option Agreement. The Committee in its sole discretion shall designate whether an Option is an Incentive Option or a Non-Qualified Option. Only Non-Qualified Options may be granted to Eligible Individuals. The Committee may grant both an Incentive Option and a Non-Qualified Option to an Eligible Employee at the same time or at different times. Incentive Options and Non-Qualified Options, whether granted at the same time or at different times, shall be deemed to have been awarded in separate grants and shall be clearly identified. In no event shall the exercise of one Option affect the right to exercise any other Option or affect the number of Shares for which any other Option may be exercised. The grant of each Option shall be separately approved by the Committee, and the receipt of one Option shall not result in automatic receipt of any other Option. Upon determination by the Committee to grant an Option to a Participant, the Committee shall enter into an Option Agreement with the Participant.

#### 4.2 *Restrictions on Incentive Options.*

**Initial Exercise.** The aggregate Fair Market Value of the Shares with respect to which Incentive Options are exercisable for the first time by an Option Holder in any calendar year, under the Plan and any other plan of the Company, shall not exceed \$100,000. For this purpose, the Fair Market Value of the Shares shall be determined as (a) of the date of grant of the Option. To the extent the Option Holder holds two or more Options which become exercisable for the first time in the same calendar year, the \$100,000 limitation shall be applied on the basis of the order in which the Options are granted. Any Option or portion thereof that exceeds the \$100,000 limit shall be treated as a Non-Qualified Option, but only to the extent of such excess.

**Ten Percent Stockholders.** Incentive Options granted to an Option Holder who is the holder of record of 10% or more of the outstanding Stock of the Plan Sponsor shall have an Option Price equal to 110% of the Fair Market Value of the Shares on the date of grant of the Option and the Option Period for any such Option shall not exceed five years. (b)

(c) No Award of Incentive Options shall be granted after June 6, 2020, the day before the 10<sup>th</sup> year anniversary of the Effective Date.

4.3 **Stock Option Agreements.** Each Option granted under the Plan shall be evidenced by an agreement (an "Option Agreement"). An Option Agreement shall be issued by the Plan Sponsor in the name of the Option Holder and in such form as may be approved by the Committee. The Option Agreement shall incorporate and conform to the conditions in the Plan as well as any other terms and conditions that are not inconsistent as the Committee may consider appropriate. In the event of any inconsistency between the provisions of the Plan and any Option Agreement, the provisions of the Plan shall govern.

(a) **Number of Shares.** Each Option Agreement shall state that it covers a specified number of Shares, as determined by the Committee.