

ORASURE TECHNOLOGIES INC
Form DEF 14A
April 04, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

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

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

OraSure Technologies, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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Notice of 2016

Annual Meeting of Stockholders
and Proxy Statement

Tuesday, May 17, 2016

10:00 a.m. (Eastern Time)

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April 4, 2016

Dear Fellow Stockholders:

You are cordially invited to attend the 2016 Annual Meeting of Stockholders to be held on **Tuesday, May 17, 2016** at 10:00 a.m. Eastern Time. We are pleased to announce that this year's annual meeting will be a completely virtual meeting of stockholders, which will be conducted as a live webcast. You will be able to attend the annual meeting of stockholders online, vote your shares electronically if you wish, and submit your questions during the meeting by visiting www.virtualshareholdermeeting.com/OSUR2016. This virtual meeting format will provide improved communication and cost savings for our stockholders and the Company.

Pursuant to the Securities and Exchange Commission rule allowing companies to furnish proxy materials to their stockholders over the internet, a Notice of Internet Availability of Proxy Materials (the "Notice") was sent to stockholders on or about April 4, 2016. The Notice contains information on how to access copies of the proxy materials and vote your shares.

At the meeting, you will be asked to (i) elect three Class I Directors to serve on the Board of Directors until the Annual Meeting of Stockholders in 2019; (ii) ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2016 fiscal year; (iii) approve, by an advisory (non-binding) vote, the compensation of the Company's named executive officers as disclosed in the proxy materials; and (iv) transact such other business as may properly come before the meeting or any adjournment(s) or postponement(s) thereof.

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

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

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

Sincerely yours,

Douglas A. Michels

President and Chief Executive Officer

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**NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS
OF ORASURE TECHNOLOGIES, INC.**

To Our Stockholders:

The 2016 Annual Meeting of Stockholders of OraSure Technologies, Inc. will be held virtually and for the following purpose:

Tuesday, May 17, 2016 at 10:00 am Eastern Time

Online by visiting

www.virtualshareholdermeeting.com/OSUR2016

1. To elect three (3) Class I Directors, each to serve for a term expiring at the Company's Annual Meeting of Stockholders in 2019;
2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2016;
3. To approve, by an advisory (non-binding) vote, the compensation of the Company's named executive officers as disclosed in the Proxy Statement accompanying this Notice; and
4. To consider such other business as may properly come before the meeting, or any adjournment(s) or postponement(s) hereof.

Only holders of shares of our Common Stock of record at the close of business on March 24, 2016 will be entitled to vote at the Annual Meeting of Stockholders and any adjournment(s) or postponement(s) thereof. Additional information is included in the Proxy Statement accompanying this Notice.

By order of the Board of Directors,

Jack E. Jerrett

Secretary

April 4, 2016

Bethlehem, Pennsylvania

YOUR VOTE IS IMPORTANT. Whether or not you plan to participate in the Annual Meeting online, you are urged to vote your shares as promptly as possible by telephone, via the internet, or by completing, signing, dating and returning a paper Proxy Card, as described in the attached Proxy Statement. Voting by phone, the internet or mail does not deprive you of your right to attend the Meeting and vote your shares at that time.

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We are providing these Proxy Materials to stockholders of OraSure Technologies, Inc., a Delaware corporation (as used herein, we, us, our or the Company), in connection with the Company's solicitation of proxies (each, a Proxy) to be used at the Annual Meeting of Stockholders to be held on May 17, 2016, at 10:00 a.m. Eastern Time and at any adjournment(s) or postponement(s) thereof (the Annual Meeting).

As a stockholder, you are invited to attend the Annual Meeting and are requested to vote on the matters described in this Proxy Statement. We are pleased to offer a completely virtual Annual Meeting, which will be conducted as a live webcast that you can access online by going to www.virtualshareholdermeeting.com/OSUR2016. The webcast will not include a presentation by management. A question and answer session will be provided at the Annual Meeting only for questions that are germane to the matters being discussed and voted on at the meeting.

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

2016 ANNUAL MEETING INFORMATION

Date and Time: Tuesday, May 17, 2016 10:00 a.m. (ET)
Location: Online by visiting www.virtualshareholdermeeting.com/OSUR2016
Record Date: March 24, 2016

2015 BUSINESS HIGHLIGHTS

Record consolidated net revenues of \$119.7 million - 12% growth over 2014.
Consolidated net income of \$8.2 million (\$0.14 per share) - a \$12.8 million improvement over 2014.
Four consecutive quarters of profitable operations.
\$15.8 million in cash generated from operations - an \$8.3 million improvement over 2014.
Over \$101 million in cash and investments at year-end.
Gross margin of 67%, compared to 63% in 2014.
Molecular collection systems revenues grew 26% over 2014.
HCV product sales increased 57% over 2014 and grew sequentially each quarter during 2015.

Total HCV-related revenues (including AbbVie payments) were \$24.9 million - a 68% improvement over 2014.

Generated \$65.8 million in revenues from newest business lines (i.e. DNA Genotek, HCV-related, HIV-OTC and Ebola).

Obtained FDA Emergency Use Authorization for a new Ebola rapid antigen test.

Secured up to \$10.4 million in federal government funding for clinical and regulatory activities related to the new Ebola test.

Launched microbiome product and service offerings.

Secured CE mark approval for new OMNIgene® Sputum (tuberculosis) and OMNIgen® Gut (microbiome) products.

We achieved record revenues and full-year profitability in 2015, with strong contributions from our molecular collections systems and OraQuick® HCV businesses. Several important new initiatives were launched in 2015, including our OraQuick® Ebola rapid antigen test and our new microbiome product and service offerings.

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Proposals	Board Recommendation	Page Reference for <u>More Detail</u>
1) Election of Directors	FOR	72
2) Ratification of Appointment of Independent Registered Public Accounting Firm	FOR	78
3) Advisory (Non-Binding) Vote to Approve Executive Compensation	FOR	78

CORPORATE GOVERNANCE HIGHLIGHTS

Comprehensive Code of Business Conduct and Ethics applies to Board and Management.	All Directors attended 2015 Annual Meeting of Stockholders.
Independent Chairman of the Board of Directors (the Board).	Strong stock ownership and retention guidelines for non-employee Directors and executive officers.
Seven (7) of nine (9) Board members (Directors) are independent as defined by the Securities and Exchange Commission (SEC) and the NASDAQ Stock Market (NASDAQ).	Policy prohibiting short sales, hedging and pledging of our Common Stock.
Corporate Governance Principles in place to address Director independence, meetings and other important governance matters.	Compensation recoupment or clawback policy.
All committees of the Board consist solely of independent Directors.	Strong pay-for-performance compensation philosophy.
Regular executive sessions of independent Directors.	Insider trading policy to prevent improper trading in our stock by non-employee Directors and employees.
Regular stockholder engagement through meetings, conferences and other outreach.	Oversight of risk management by Directors.
Board and Committee meeting attendance of more than 75% of meetings during 2015.	

PROPOSALS FOR STOCKHOLDER CONSIDERATION**Proposal No. 1 Election of Directors**

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

Our Board and its Audit Committee have selected KPMG LLP (KPMG) to be our independent registered public accounting firm for the 2016 fiscal year. The Board believes KPMG is well qualified to serve in this capacity and is recommending that the engagement of KPMG be ratified by our stockholders.

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

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

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

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

The Compensation Discussion and Analysis portion of this Proxy Statement (the CD&A) contains a detailed description of our executive compensation philosophy and program, the compensation decisions the Board and Compensation Committee have made under that program and the factors considered in making those decisions, focusing on the compensation of our NEOs for the year ended December 31, 2015, who were:

Douglas A. Michels, President and Chief Executive Officer;

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

Anthony Zezzo, II, Executive Vice President, Marketing and Sales;

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

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

At our 2015 Annual Meeting, 54% of the votes cast approved the compensation paid to our NEOs for the 2014 fiscal year, as disclosed in our 2015 Proxy Statement. This represented a 24% and a 16% improvement from the results of our 2014 and 2013 Annual Meetings, respectively, where we did not receive majority support from our stockholders. The Board and our management take seriously the results of each say-on-pay (SOP) vote and the views of our stockholders regarding executive compensation. Accordingly, following each SOP vote over the past several years we have instituted an outreach effort to contact our stockholders in order to obtain their views on the reasons for the vote and to solicit their input on other aspects of our compensation practices. As part of that effort, after the 2015 Annual Meeting we engaged with stockholders who, in the aggregate, beneficially owned approximately 22% of our outstanding Common Stock to understand their concerns. Based on that input and the advice of an independent compensation consultant engaged by the Compensation Committee, we believe that several important changes we recently made to our executive compensation directly responded to the concerns of our stockholders. Most of these changes were implemented in 2015 and 2016 in response to stockholder outreach in prior years. The CD&A provides additional detail regarding the results of our outreach effort, the input received from our stockholders and the important actions we have taken in response to that input.

Table of Contents**Compensation Components**

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

Base Salary	Salaries are based on position relative to market and individual performance and contribution.
Annual Cash Incentive Bonus	Annual incentive cash bonuses reflect market-based targets and are contingent upon (i) achievement of corporate financial objectives, which are used to determine overall bonus pool funding, and (ii) the executive's individual performance against pre-determined objectives, which are used to determine individual bonus payouts.
Long-term Incentive Plan (LTIP)	Long-term incentive equity compensation reflects market-based targets with the value of individual awards contingent upon the executive's individual performance against pre-determined objectives during the fiscal year prior to award. During 2015, over half of the value of equity awards to executives consisted of stock options, which provide no value to executives unless our stock price increases after the date of grant.

Compensation Highlights

We believe that compensation awarded to executives for 2015 was closely aligned with our strong performance for the year. The Company's financial results for 2015 represented a substantial improvement over 2014 and largely met or exceeded our targets for the year. With record consolidated net revenues of \$119.7 million (12% growth over 2014), we reported consolidated net income of \$8.2 million, or \$0.14 per share. This was the first year of profitability since 2007. Our molecular collection systems business continued its strong performance in 2015 with revenues 26% higher than in 2014. Our HCV business also grew substantially, with 2015