AXT INC
Form DEF 14A
April 13, 2018
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

AXT, 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):

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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:

April 13, 2018

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of AXT, Inc. on Thursday, May 24, 2018, at 11:00 a.m. Pacific Daylight Time. The meeting will be held at our principal offices located at 4281 Technology Drive, Fremont, California 94538.

This year, we are continuing to use the Internet as our primary means of furnishing proxy materials to our stockholders. Consequently, most of our stockholders will not receive paper copies of our proxy materials. We will instead send to these stockholders a notice with instructions to access the proxy materials and vote via the Internet. The notice will also provide information on how stockholders may obtain paper copies of our proxy materials if they so choose. This makes the proxy distribution process more efficient and less costly, and helps conserve natural resources.

Whether or not you plan to attend the meeting, your vote is very important and we encourage you to vote promptly. As an alternative to voting in person at the annual meeting, you may vote via the Internet, by telephone or, if you receive a paper proxy card in the mail, by mailing the completed proxy card. It is important that you use this opportunity to take part in our affairs by voting on the business to come before this meeting. Regardless of the number of shares you own, your careful consideration of, and vote on, the matters before our stockholders is important.

The Board of Directors and management look forward to seeing you at the annual meeting.

Sincerely yours,

Gary L. Fischer
Chief Financial Officer
and Corporate Secretary

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD THURSDAY, MAY 24, 2018

TO THE STOCKHOLDERS:

Notice is hereby given that the annual meeting of the stockholders of AXT, Inc., a Delaware corporation, will be held on Thursday, May 24, 2018, at 11:00 a.m. Pacific Daylight Time, at our principal offices located at 4281 Technology Drive, Fremont, California 94538, for the following purposes:

1. To elect one (1) Class II director to hold office for a three year term and until his successor is elected and qualified.
2. To approve, on an advisory basis, the compensation of our named executive officers.
3. To ratify the appointment of BPM LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018.
4. To transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on March 29, 2018 are entitled to notice of, and to vote at, this meeting and any adjournment or postponement. For ten days prior to the meeting, a complete list of stockholders entitled to vote at the meeting will be available for examination by any stockholder, for any purpose relating to the meeting, during ordinary business hours at our principal offices located at 4281 Technology Drive, Fremont, California 94538.

By order of the Board of Directors,

Gary L. Fischer
Chief Financial Officer
and Corporate Secretary

Fremont, California

April 13, 2018

IMPORTANT: Your vote is important. Whether or not you plan to attend the meeting, we encourage you to vote your shares via a toll-free telephone number or over the Internet according to the instructions on the proxy card. To vote and submit your proxy by mail, please fill in, date, sign and promptly mail the enclosed proxy card in the accompanying postage-paid envelope to ensure that your shares are represented at the meeting. If you attend the meeting, you may choose to vote in person even if you have previously sent in your proxy card.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL

MEETING OF STOCKHOLDERS TO BE HELD ON THURSDAY, MAY 24, 2018

The proxy materials, including this proxy statement, proxy card or voting instruction card and our 2017 Annual Report, are being distributed and made available on or about April 13, 2018. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission (the "SEC"), we have elected to provide our stockholders access to our proxy materials over the Internet. Accordingly, a Notice of Internet Availability of Proxy Materials (the "Notice") will be mailed on or about April 13, 2018 to most of our stockholders who owned our common stock at the close of business on the record date, March 29, 2018. Stockholders will have the ability to access the proxy materials on a website referred to in the Notice or request a printed set of the proxy materials be sent to them by following the instructions in the Notice.

The Notice will also provide instructions on how you can elect to receive future proxy materials electronically or in printed form by mail. If you choose to receive future proxy materials electronically, you will receive an email next year with instructions containing a link to the proxy materials and a link to the proxy voting site. Your election to receive proxy materials electronically or in printed form by mail will remain in effect until you terminate such election.

Choosing to receive future proxy materials electronically will allow us to provide you with the information you need in a timelier manner, save us the cost of printing and mailing documents to you and conserve natural resources.

The Annual Meeting will be held on Thursday, May 24, 2018, at 11:00 a.m. Pacific Daylight Time, for the following purposes:

1. To elect one (1) Class II director to hold office for a three year term and until his successor is elected and qualified.
2. To approve, on an advisory basis, the compensation of our named executive officers.
3. To ratify the appointment of BPM LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018.
4. To transact such other business as may properly come before the meeting.

Our Board of Directors recommends a vote FOR Items 1, 2 and 3 above. If you wish to attend the meeting in person, the meeting will be held at our principal offices located at 4281 Technology Drive, Fremont, California 94538, which can be reached by the following directions:

On highway 880 take the Auto Mall Pkwy exit and head east, and turn right into Technology Drive.

On highway 680 take the Auto Mall Pkwy exit and head west, and turn left into Technology Drive.

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

The accompanying proxy is solicited by the Board of Directors (the “Board”) of AXT, Inc., a Delaware corporation (“AXT” or the “Company”), for use at AXT’s annual meeting of stockholders to be held on May 24, 2018, or any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. The proxy materials, including this proxy statement, proxy card or voting instruction card and our 2017 Annual Report, are being distributed and made available on or about April 13, 2018.

SOLICITATION AND VOTING

Voting Rights and Outstanding Securities. Only stockholders of record as of the close of business on March 29, 2018, the record date, will be entitled to vote at the meeting and any adjournment thereof. As of that time, we had 39,438,267 shares of common stock outstanding, the holders of which are entitled to vote with respect to all matters to be acted upon at the annual meeting. The holders of our issued and outstanding shares of Series A Preferred Stock are not entitled to vote on any matters at the meeting. Each stockholder of record of our common stock as of the record date is entitled to one vote for each share of our common stock held by such stockholder. Our Bylaws provide that a majority of all of the shares of the stock entitled to vote, whether present in person or represented by proxy, shall constitute a quorum for the transaction of business at the meeting. Votes for and against, abstentions and “broker non-votes” (shares held by a broker or nominee for which the broker or nominee does not have the authority, either express or discretionary, to vote on a particular matter) will each be counted as present for purposes of determining the presence of a quorum.

Broker Non-Votes. A broker non-vote occurs when a broker submits a proxy card with respect to shares held in a fiduciary capacity (typically referred to as being held in “street name”), but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. The ratification of auditors is considered a routine matter. The election of our Class II director, and the approval, on an advisory basis, of the compensation of our named executive officers are considered non-routine matters. Your stockbroker, bank or other nominee will not be able to vote on any of the non-routine matters set forth in this proxy statement unless they have your voting instructions, so it is very important that you indicate your voting instructions to the institution holding your shares by completing and returning the voting instruction card.

Solicitation of Proxies.   The Board is making this proxy solicitation and we will bear the cost of soliciting proxies. In addition to soliciting stockholders by mail, we will request banks, brokers and other custodians, nominees and fiduciaries to solicit customers for whom they hold our stock and will reimburse them for their reasonable, out-of-pocket costs. We may use the services of our officers, directors and regular employees to further solicit proxies, personally or by telephone, without additional compensation for assisting with the solicitation.

Vote Required. If a quorum is present, the nominee for director receiving the highest number of votes will be elected as the Class II director. Advisory approval of the compensation of our named executive officers requires the affirmative vote of the holders of a majority of the shares of our common stock present or represented by proxy and voting at the annual meeting. The affirmative vote of the holders of a majority of the shares of our common stock present or represented by proxy and voting at the annual meeting is required to approve the ratification of the selection of our independent auditors. Broker non-votes will have no effect on the election of the Class II director and the advisory vote on executive compensation. If you vote to abstain on the proposal to ratify the selection of our independent auditors or the proposal to approve, on an advisory basis, executive compensation, then such abstention will have the same effect as a vote against that proposal. Abstentions with respect to the election of the Class II director will have no effect on the outcome of the vote for that proposal.

Voting of Proxies. All valid proxies received before the meeting will be exercised. All shares represented by a proxy will be voted, and where a proxy specifies a stockholder’s choice with respect to any matter to be acted upon, the shares will be voted in accordance with that specification. If no choice is indicated on the proxy, the shares will be voted as the Board recommends on each proposal. The persons named as proxies will vote on any other matters properly presented at the Annual Meeting in accordance with their best judgment. A stockholder giving a proxy has the power to revoke his or her proxy at any time before it is exercised by delivering to our Corporate Secretary a written instrument revoking the proxy or a duly executed proxy with a later date, or by attending the meeting and voting in person. Attendance at the Annual Meeting will not, in and of itself, constitute revocation of a proxy.

Voting by Telephone or the Internet or mail. If you hold shares through a bank or brokerage firm, you may be able to simplify your voting process and save us expense by voting your shares by telephone or over the Internet. The bank or brokerage firm through which you hold your shares will provide you with separate instructions on a form you will receive from them. Many such firms make telephone or Internet voting available, but the specific processes available will depend on those firms' individual arrangements. When you vote by phone or over the Internet, your vote is recorded immediately. We encourage our stockholders to vote using these methods whenever possible. If you attend the annual meeting, you may also submit your vote in person, and any previous votes that you submitted, whether by phone, over the Internet or by mail, will be superseded by the vote that you cast at the annual meeting.

How to Obtain a Separate Set of Proxy Materials. To reduce the expense of delivering duplicate proxy materials to our stockholders who may have more than one AXT stock account, unless otherwise requested, pursuant to current householding rules, we will deliver only one set of proxy materials to stockholders who share the same address. If you share an address with another stockholder and have received only one set of proxy materials, you may write or call us to request a separate copy of these materials at no cost to you. For future annual meetings, you may request separate proxy materials, or request that we send only one set of proxy materials to you if you are receiving multiple copies, by calling our Investor Relations department at: (510) 438-4700, or by writing us at: AXT, Inc., 4281 Technology Drive, Fremont, CA 94538, Attention: Investor Relations.

Communicating with AXT. You can obtain information about us by one of the following methods:

· Our home page on the Internet, located at www.axt.com, gives you access to product and marketing information, in addition to recent press releases, financial information and stock quotes, as well as links to our filings with the Securities and Exchange Commission. Online versions of this Proxy Statement, our 2017 Annual Report on Form 10-K, and our letter to stockholders are located under the "Investors" section on our website at www.axt.com.

· To have information such as our latest quarterly earnings release, Form 10-K, Form 10-Q or annual report mailed to you, please contact our Investor Relations at (510) 438-4700 or by email at: ir@axt.com.

For all other matters, please contact our Investor Relations at (510) 438-4700, or send your correspondence to the following address:

AXT, Inc.
4281 Technology Drive
Fremont, CA 94538
Attention: Investor Relations

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PROPOSAL NO. 1

ELECTION OF DIRECTORS

We have a classified Board of Directors consisting of two Class I directors, one Class II director and one Class III director, who will serve until the annual meetings of stockholders to be held in 2020, 2018 and 2019, respectively, and until their respective successors are duly elected and qualified. At each annual meeting of stockholders, directors are elected for terms of three years to succeed those directors whose terms expire at the annual meeting dates.

The term of the Class II director will expire on the date of the 2018 annual meeting. Accordingly, a nominee is to be elected to serve as the Class II director of the Board of Directors at the annual meeting. Our Nominating and Corporate Governance Committee of the Board of Directors has recommended to the Board of Directors, and the Board of Directors has nominated, Mr. Jesse Chen, the current Class II member of the Board of Directors, as the nominee for election by the stockholders to this position. If elected, this nominee will serve as the Class II director until our annual meeting of stockholders in 2021 and until his successor is elected and qualified. If the nominee declines to serve or becomes unavailable for any reason, the proxies may be voted for such substitute nominee as the Board of Directors may designate.

If a quorum is present and voting, the nominee for Class II director receiving the highest number of votes will be elected as the Class II director. Abstentions and broker non-votes have no effect on the vote.

Vote Required and Board of Directors Recommendation

The nominee for director receiving the highest number of votes will be elected as the Class II director.

The Board of Directors recommends a vote “FOR” the nominee named above.

The following table sets forth, for our current directors, including the Class II nominee to be elected at this meeting, and non-director Executive Officers, information with respect to their ages as of March 29, 2018 and their background:

Name	Principal Occupation	Age	Director Since
Class I directors whose terms expire at the 2020 Annual Meeting of Stockholders:			
Morris S. Young	Director, Chief Executive Officer	73	1989
David C. Chang	Director	76	2000
Class II director whose term expires at the 2018 Annual Meeting of Stockholders:			
Jesse Chen	Chairman of the Board	60	1998
Class III director whose term expires at the 2019 Annual Meeting of Stockholders:			
Leonard J. LeBlanc	Director	77	2003
Non-director Executive Officers:			
Gary L. Fischer	Chief Financial Officer and Corporate Secretary	67	

Members of the Board of Directors

Morris S. Young, Ph.D. co-founded AXT in 1986 and has served as a director since 1989. Dr. Young served as our chairman of the Board of Directors from February 1998 to May 2004 and as our president and chief executive officer from 1989 to May 2004. From 2004 until his retirement in 2006, Dr. Young served as our chief technology officer. He was reappointed as our chief executive officer on July 16, 2009. From 1985 to 1989, Dr. Young was a physicist at Lawrence Livermore National Laboratory. Dr. Young has a B.S. degree in metallurgical engineering from National Cheng Kung University, Taiwan, a M.S. degree in metallurgy from Syracuse University, and a Ph.D. in metallurgy from Polytechnic University.

The Board has determined that Dr. Young’s long history with the Company, as well as his breadth of experience and on-going, active involvement in the semiconductor industry, make him a valuable asset to the Board.

David C. Chang, Ph.D. has served as one of our directors since December 2000. Dr. Chang co-founded The Global Maximum Educational Opportunities, Inc., which provides study abroad programs in China for U.S. undergraduate students, in 2011 and became its Chairman and Chief Executive Officer in August 2013. Dr. Chang has served as president of Polytechnic University in New York (now known as the Tandon School of Engineering, New York University) from 1994 to 2005 and President Emeritus and chancellor from 2005 to present. Previously, Dr. Chang was dean of the College of Engineering and Applied Sciences at Arizona State University. Dr. Chang served as a director of the NSF/Industry Corporate Research Center for Microwave and Millimeter-Wave Computer Aided Design from 1981 to 1989. Dr. Chang was a member of the board of directors of Time Warner Cable Inc. from 2004 to 2016. Dr. Chang has a M.S. degree and a Ph.D. in applied physics from Harvard University and a B.S. degree in electrical engineering from National Cheng Kung University, Taiwan.

The Board has determined that Dr. Chang’s extensive experience in the semiconductor industry allows him to make significant contributions to the strategic direction of the Company.

Jesse Chen has served as one of our directors since February 1998 and was Chairman of the Board of Directors from May 2004 until October 2007, at which time he was appointed our lead independent director. Since March 2009, Mr. Chen has served as our Chairman of the Board of Directors. Since May 1997, Mr. Chen has served as a managing director of Maton Ventures, an investment company. From 1990 to 1996, Mr. Chen served as chief executive officer of BusLogic, Inc., a fabless semiconductor and computer peripherals company. Mr. Chen serves on the board of directors of several private companies. Mr. Chen has a B.S. degree in aeronautical engineering from National Cheng Kung University, Taiwan and a M.S. degree in electrical engineering from Loyola Marymount University.

The Board has determined that Mr. Chen's experience as a chief executive officer and his investment background provides him with the experience and knowledge in compensation and governance matters for technology companies to enhance his contributions to the Board and its committees.

Leonard J. LeBlanc has served as one of our directors since April 2003. Mr. LeBlanc served as the acting chief financial officer and vice president of corporate development for Ebest, Inc., a privately held applications software company, from February 2001 to September 2003. Mr. LeBlanc was the executive vice president and chief financial officer of Vantive Corporation, a customer relationship management software and solution company, from August 1998 to January 2000. From March 1996 to July 1997, Mr. LeBlanc was the executive vice president of finance and administration and chief financial officer at Infoseek Corporation, an internet search and navigation company. From September 1993 to December 1994, Mr. LeBlanc served as senior vice president, finance and administration of GTECH Corporation, a manufacturer of lottery equipment and systems. From May 1987 to December 1992, Mr. LeBlanc served as executive vice president, finance and administration and chief financial officer of Cadence Design Systems, Inc., an electronic design automation software company. Mr. LeBlanc served on the board of directors and as chairman of the audit committee of Oplink Communications, Inc., a provider of optical manufacturing solutions and optical networking components from 2000 to 2009 and as chairman of the Board from 2006 to 2009. From November 2009 to November 2010, he was a consultant to Oplink Communications, Inc. Mr. LeBlanc has B.S. and M.S. degrees from the College of Holy Cross, and an M.S. degree in finance from George Washington University.

The Board has determined that Mr. LeBlanc's financial expertise, his background and experience in the finance function in a number of companies make him a valuable contributor to the Board as well as to the Audit Committee.

CORPORATE GOVERNANCE

Director Independence

The Board has determined that, other than Dr. Morris S. Young, each of the members of the Board is an independent director for purposes of the Nasdaq Stock Market listing standards.

Executive Sessions

Our independent directors meet in an executive session without management present each time the Board holds its regularly scheduled meetings. Mr. Jesse Chen, an independent director, was designated by the Board as the non-executive Chairman of the Board.

Committees and Meeting Attendance

The Board has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Each of these committees operates under a written charter adopted by the Board. Copies of these charters are available on our website at www.axt.com. The Board held 12 meetings during the fiscal year ended December 31, 2017. Each of the standing committees of the Board held the number of meetings indicated below. During the last fiscal year, each of our directors attended at least 75% of the total number of meetings of the Board and of the committees of the Board on which such director served during that period. Directors are encouraged to attend our annual meetings of stockholders. Dr. Morris S. Young and Leonard J. LeBlanc attended our 2017 annual meeting of stockholders while Dr. David C. Chang and Jesse Chen were absent.

The following table sets forth the three standing committees of the Board, the members of each committee during the last fiscal year and the number of meetings held by each committee:

Name of Director	Audit	Compensation	Nominating and Corporate Governance
Jesse Chen	√	√	√ (Chair)
David C. Chang	√	√ (Chair)	√
Leonard J. LeBlanc	√ (Chair)	√	√

Number of Meetings:	8	7	4

Audit Committee

The members of the Audit Committee during 2017 were Dr. David C. Chang, Jesse Chen and Leonard J. LeBlanc. The Board has determined that all Audit Committee members are "independent" as defined under the applicable Nasdaq listing standards and SEC rules and regulations and as such rules apply to audit committee members. The Board has determined that each of Mr. Leonard J. LeBlanc and Mr. Jesse Chen is an "audit committee financial expert" as defined by the rules and regulations of the SEC. The Audit Committee's functions include:

- overseeing the accounting, financial reporting and audit processes;
- reviewing the qualifications, independence and performance, and approving the terms of engagement, of the independent registered public accounting firm;
- reviewing the results and scope of audit and other services provided by the independent registered public accounting firm;
- reviewing the accounting principles and auditing practices and procedures to be used in preparing our financial statements; and
- reviewing our internal controls.

For additional information concerning the Audit Committee, see "Audit Committee Report" and "PROPOSAL NO. 3 - Ratification of Appointment of Independent Registered Public Accounting firm."

Compensation Committee

The members of our Compensation Committee during 2017 were Dr. David C. Chang, Jesse Chen and Leonard J. LeBlanc. The Board has determined that all members of the Compensation Committee are "independent" as the term is defined by applicable Nasdaq listing standards and SEC rules.

The Compensation Committee has been delegated the responsibility by the Board to oversee the programs under which compensation is paid or awarded to our executive officers and to evaluate the performance of our executive officers. The Compensation Committee has been delegated the authority to: (i) oversee our compensation policies and practices; (ii) review and approve compensation and compensation procedures for our executive officers; (iii) oversee and approve director compensation, and (iv) oversee and approve equity awards to our employees, officers and directors. More specifically, the Compensation Committee's responsibilities include: overseeing our general compensation structure, policies and programs, and assessing whether our compensation structure establishes appropriate incentives for management and employees; administering our incentive compensation and equity based compensation plans, including our equity incentive plans; reviewing and approving compensation procedures for our executive officers; reviewing and recommending to the Board the compensation of the Chief Executive Officer based on relevant corporate goals and objectives and the Board's performance evaluation of the Chief Executive Officer; reviewing and approving the compensation of executive officers, other than the Chief Executive Officer; approving employment and retention agreements and severance arrangements for executive officers, including change-in-control provisions, plans or agreements; and approving the compensation of directors for service on the Board and its committees and recommending changes in compensation to the Board. The Chief Executive Officer does not participate in discussions or approvals related to his compensation. Regarding most compensation matters, including executive and director compensation, our management provides recommendations to the Compensation Committee.

The agenda for meetings of the Compensation Committee is determined by its Chairman with the assistance of the Chief Executive Officer and the Chief Financial Officer. Compensation Committee meetings are regularly attended by the Chief Executive Officer and the Chief Financial Officer. The Compensation Committee periodically meets in executive session without members of management present. The Compensation Committee has authority under its charter to retain, approve fees for and terminate advisors, consultants and agents as it deems necessary to assist in the fulfillment of its responsibilities. The Compensation Committee reviews the total fees paid to outside compensation consultants by us to ensure that the consultant maintains its objectivity and independence when rendering advice to the committee.

Nominating and Corporate Governance Committee

The members of our Nominating and Corporate Governance Committee during 2017 were Dr. David C. Chang, Jesse Chen and Leonard J. LeBlanc. The Board has determined that all members of the Nominating and Corporate Governance Committee are "independent" as the term is defined by applicable Nasdaq listing standards and SEC rules. The Nominating and Corporate Governance Committee is responsible for evaluating and selecting director nominees, determining criteria for selecting new directors, developing and reviewing on an ongoing basis the adequacy of the corporate governance principles and guidelines adopted by the Board, overseeing the evaluation of the Board and committees of the Board, and adopting, approving, monitoring and enforcing compliance with our Code of Business Conduct and Ethics.

Director Nominations

Director Qualifications. The Nominating and Corporate Governance Committee considers the following factors in reviewing possible candidates for nomination as director:

- the appropriate size of our Board and its Committees;
- the perceived needs of the Board for particular skills, background and business experience;
- the skills, background, reputation, and business experience of nominees compared to the skills, background, reputation, and business experience already possessed by other members of the Board;

- nominees' independence from management;
- applicable regulatory and listing requirements, including independence requirements and legal considerations, such as antitrust compliance;
- the benefits of a constructive working relationship among directors; and
- the desire to balance the considerable benefit of continuity with the periodic injection of the fresh perspective provided by new members.

The Nominating and Corporate Governance Committee's goal is to assemble a Board consisting of a variety of perspectives and skills derived from high quality business and professional experience. The Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity, but it does consider Board candidates and/or nominees who represent a mix of backgrounds, diversity of race and ethnicity, gender, age, skills and experience that enhance the quality of the Board's deliberations and decisions. Other than the foregoing, there are no stated minimum criteria for director nominees, although the Nominating and Corporate Governance Committee may also consider such other factors as it may deem, from time to time, are in the best interests of the Company and our stockholders. The Nominating and Corporate Governance Committee believes that it is important that at least one member of the Board should meet the criteria for an "audit committee financial expert" as defined by SEC rules. Under applicable listing requirements, at least a majority of the members of the Board must meet the definition of "independent director." The Nominating and Corporate Governance Committee also believes it appropriate for one or more key members of our management to participate as a member of the Board.

Other than the foregoing, there are no stated minimum criteria for director nominees, although the Nominating and Corporate Governance Committee may also consider such other factors as it may deem, from time to time, are in the best interests of the Company and our stockholders.

Identification and Evaluation of Nominees for Director. The Nominating and Corporate Governance Committee identifies nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board with that of obtaining a new perspective. If any member of the Board does not wish to continue in service or if the Nominating and Corporate Governance Committee or the Board decides not to re-nominate a member for re-election, the Nominating and Corporate Governance Committee will identify the desired skills and experience of a new nominee in light of the criteria above. Current members of the Nominating and Governance Committee and the Board are polled for suggestions as to individuals meeting the criteria of the Nominating and Corporate Governance Committee. Research may also be performed to identify qualified individuals.

The Nominating and Corporate Governance Committee considers properly submitted stockholder recommendations for candidates for membership on the Board. Our Bylaws contain provisions which address the process by which a stockholder may nominate an individual to stand for election to the Board at our annual meeting of stockholders.

Candidates so recommended will be reviewed using the same process and standards for reviewing candidates identified above under “Identification and Evaluation of Nominees for Director.” In order to be evaluated in connection with the Nominating and Corporate Governance Committee’s established procedures for evaluating potential director nominees, any recommendation for director nominees submitted by a stockholder must be sent in writing to the Corporate Secretary, 4281 Technology Drive, Fremont, CA 94538, at least 120 days prior to the anniversary of the date of the proxy statement that was mailed to stockholders in connection with the prior year’s annual meeting of stockholders and must contain the following information:

- the candidate’s name, age, contact information and present principal occupation or employment;

- a description of the candidate’s qualifications, skills, background, and business experience during, at a minimum, the last five years, including his/her principal occupation and employment and the name and principal business of any corporation or other organization in which the candidate was employed or served as a director; and

- a statement signed by the candidate that the candidate is willing to be considered and willing to serve as a director if nominated and elected.

The Nominating and Corporate Governance Committee will evaluate incumbent directors, as well as candidates for director nominee submitted by directors, management, and stockholders consistently using the criteria stated in this policy and will select the nominees that in the Nominating and Corporate Governance Committee's judgment best suit the needs of the Board at that time.

Communications with Directors

Stockholders may communicate with the Board by writing to us at AXT, Inc., 4281 Technology Drive, Fremont, CA 94538, Attention: Corporate Secretary. Your letter should indicate that you are an AXT stockholder. Stockholders who would like their submission directed to a member of the Board may so specify, and the communication will be forwarded as appropriate. Depending on the subject matter, management will (i) forward the communication to the director or directors to whom it is addressed; (ii) attempt to handle the inquiry directly, for example where it is a request for information about us or it is a stock related matter; or (iii) not forward the communication if it is primarily commercial in nature, comprises spam, junk mail, mass mailings, product complaints or inquiries, job inquiries, business solicitations, or relates to otherwise inappropriate matters.

Board Leadership Structure

The Board has determined that the positions of Chairman of the Board and Chief Executive Officer should be separated. Mr. Jesse Chen currently serves as our Chairman of the Board and Dr. Morris Young currently serves as our Chief Executive Officer. The Board believes that the separation of these positions allows the Chief Executive Officer to focus more on the operations of the Company, and provides a more effective channel for the Board to express its views on management.

Board's Role in Risk Oversight

The Board's risk oversight function is administered through Board committees. Generally, the committee with subject matter expertise in a particular area is responsible for overseeing the management of risk in that area. For example, the Audit Committee oversees the management of financial, accounting and internal control risks, the Compensation Committee oversees the management of risks in the Company's compensation programs, and the Nominating and Corporate Governance Committee oversees compliance with Company policies.

We have an internal audit function that reports directly to the Audit Committee. The Audit Committee reviews and approves the internal audit plan once a year and receives periodic updates of internal audit activity in meetings held at least quarterly throughout the year. Updates include discussion of audit project results, quarterly assessment of internal controls and risks of fraud.

In carrying out their risk oversight duties, the committees review management's implementation of risk policies and procedures, and review reports from management, independent auditors, internal audit, legal counsel, regulators and outside experts, as appropriate, regarding risks the Company faces.

The Board and its committees are committed to ensuring effective risk management oversight and work with management to ensure that effective risk management strategies are incorporated into the Company's culture and day-to-day business operations.

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics applicable to all of our employees and directors, including our Chief Executive Officer, Chief Financial Officer and Corporate Controller, which is available under the "Investors" section on our website at www.axt.com. In addition, we will provide a copy of the Code of Business Conduct and Ethics upon request made in writing to us at AXT, Inc., 4281 Technology Drive, Fremont, CA 94538, attention: Corporate Secretary. We will disclose any amendment to the Code of Business Conduct and Ethics, or waiver of any of its provisions, applicable to an executive officer or director under the "Investors" section on our website at www.axt.com.

Compensation Committee Interlocks and Insider Participation

The members of our Compensation Committee during 2017 were David C. Chang, Jesse Chen and Leonard J. LeBlanc. None of the members of the Compensation Committee is or has been an officer or employee of AXT. During fiscal year 2017, no member of the Compensation Committee had any relationship with us requiring disclosure under Item 404 of Regulation S-K. During fiscal year 2017, none of our executive officers served on the compensation committee (or its equivalent) or on a board of directors of another entity any of whose executive officers served on our Compensation Committee or our Board.

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines in addition to our Code of Business Conduct and Ethics, Audit Committee Charter, Compensation Committee Charter and Nominating and Governance Committee Charter. These materials are available under the "Investors" section on our website at www.axt.com. A printed copy of these materials may be obtained by any stockholder upon request made in writing to us at AXT, Inc., 4281 Technology Drive, Fremont, CA 94538, attention: Corporate Secretary.

PROPOSAL NO. 2

ADVISORY VOTE ON EXECUTIVE COMPENSATION

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), our stockholders are entitled to cast an advisory vote to approve the compensation of our named executive officers (“NEOs”) as disclosed in this proxy statement. This proposal, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to express their views on the design and effectiveness of our executive compensation programs.

As described in detail under the heading "Compensation Discussion and Analysis," our executive compensation programs are intended to ensure that our compensation and benefits policies attract, motivate and retain key employees necessary to support our operations and our strategic growth. We urge our stockholders to read the Compensation Discussion and Analysis of this proxy statement, as well as the Summary Compensation Table and the related tables and disclosures, for a more complete understanding of how the Company’s executive compensation policies and procedures operate. We believe that our executive compensation programs are appropriate and aligned with the Company’s performance.

We are asking our stockholders to indicate their support for our NEO compensation as described in this Proxy Statement by voting “FOR” the following resolution:

“RESOLVED, that the compensation paid to the Company’s named executive officers, as disclosed in the Company’s proxy statement for the 2018 annual meeting of Stockholders pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.”

Even though this say-on-pay vote is advisory and therefore will not be binding on the Company, our Compensation Committee and our Board value the opinions of our stockholders. Accordingly, to the extent there is a significant vote against the compensation of our NEOs, we will consider our stockholders’ concerns and our Compensation Committee will evaluate what actions may be necessary or appropriate to address those concerns. We hold an advisory vote on executive compensation each year and will hold another advisory vote at our 2019 annual meeting of stockholders.

The Board of Directors recommends a vote “FOR” the approval, on an advisory basis, the compensation of our named executive officers as disclosed in this proxy statement.

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PROPOSAL NO. 3

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has selected BPM LLP ("BPM") as our independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending December 31, 2018. BPM has acted in such capacity since its appointment in fiscal year 2004. A representative of BPM is expected to be present at the annual meeting, with the opportunity to make a statement if the representative desires to do so, and is expected to be available to respond to appropriate questions.

The following table sets forth the aggregate fees billed to us for the fiscal years ended December 31, 2017 and 2016 by BPM:

	Fiscal 2017	Fiscal 2016
Audit Fees (1)	$ 723,912	$ 698,022
Audit-Related Fees	$ —	$ —
Tax-Related Fees (2)	$ 46,935	$ —
All Other Fees (3)	$ 93,750	$ 19,425

(1) Audit fees represent fees for professional services provided in connection with the audit of our annual consolidated financial statements, review of our quarterly condensed consolidated financial statements and services that are normally provided by BPM in connection with statutory and regulatory filings or engagements.

(2) Tax-related fees represents fees for professional services provided in connection with federal and state tax return review, amendment and preparation for year 2016 and prior years.

(3) All other fees represent fees for professional services provided in connection with a transfer price study for 2017 and 2016, the review of a registration statement on Form S-3 filed on October 24, 2016 and the comfort letter related to the prospectus supplement filed on March 2, 2017.

Review of Auditor Independence

The Audit Committee has determined that none of the services rendered by BPM is incompatible with maintaining BPM's independence as our independent registered public accounting firm.

Pre-approval of Audit Fees

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit related services, tax services and other services. Pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The Audit Committee meets at least quarterly with our management and representatives of our independent registered public accounting firm to, among other things, review the results of the annual audit and quarterly reviews and discuss the financial statements, review the adequacy of accounting and financial controls, review our critical accounting policies, and review and approve any related party transactions. The Audit Committee meets separately, at least once each quarter, with the independent registered public accounting firm and with the Chief Executive Officer. We maintain procedures for the receipt, retention, and handling of complaints, including complaints made anonymously, which the Audit Committee oversees.

Vote Required and Board of Directors Recommendation

Although ratification by stockholders is not required by law, the Board has determined that it is desirable to request approval of this selection by the stockholders. Notwithstanding its selection, the Board, in its discretion, may appoint a new independent registered public accounting firm at any time during the year if the Board believes that such a change would be in our best interests and those of our stockholders. If the stockholders do not ratify the appointment of BPM the Board may reconsider its selection.

The affirmative vote of a majority of the votes cast at the annual meeting of stockholders, at which a quorum representing at least a majority of all outstanding shares of our common stock is present and voting, either in person or by proxy, will be required to ratify the appointment of BPM as our independent registered public accounting firm.

The Board of Directors recommends a vote “FOR” the ratification of the appointment of BPM LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018.

AUDIT COMMITTEE REPORT

The information contained in this report shall not be deemed to be “soliciting material” or “filed” with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), except to the extent that AXT specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended (the “Securities Act”) or the Exchange Act.

The Audit Committee oversees our financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process, including internal control systems. BPM, our independent registered public accounting firm, is responsible for expressing an opinion as to the conformity of our audited financial statements with generally accepted accounting principles. The Audit Committee has met with BPM, with and without management present, to discuss the overall scope of BPM’s audit, the results of its examinations and the overall quality of our financial reporting.

The Audit Committee currently consists of three directors, each of whom, in the judgment of the Board, is an “independent director” as defined in the listing standards for The Nasdaq Stock Market. The Audit Committee acts pursuant to a written charter that has been adopted by the Board. A copy of this charter is posted under the “Investors” section on our website at www.axt.com.

We have an internal audit function that reports directly to the Audit Committee. The Audit Committee reviews and approves the internal audit plan once a year and receives periodic updates of internal audit activity in meetings held at least quarterly throughout the year. Updates include discussion of audit project results, quarterly assessment of internal controls and risks of fraud.

The Audit Committee has discussed and reviewed the audited financial statements with management, and has discussed and reviewed with our independent registered public accounting firm all matters required to be discussed by the statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received from BPM the written disclosures and letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent public accounting firm’s communications with the Audit Committee concerning independence, discussed with the independent registered public accounting firm any relationships that may impact their objectivity and independence, and satisfied itself as to the independent registered public accounting firm’s independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board that our audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

AUDIT COMMITTEE

Leonard J. LeBlanc, Chair
David C. Chang
Jesse Chen

EXECUTIVE OFFICERS

The following sets forth information regarding our current non-director executive officers.

Information regarding Dr. Morris Young, our Chief Executive Officer, is set forth under Proposal No. 1 Election of Directors.

Gary L. Fischer was appointed as our Vice President, Chief Financial Officer and Corporate Secretary in August, 2014. From June 2014 to August 2014, Mr. Fischer served as a financial consultant to the Company. Prior to serving as a financial consultant to the Company, Mr. Fischer served as a consultant to eRide, Inc., a fabless semiconductor company that develops both GPS devices and software for location-based services, since 2009. Prior to that position, Mr. Fischer served as Vice President and Chief Financial Officer of eRide from 2005 until 2009, when eRide was acquired. From 1993 to 2005, Mr. Fischer held various positions at Integrated Silicon Solution, Inc. ("ISSI"), a leader in advanced memory solutions, most recently as President and Chief Operating Officer. Mr. Fischer has a B.A. degree from the University of California, Santa Barbara, and an M.B.A. from Santa Clara University.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Compensation Discussion and Analysis

Overview of Executive Compensation Program and Philosophy

Our philosophy with respect to our executive compensation program is to provide a total compensation package to our executive team that is competitive with the prevailing practices for our industry and markets. We believe that there should be a strong link between pay and performance, both at the Company level and the individual level. Although we believe that exceptional individual performance should be rewarded, we believe that such rewards should not be made unless there has been strong Company performance as well as strong individual performance.

Our executive compensation program is intended to attract, motivate and retain the key employees necessary to support our operations and our strategic growth and create value for our stockholders. To meet these objectives, we have adopted the following overarching policies:

- Pay total compensation that is competitive with the practices of other companies of similar size and in similar industries;

- Use total cash compensation (salary plus annual cash bonus, payable quarterly) to recognize appropriately each individual officer's scope of responsibility, role in the organization, experience and contributions;

- Reward performance by:

- providing short-term bonus compensation by establishing a bonus plan to reward achievement at specified levels of Company financial and individual officer performance, with a significant portion of each officer's goals related to key financial measures, including company specific measures comprising achievement of targeted revenue, gross profit, operating expense, and net income levels, all being line items upon which executive officer performance can have a significant impact and that can show beneficial financial performance improvement and, therefore, value to our stockholders, and a portion of each officer's goals related to individual metrics for such officer that represent an improvement over such officer's performance in the prior fiscal year; and

- providing long-term incentives in the form of stock options and restricted stock awards, in order to retain those individuals with the leadership abilities necessary for increasing long-term stockholder value while aligning the interests of our officers with those of our stockholders.

On May 25, 2017, we held a non-binding, stockholder advisory vote on the compensation of our named executive officers, commonly referred to as a say-on-pay vote. Our stockholders approved the compensation of our named executive officers, with over 91.8% of the votes cast in favor of our say-on-pay resolution. As we evaluated our compensation program throughout fiscal 2017, we were mindful of the strong support our stockholders expressed for our philosophy of linking compensation to performance. For fiscal 2017 and the changes to executive compensation that were effective in fiscal 2017, our Compensation Committee (the “Committee”) decided to retain our general approach to executive compensation. Moreover, in determining how often to hold a stockholder advisory vote on executive compensation, our Board took into account our stockholders’ preference for an annual vote at our 2017 annual meeting of stockholders. Based on stockholder input, the Board determined that we will continue to hold an annual advisory stockholder vote on our named executive officer compensation until the frequency is modified by a stockholder vote.

Components of Our Executive Compensation Program

There are five major elements that comprise our executive officer compensation program: (i) base salary; (ii) annual cash bonus, payable quarterly; (iii) long-term incentives, such as stock options and restricted stock awards; (iv) retirement benefits provided under a 401(k) plan; and (v) perquisites and benefit programs that are generally available to all of our employees. In addition, we provide certain benefits to U.S. employees who spend a significant amount of their time in our China facilities. We have selected these elements because each is considered useful and/or necessary to meet one or more of the principal objectives of our compensation policies. For instance, base salary and bonus target percentages are set with the goal of attracting and retaining employees, adequately compensating them on a day-to-day basis for the time spent and the services they perform, and rewarding them for achievement at specified levels of Company financial and individual officer performance. Our stock option grants and restricted stock awards are intended to provide an incentive and reward for the achievement of long-term business objectives, including achievement of our financial goals, our growth, and retaining key employees. We believe that these elements of compensation, when combined, are effective, and will continue to be effective, in achieving the objectives of our executive compensation program.

These policies were established by our Committee in setting executive officer compensation, including the assessment of the appropriate allocation between current base salary compensation, short-term cash bonus compensation, and long-term equity-based compensation. Other considerations include our business objectives, competitive practices and trends, and regulatory requirements.

Oversight of Executive Compensation and Role of the Board, the Committee, and Management

Our executive compensation program is overseen and administered by the Committee, which is comprised entirely of independent directors as determined in accordance with various Nasdaq and SEC rules and the Internal Revenue Code. The Committee operates under a written charter adopted by our Board. A copy of the charter is available under the “Investors” section on our website at www.axt.com.

During fiscal 2016 and 2017, the Committee met regularly with our Chief Executive Officer, Dr. Young, to obtain recommendations with respect to Company compensation programs, practices and packages for executives. Dr. Young made recommendations to the Committee on the base salary, bonus targets and equity compensation for the other members of executive team for fiscal 2017 compensation. The Committee considers, but is not bound by and does not always accept, Dr. Young’s recommendations with respect to executive compensation. For fiscal 2017 executive compensation, and with respect to the changes to executive compensation that became effective during fiscal 2017, the Committee considered the recommendations and Dr. Young’s views on what would motivate his team financially, both in terms of long-term and short-term compensation and approved compensation changes for the named executive officers generally in line with his recommendations based on market information provided by Compensia, an independent compensation consulting firm, retained by the Committee.

Dr. Young attended most of the Committee’s meetings, but the Committee also regularly held executive sessions not attended by any members of management or the non-independent director. The Committee discussed Dr. Young’s compensation package with him, but made decisions with respect to Dr. Young’s compensation without him present. The Committee recommended to the Board changes to Dr Young’s compensation and the independent members of the Board approved such changes. The Committee has not delegated any of its authority with respect to the compensation of executive officers.

The Committee reviews the executive compensation program applicable to executive officers on an annual basis, other than retirement and other generally available benefits, which are reviewed from time to time to ensure that benefit levels remain competitive, but are not included in the annual determination of an executive's compensation package. In setting compensation levels for a particular executive, the Committee takes into consideration the proposed compensation package as a whole, target total annual cash compensation (salary and target bonus opportunity), target total direct compensation (salary, target bonus opportunity and equity awards) and each element individually, as well as market information (as described further below), the executive's past and expected future contributions to our business, internal equity, and certain other factors the Committee deems relevant.

Role of Compensation Consultant

The Committee has the authority to engage its own independent advisors to assist in carrying out its responsibilities. For 2015 and 2017, the Committee retained Compensia to review our executive compensation practices. In 2015 and 2017, Compensia advised the Committee on the principal aspects of executive compensation, including base salaries, bonuses and long-term equity incentives, as well as target total cash compensation and target total direct compensation. Compensia also reported on its evaluation of the competitiveness of our executive officer compensation program as compared to peer companies. Compensia provided market information about the competitive framework for executive pay and performance based incentives. For the compensation of our named executive officers in effect at the beginning of fiscal 2017, the Committee relied in part upon the information provided by Compensia in 2015. For the changes to executive compensation that became effective in the latter half of fiscal 2017, the Committee relied upon market information provided by Compensia in 2017.

In 2015 and 2017, representatives of Compensia communicated with the chair of the Committee outside of meetings with the Committee. In 2015 and 2017, Compensia reported to the Committee and did not perform services for the Company other than for the Committee. Based on the consideration of the various factors as set forth in the rules of Nasdaq, the Committee does not believe that its relationship with Compensia and the work of Compensia on behalf of the Committee have raised any conflicts of interest.

Peer Group

In order to determine each officer’s target total cash compensation (salary and bonuses) in effect at the beginning of fiscal year 2017, the Committee reviewed compensation information from a peer group of 15 companies identified by Compensia in 2015, with input from our management. The peer group included companies with market capitalizations and annual revenues similar to ours, and that are in the same or similar high-technology industries in which we compete for executive officer talent. The peer group consisted of the following companies:

Alliance Fiber Optic Products, Inc.

ANADIGICS, Inc.

Audience, Inc.

EMCORE Corporation

GSI Technology, Inc.

GT Advanced Technologies

Intermolecular, Inc.

Intevac, Inc.

Molycorp, Inc.

Oclaro, Inc.

Pericom Semiconductor Corporation

Pixelworks, Inc.

QuickLogic Corporation

Rubicon Technology, Inc.

Zhone Technologies, Inc.

For the changes to executive compensation that became effective in the latter half of fiscal 2017, for purposes of any appropriate adjustments to each officer's compensation, the Committee reviewed compensation information from a peer group of 16 companies identified by Compensia in 2017, with input from our management. The peer group included companies with market capitalizations and annual revenues similar to ours, and that are in the same or similar high-technology industries in which we compete for executive officer talent. The peer group consisted of the following companies:

Adesto Technologies Corporation

Alpha & Omega Semiconductor Limited

Amtech Systems, Inc.

CEVA, Inc.

CyberOptics Corporation

DSP Group, Inc.

EMCORE Corporation

Exar Corporation

GSI Technology, Inc.

Intermolecular, Inc.

Intevac, Inc.

IXYS Corporation

Kopin Corporation

MRV Communications, Inc.

PCTEL, Inc.

Rudolph Technologies, Inc.

Alliance Fiber Optic Products, ANADIGICS, Audience, Pericom Semiconductor and Zhone Technologies were removed from the peer group for fiscal year 2017 as a result of being acquired. Molycorp and GT Advanced Technologies also were removed due to its having filed for bankruptcy. Several other companies were removed from the peer group for fiscal year 2017 based on factors such as increased differences in market capitalization or annual revenue in comparison to that of the Company, the industries in which the companies compete comparative to the Company, the labor markets in which the companies compete comparative to the Company, and other considerations.

Data on the compensation practices of the above mentioned peer groups was gathered by Compensia in 2015 and 2017, respectively, through searches of publicly available information. The Committee relied upon Compensia to compare compensation levels of our executive officers against the levels for executive officers in applicable roles at the above peer groups, generally to ensure that our executive compensation program remained competitive in the market for continuing to recruit, retain, and incentivize our executive officers and to reward them appropriately for performance achieved. The data was gathered by Compensia with respect to base salary, bonuses, target total cash compensation, long-term equity incentives, and target total direct compensation. The peer group data was not used for purposes of setting any generally available benefits, such as 401(k) plans or health care coverage. Due to limited disclosures by peer group companies for equivalent officer positions with respect to our Vice President Business Development, Strategic Sales and Marketing, Compensia supplemented peer group data for him based on its additional, proprietary market information, generally consisting of public, high-tech companies with similar annual revenues to the Company. The Committee did not review specific data comprising Compensia's proprietary information or any particular companies included in such information.

Base Salary

The annual base salaries for our named executive officers in effect as of the beginning of fiscal 2017 remained unchanged from fiscal 2016, as follows:

	Base Salary
Morris S. Young, Chief Executive Officer	$ 410,000
Gary L. Fischer, Chief Financial Officer and Corporate Secretary	$ 275,000
Robert G. Ochrym, Vice President Business Development, Strategic Sales and Marketing	$ 249,500

As previously disclosed, on February 20, 2018, our Board of Directors determined that, in connection with his anticipated retirement from the Company to occur on or before November 5, 2018, and his transition to part-time employment status with the Company in 2018, Mr. Ochrym no longer would be designated as an executive officer for purposes of Item 401(b) of Regulation S-K and an officer for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

On October 23, 2017, as part of the annual executive compensation review process, the Committee approved an increase to Mr. Fischer's salary and recommended to the Board an increase to Dr. Young's salary, which the Board approved on the same date. The salary increases, which were determined after considering market information provided by Compensia and based on individual and Company performance, became effective as of October 23, 2017. The revised annual base salaries for our named executive officers that received the salary increase were as follows:

	Base Salary	Percent Increase
Morris S. Young, Chief Executive Officer	$ 425,000	3.7%
Gary L. Fischer, Chief Financial Officer and Corporate Secretary	$ 305,000	10.9%

Mr. Fischer's salary increase of 10.9% in particular reflected his strong performance and leadership during the past year.

During his transition period on a part-time employment basis, as disclosed in early 2018, Mr. Ochrym will be paid at least $500 semi-monthly in accordance with the Company's normal payroll procedures and will be paid $100 per hour for each hour of service to the Company above five hours of service in a payroll cycle.

Executive Non-Equity Incentive Plan/Bonus Plan

We maintain the Executive Incentive Plan (the "Executive Incentive Plan"), which we adopted in February 2016. The Executive Incentive Plan is an incentive bonus program for key executive officers that is intended to increase shareholder value and the success of the Company by motivating employees to perform to the best of their abilities, and achieve the Company's objectives. For fiscal 2017, the design of the incentive bonus program generally remained consistent with the prior year's. The Executive Incentive Plan for fiscal 2017 included performance metrics to reflect certain of the Company's business objectives set forth in its operating plan for the fiscal year.

In determining the incentive opportunities for our officers under the Executive Incentive Plan, the Committee considered its philosophy to use total cash compensation (salary plus cash bonus) to recognize appropriately each individual officer's scope of responsibility, role in the organization, experience and contributions. The Committee believes that the terms and target bonus opportunities of the Executive Incentive Plan are consistent with market information provided by Compensia.

The Executive Incentive Plan is administered by the Committee, provided that the actual bonus payment for our Chief Executive Officer is subject to the approval of the Board. The Committee, in its sole discretion, selects the eligible employees who will be participants for any performance period. Participation in the Executive Incentive Plan is in the sole discretion of the Committee, on a performance period by performance period basis. For fiscal year 2017, each of our named executive officers participated in the Executive Incentive Plan.

Under the Executive Incentive Plan, the Committee, in its sole discretion, establishes a target award for each participant, which may be a percentage of a participant's annual base salary as of the beginning or end of the performance period, a fixed dollar amount, or such other amount based on such other formula as the Committee determines. Each performance period, the Committee, in its sole discretion, will establish a bonus pool, which pool may be established before, during or after the applicable performance period. Actual awards will be paid from the bonus pool. Notwithstanding any contrary provision of the Executive Incentive Plan, the Committee, in its sole discretion, determines the performance goals applicable to any target award, which may include subjective or objective criteria. The Committee also has the discretion to increase, decrease or eliminate any award under the Executive Incentive Plan.

Each actual award, if any, is paid solely from the general assets of the Company. Payment of each actual award shall be made as soon as practicable after the end of the performance period to which the actual award relates and after the actual award is approved by the Committee, but generally not later than March 15 of the year immediately following completion of the performance period. Each actual award is paid in cash (or its equivalent) in a single lump sum.

For fiscal year 2017, the Executive Incentive Plan included four quarterly performance periods, consistent with the quarterly, corporate objectives set forth in the Company's annual operating plan for fiscal year 2017 (the "Operating Plan"). The Committee determined that actual awards would be based upon achievement of corporate financial targets (the “Corporate Targets”) and individual performance. Achievement of the Corporate Targets represented 60% of the actual award, and individual performance represented 40% of the actual award.

The Corporate Targets were comprised of the following four financial targets, determined on Generally Accepted Accounting Principles (GAAP) basis: (1) total revenue (“Total Revenue Target”), (2) gross profit (“Gross Profit Target”), (3) operating expense (“Operating Expense Target”) and (4) net income (“Net Income Target”). The actual quarterly Corporate Targets were set forth in the Operating Plan, and approved by the Board in February 2017. The Corporate Targets were weighted 10% for each of the Total Revenue Target, Gross Profit Target and Operating Expense Target and 30% for the Net Income Target for a total of 60% of the target award.

In order for bonuses to be payable at the threshold, target, and maximum levels, the Corporate Targets were required to be achieved as follows. For each fiscal quarter, the Net Income Target was required to be achieved at a minimum of 70% of the Operating Plan for threshold achievement, 100% of the Operating Plan for target achievement, and 120% or greater under the Operating Plan for maximum achievement. The applicable weighted portion of the target award payable for each fiscal quarter could vary from 70% at threshold achievement of the Net Income Target to 120% at maximum achievement of the Net Income Target, with target achievement of the Net Income Target resulting in 100% payout with respect to the portion of the target award attributable to the Net Income Target. For each fiscal quarter, each of Total Revenue Target, Gross Profit Target, and Operating Expense Target (the “Additional Targets”) must be achieved at a minimum of 90% of the Operating Plan for threshold achievement, 120% of the Operating Plan for target achievement, and 150% or greater under the Operating Plan for maximum achievement. Based on actual performance, the applicable weighted portion of the target award payable for each fiscal quarter could vary from 80% at threshold achievement of the applicable Additional Target to 120% at maximum achievement of the applicable Additional Target, with target achievement of the applicable Additional Target resulting in 100% payout with respect to the portion of the target award attributable to that performance objective. If 100% of the Operating Plan were achieved with respect to the any of the Additional Targets, then 87% of the portion of the target award applicable to such Corporate Target would be payable. Between the threshold and target levels, or the target and maximum levels, linear interpolation was used to determine the amount payable with respect to each Corporate Target.

Individual performance was weighted at 40% of the target award and capped at 100%. For fiscal year 2017, the Committee made assessments regarding individual performance on a quarterly basis with the assistance of the CEO for each named executive officer other than himself. The determination was based on the Committee's general assessment of the named executive officer's roles, responsibilities, and expected contributions individually in achieving the Operating Plan goals and objectives, for the applicable fiscal quarter.

Based on the weightings of the Corporate Targets and the individual performance component of each named executive officer's target award, in each fiscal quarter in 2017, up to 112% of the target award could become payable based on maximum performance achievement. Each named executive officer's target award was based on a percentage of his annual base salary at the beginning of each quarterly performance period. In February 2017, the Committee determined the fiscal year 2017 bonus program terms and conditions under the Executive Incentive Plan. The fiscal 2017 annualized target awards determined at that time were as follows:

Named Executive Officer	Target Award Amount	Target Award As Percentage of Base Salary
Morris S. Young	$ 307,500	75.0 %
Gary L. Fischer	$ 137,500	50.0 %
Robert G. Ochrym	$ 112,500	45.0 %

In October 2017, the Committee determined that the annualized target awards for Dr. Young and Mr. Fischer beginning with the Company's fourth fiscal quarter 2017 would be adjusted as set forth below, based on ongoing, strong performance demonstrated by each such officer. The updated annualized target awards became effective for the fourth fiscal quarter of the Company's fiscal 2017.

Named Executive Officer	Target Award Amount	Target Award As Percentage of Base Salary
Morris S. Young	$ 425,000	100.0 %
Gary L. Fischer	$ 167,750	55.0 %

In fiscal 2017, executive officers achieved approximately 89% of the target bonus amounts, based on Company and individual performance. Based on performance during each fiscal quarter shown in the table below, the bonuses to our named executive officers were paid quarterly in the following amounts for the applicable fiscal quarter:

Named Executive Officer	First Fiscal Quarter	Second Fiscal Quarter	Third Fiscal Quarter	Fourth Fiscal Quarter	Total Earned	Target Bonus (1)	Actual Bonus as Percent of Target
Morris S. Young	$ 76,000	$ 79,000	$ 74,515	$ 91,375	$ 320,890	$ 336,875	95%
Gary L. Fischer	$ 35,000	$ 35,000	$ 33,320	$ 33,000	$ 136,320	$ 145,063	94%
Robert G. Ochrym	$ 18,000	$ 21,000	$ 18,262	$ 15,000	$ 72,262	$ 112,500	64%

(1) Target bonus opportunity amount reflects the adjusted base salary in October 2017, which was applied to the target awards for Dr. Young and Mr. Fischer for the Company's full fourth fiscal quarter 2017.

In order for the target award to become payable at the target level, the Corporate Targets under the Executive Incentive Plan were required to be achieved at above the targets set forth in the Operating Plan. The Operating Plan was approved by the Board to guide and drive the Company's business for the fiscal year, developed with consideration for the markets in which the Company competes, and designed to result in improved business performance for the Company. Individual performance under the Executive Incentive Plan also was assessed by the Committee based on the Committee's (and with respect to the named executive officers other than the CEO, the CEO's) expectations that the individual will perform at high levels is his roles and responsibilities and make significant contributions individually in achieving the Operating Plan goals and objectives. The Executive Incentive Plan reflects the challenges and difficulties in achieving goals and objectives set forth in the Operating Plan to drive the Company's performance for the fiscal year. Achievement of maximum payout would require significant efforts by the named executive officers and very high levels of Company performance. For fiscal year 2017, the Committee did not make any adjustments with respect to the Company's achievement against the Corporate Targets.

Determination of Target Bonus Amounts for Fiscal 2018

For fiscal year 2018, the Committee recommended, and the Board approved, the fiscal year 2018 bonus program terms and conditions under the Executive Incentive Plan. For fiscal year 2018, the Committee selected Dr. Young and Mr. Fischer as the participants of the Executive Incentive Plan and divided the fiscal year into four quarterly performance periods. Achievement of the Corporate Targets represents 60% of the actual award, and achievement of the Individual Targets represents 40% of the actual award. The Corporate Targets are weighted 10% for each of the Total Revenue Target, Gross Profit Target and Operating Expense Target and 30% for the Net Income Target for a total of 60% of the target award. Achievement of the Individual Targets, representing 40% of a participant's target award, will be determined each quarter by the Committee, pursuant to objectives established by the Committee for each such participant. Each participant's target award will be based on a percentage of such participant's annual base salary at the beginning of each quarterly performance period. For participation in the fiscal 2018 bonus program, the Committee maintained for each of Dr. Young and Mr. Fischer the target bonus amount that the Committee approved in October 2017, as follows:

Named Executive Officer	Fiscal 2018 Target Bonus As Percentage of Base Salary	
Morris S. Young	100	%
Gary L. Fischer	55	%

Long-Term Incentive Compensation

Historically, we have provided long-term incentive compensation through grants of stock options and restricted stock awards that generally vest over multiple years. Our equity compensation program is intended to align the interests of our officers with those of our stockholders by creating an incentive for our officers to maximize stockholder value. The equity compensation program also is designed to encourage our officers to remain employed with us despite a very competitive labor market. The Committee believes that appropriate equity incentives are critical to attracting and retaining the best employees in the industry, and that stock awards can be an effective tool for meeting our compensation goal of increasing long-term stockholder value by tying the value of the stock awards to our performance in the future.

In October 2017, the Board and Committee approved the grant to Dr. Young and Mr. Fischer of a mix of 62% stock options and 38% restricted stock. The Board and Committee believed that this mix of award types was appropriate based on reviewing market data and because the combination appropriately balances our objectives of more closely aligning the named executive officers' long-term interests with those our stockholders given that options will provide value only if our stock price increases following their grant, and granting restricted stock awards that retain some level of value notwithstanding negative fluctuations in our stock price. In addition, the equity awards vest over multiple years, providing the 'glue' desired for retaining the named executive officer over the longer term. The following table shows the equity awards granted to Dr. Young and Mr. Fischer in October 2017:

Named Executive Officer	Stock Options Granted in Fiscal 2018	Restricted Stock Awards Granted in Fiscal 2018
Morris S. Young	89,797	61,666
Gary L. Fischer	34,203	15,870

During the last quarter of fiscal year 2017, the Committee did not grant any equity awards to Mr. Ochrym at the time based on informal discussions and uncertainty regarding whether Mr. Ochrym would be retiring from the Company. Accordingly, the Committee determined that it would wait to make any final decision regarding equity award grants to Mr. Ochrym. As noted above, on February 20, 2018, our Board approved Mr. Ochrym's transition from full-time to part-time employment in connection with his anticipated retirement from the Company on or before November 5, 2018.

In addition, in November 2017, in recognition of Dr. Young's strong performance and leadership, as well as anticipated, future contributions by him, the Committee granted Dr. Young a discretionary, additional, one-time restricted stock award covering 20,000 shares of our common stock. The award is scheduled to vest over 4 years subject to Dr. Young's continued service with us. The Committee believed that recognizing Dr. Young's performance through the grant of a restricted stock award was appropriate as it would promote closer alignment of his interests with the long-term interests of our stockholders, while delivering long-term incentive and retentive value.

The number of shares of our common stock subject to stock awards the Committee grants to each executive officer and the vesting schedule for each grant is determined based on a variety of factors, including the Committee's goal to increase the proportion of compensation awarded to executive officers as long-term incentive compensation. In 2015, we determined that the value of our equity awards was below the 25th percentile of the peer group mentioned above, based on the market information provided at that time by Compensia. For fiscal 2017, in determining the equity awards to be granted to our named executive officers, the Committee considered in particular Company and individual performance, and was assisted by the peer group information provided by Compensia to review the appropriateness of the awards based on market practices.

The Committee typically grants any equity awards to executive officers at its regularly scheduled quarterly meetings. All grants of stock options and restricted stock awards or other equity awards to newly hired employees are also made by the Committee at scheduled meetings, unless the Board or the Committee determines that unusual circumstances, such as in the case of retention of an executive officer, directors or other employees, call for consideration of the grant of awards other than at a regular quarterly meeting, in which case consideration of and action with respect to such awards shall take place at a special meeting and not by unanimous written consent. The Committee has not granted, nor does it intend in the future to grant, equity compensation awards to executives in anticipation of the release of material nonpublic information that is likely to result in changes to the price of our common stock, such as a significant positive or negative earnings announcement. Similarly, the Committee has not timed, nor does it intend in the future to time, the release of material nonpublic information based on equity award grant dates. Further, because equity compensation awards to executive officers typically vest over a three or four-year period, the value to recipients of any immediate increase in the price of our stock following a grant will be attenuated.

All equity awards approved during scheduled meetings become effective and are priced at the closing price of our common stock as of the second trading day after the earnings release for the quarter in which the grants were approved (the "Grant Date"), provided that if public announcement of material information is anticipated, the Grant Date may be deferred at the discretion of the Board or Committee until the second trading day after release of such information. With respect to grants of incentive stock options, the exercise price of all options granted at regular quarterly meetings shall be the closing price of our common stock on the Grant Date, as reported by The Nasdaq Global Select Market.

Retirement Benefits under the 401(k) Plan, Executive Perquisites and Generally Available Benefit Programs

We do not maintain a deferred compensation plan, other than our AXT, Inc. Employee Savings and Retirement Plan (the "401(k) Plan"). The 401(k) Plan is available to all full-time U.S. based employees, including named executive officers. Under the 401(k) Plan, participating employees are eligible to receive matching contributions from us that are subject to certain vesting requirements based on service with us. We do not provide defined benefit pension plans or defined contribution retirement plans to our executives or other employees other than the 401(k) Plan.

We also offer a number of other benefits to our US based employees, including the named executive officers, pursuant to benefit programs that provide for broad based employee participation. These benefit programs include medical, dental and vision insurance, long-term and short-term disability insurance, life and accidental death and dismemberment insurance, health and dependent care flexible spending accounts, wellness programs, relocation/expatriate programs and services, educational assistance and certain other benefits.

The 401(k) Plan and other generally available benefit programs allow us to remain competitive for key employees, and we believe that the availability of the benefit programs generally enhances employee productivity and loyalty. The main objectives of our benefits programs are to give our employees access to quality healthcare, assistance in achieving retirement financial goals and enhanced health and productivity. These generally available benefits typically do not specifically factor into decisions regarding an individual executive's total compensation or equity award package.

Stock Ownership Guidelines

The Board has not adopted stock ownership guidelines applicable to our executive officers or directors.

Accounting and Tax Considerations

In designing our compensation programs, we take into consideration the accounting and tax effect that each element will or may have on us and the executive officers and other employees as a group. We have not provided any executive officer or director with a gross-up or other reimbursement for tax amounts the executive might pay pursuant to Section 280G or Section 409A of the Internal Revenue Code. Section 280G and related Internal Revenue Code sections provide that executive officers, directors who hold significant stockholder interests and certain other service providers could be subject to significant additional taxes if they receive payments or benefits in connection with a change of control that exceeds certain limits, and that we or our successor could lose a deduction on the amounts subject to the additional tax. Section 409A also imposes additional significant taxes in the event that an executive officer, director or service provider receives “deferred compensation” that does not meet the requirements of Section 409A. We structure our equity awards in a manner intended to comply with the applicable Section 409A requirements.

In determining which elements of compensation are to be paid, and how they are weighted, we also took into account whether a particular form of compensation would be considered “performance based” compensation for purposes of Section 162(m) of the Internal Revenue Code, prior to the changes to Section 162(m) under the Tax Cuts and Jobs Act of 2017 (the “TCJ Act”). Under Section 162(m), we generally would have been eligible to receive a federal income tax deduction for compensation paid to any of our chief executive officer and other “covered employees,” as determined under Section 162(m), only if the compensation is less than $1 million during the fiscal year or was “performance based” under Section 162(m). Effective for tax years beginning after December 31, 2017, the exemption for “performance based compensation” under Section 162(m) has been repealed. Accordingly, compensation paid to our covered employees to whom Section 162(m) applies no longer will be deductible to us to the extent that their compensation individually exceeds $1 million, unless it qualifies for limited transition relief applicable to certain written arrangements in place as of November 2, 2017. Stock options granted under our 2015 Equity Incentive Plan and certain stock options granted under our 2007 Equity Incentive Plan to our named executive officers prior to November 2, 2017, are intended to qualify under Section 162(m) as performance-based compensation. However, given various uncertainties relating to the transition relief under the TCJ Act, no assurances can be given as to whether the arrangements entered into before November 2, 2017, will qualify as “performance-based compensation” that would be exempt from the $1 million deductibility limit under Section 162(m).

Compensation Committee Report

The information contained in this report shall not be deemed to be “soliciting material” or “filed” with the SEC or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that AXT specifically incorporates it by reference into a document filed under the Securities Act or the Exchange Act.

We, the Compensation Committee of the Board of Directors of AXT, Inc., have reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with management. Based on such review and discussion, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

THE COMPENSATION COMMITTEE

David C. Chang, Chair
Leonard J. LeBlanc
Jesse Chen

Summary Compensation Table

The following table sets forth information concerning the compensation earned during the fiscal years ended December 31, 2017, 2016 and 2015, by our current Chief Executive Officer, our Chief Financial Officer, and each of our other executive officers (together, the “named executive officers”):

Principal Position		Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)	Tota ($)
'oung		2017	$ 412,308	$ —	$ 585,827	$ 390,410	$ 320,889	$ 36,976 (4)	$ 1
utive Officer		2016	$ 410,000	$ —	$ 303,738	$ 341,414	$ 236,665	$ 34,009 (5)	$ 1
		2015	$ 435,712 (3)	$ —	$ 261,600	$ 322,668	$ 152,772	$ 30,971 (6)	$ 1
scher		2017	$ 279,616	$ —	$ 150,765	$ 148,704	$ 136,320	$ 18,569 (7)	$ 7
ncial Officer		2016	$ 275,000	$ —	$ 114,073	$ 128,224	$ 99,029	$ 18,384 (8)	$ 6
rate Secretary		2015	$ 260,345	$ —	$ 71,940	$ 88,734	$ 67,511	$ 15,207 (9)	$ 5
Ochrym	(10)	2017	$ 249,500	$ —	$ —	$ —	$ 72,262	$ 15,314 (11)	$ 3
lent,		2016	$ 249,500	$ —	$ 36,470	$ 40,994	$ 62,143	$ 15,964 (12)	$ 4
evelopment,		2015	$ 275,005 (13)	$ —	$ 15,260	$ 18,822	$ 45,238	$ 13,205 (14)	$ 3
ales and									
.	(15)	2017	$ 44,664	$ 40,000 (16)	$ —	$ —	$ —	$ 303,578 (17)	$ 3
ating Officer									

(1) Valuation based on the dollar amount recognized for financial statement reporting purposes pursuant to ASC topic 718, Stock Compensation (“ASC 718”). Amounts shown do not reflect compensation actually received by the named executive officer. Instead, the amounts shown are the value of option awards and stock awards calculated based on the grant date fair value as determined pursuant to ASC 718.

(2) Amounts consist of bonuses earned for services rendered in fiscal years 2016 to 2017. Performance based bonuses are generally paid under our Bonus Plan and reported as Non-Equity Incentive Plan Compensation. Includes amounts earned for the fourth quarter of fiscal 2017, but not paid until March 2018.

(3) Includes payment of $55,904, an amount equal to Dr. Young’s salary reduction between March 2014 and March 2015, which was approved by the Compensation Committee in March 2015.

(4) Includes our matching contribution of $16,492 under the tax-qualified 401(k) Plan, travel allowance of $8,017, and our payment on behalf of Dr. Young of $12,467 in term life insurance premiums.

(5) Includes our matching contribution of $16,400 under the tax-qualified 401(k) Plan, travel allowance of $5,142, and our payment on behalf of Dr. Young of $12,467 in term life insurance premiums.

(6) Includes our matching contribution of $15,538 under the tax-qualified 401(k) Plan, travel allowance of $2,966, and our payment on behalf of Dr. Young of $12,467 in term life insurance premiums.

(7) Includes our matching contribution of $11,185 under the tax-qualified 401(k) Plan, and our payment on behalf of Mr. Fischer of $7,384 in term life insurance premiums.

(8) Includes our matching contribution of $11,000 under the tax-qualified 401(k) Plan, and our payment on behalf of Mr. Fischer of $7,382 in term life insurance premiums.

(9) Includes our matching contribution of $10,385 under the tax-qualified 401(k) Plan, and our payment on behalf of Mr. Fischer of $4,822 in term life insurance premiums.

(10) On February 20, 2018, the Board determined that Mr. Ochrym is no longer designated as an executive officer for purposes of Item 401(b) of Regulation S-K and an officer for purposes of Section 16 of the Exchange Act

and approved his transition from full-time to part-time employment in connection with his anticipated retirement from the Company on or before November 5, 2018.

(11) Includes our matching contribution of $9,980 under the tax-qualified 401(k) Plan and our payment on behalf of Mr. Ochrym of $5,334 in term life insurance premiums.

(12) Includes our matching contribution of $9,980 under the tax-qualified 401(k) Plan and our payment on behalf of Mr. Ochrym of $5,984 in term life insurance premiums.

(13) Includes payment of $36,402, amount equal to Mr. Ochrym's salary reduction between March 2014 and March 2015, which was approved by the Committee in March 2015.

(14) Includes our matching contribution of $9,783 under the tax-qualified 401(k) Plan and our payment on behalf of Mr. Ochrym of $3,422 in term life insurance premiums.

(15) On July 24, 2017, the Board appointed Wilson Lin, Ph.D. to serve as Chief Operating Officer of the Company, effective as of the date he first commenced employment with the Company, which was August 21, 2017. On October 7, 2017, Dr. Lin informed the Company of his decision to resign as Chief Operating Officer of the Company, effective October 5, 2017.

(16) Includes payment of a $40,000 sign-on bonus.

(17) Includes $300,000 severance pay and payment of $3,578 for COBRA premiums.

Grants of Plan-Based Awards

The following table sets forth certain information with respect to option awards and other plan-based awards granted to our named executive officers during the fiscal year ended December 31, 2017:

2017 GRANTS OF PLAN-BASED AWARDS FROM THE 2015 PLAN

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Bonus Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Option: Number of Securities Underlying Options (#)	All Other Restricted Stock Awards: Number of Shares of Stock or Units (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)(2)
Morris S. Young	10/27/17				89,797	61,666	$ 9.50	$ 976,237
	03/02/18	$ 0	$ 307,500	$ 369,000				
Gary L. Fischer	10/27/17				34,203	15,870	$ 9.50	$ 299,469
	03/02/18	$ 0	$ 137,500	$ 165,000				
Robert G. Ochrym	03/02/18	$ 0	$ 112,500	$ 135,000				
Wilson Lin	-	-	-	-	-	-	-	-

(1) We award bonuses pursuant to the Bonus Plan, which provides for the award of annual cash bonuses based upon threshold, target and maximum payout amounts set by the Board at the beginning of each fiscal year. See "Compensation Discussion and Analysis—Plan-Based Awards." The actual amount paid to each named executive officer for the fiscal year ended December 31, 2017 is set forth in the Summary Compensation Table under the heading, "Non-Equity Incentive Bonus Plan Compensation."

(2) The value of an option or stock award is based on the fair value as of the grant date of such award determined pursuant to ASC topic 718, Stock Compensation ("ASC 718"), excluding the impact of estimated forfeitures related

to service-based vesting conditions. The exercise price for all options granted to the named executive officers is 100% of the fair market value of the shares on the grant date. The option exercise price has not been deducted from the amounts indicated above. Regardless of the value placed on a stock option on the grant date, the actual value of the option will depend on the market value of our common stock at such date in the future when the option is exercised. The proceeds to be paid to the individual following this exercise do not include the option exercise price.

(3) On July 24, 2017, the Board appointed Wilson Lin, Ph.D. to serve as Chief Operating Officer of the Company, effective as of the date he first commenced employment with the Company, which was August 21, 2017. On October 7, 2017, Dr. Lin informed the Company of his decision to resign as Chief Operating Officer of the Company, effective October 5, 2017. Dr. Lin was not granted any equity awards in 2017.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information with respect to the value of all unexercised options previously awarded to our named executive officers as of December 31, 2016.

OUTSTANDING EQUITY AWARDS AS OF DECEMBER 31, 2016

	Options Awards		Stock Awards	
				Market Value
	Number of	Number of	Number of	of Shares
	Securities Underlying	Securities Underlying	Shares or Units of	or Units of