

ORASURE TECHNOLOGIES INC
Form DEF 14A
April 01, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

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

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

OraSure Technologies, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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Our vision is to be a recognized global leader focused on providing innovative diagnostic solutions with substantial value to existing and emerging healthcare needs.

We will work toward making this vision a reality by focusing on unmet healthcare needs, leveraging our proprietary technology and cutting-edge expertise, to continually develop accurate, versatile and easy-to-use diagnostic products. Our products will enable the delivery of crucial information empowering patients to make critical decisions to improve and protect their health.

Dear Fellow Stockholders:

You are cordially invited to attend the 2015 Annual Meeting of Stockholders to be held on **Monday, May 11, 2015**, at the ArtsQuest Center at SteelStacks, 101 Founders Way, Bethlehem, Pennsylvania 18015 at 10:00 a.m. Eastern Time. Our Board of Directors and Executive Team look forward to greeting those present. If you cannot attend in person, we are pleased to offer a live webcast of the Annual Meeting, which you can access by going to www.virtualshareholdermeeting.com/OSUR2015.

Pursuant to the Securities and Exchange Commission rule allowing companies to furnish proxy materials to their stockholders over the internet, a Notice of Internet Availability of Proxy Materials (the Notice) has been sent to you on or about April 1, 2015. The Notice contains information on how to access copies of the proxy materials and vote your shares.

At the meeting, you will be asked to (i) elect three Class III Directors to serve on the Board of Directors until the Annual Meeting of Stockholders in 2018; (ii) ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2015 fiscal year; (iii) approve, by an advisory (non-binding) vote, the compensation of the Company's named executive officers as disclosed in these materials; and (iv) transact such other business as may properly come before the meeting or any adjournment(s) or postponement(s) thereof.

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

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

We look forward to seeing you at the meeting.

Sincerely yours,

Douglas A. Michels

President and Chief Executive Officer

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**NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS
OF ORASURE TECHNOLOGIES, INC.**

To our Stockholders:

The 2015 Annual Meeting of Stockholders of OraSure Technologies, Inc. will be held at the following location and for the following purpose:

Monday, May 11, 2015 at 10:00 a.m. Eastern Time

ArtsQuest Center at SteelStacks

101 Founders Way

Bethlehem, Pennsylvania 18015

1. To elect three Class III Directors, each to serve for a term expiring at the Company's Annual Meeting of Stockholders in 2018;
2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2015;
3. To approve, by an advisory (non-binding) vote, the compensation of the Company's named executive officers as disclosed in the Proxy Statement accompanying this Notice; and
4. To consider such other business as may properly come before the meeting or any adjournment(s) or postponement(s) hereof.

Only holders of shares of our Common Stock of record at the close of business on March 19, 2015 will be entitled to vote at the Annual Meeting of Stockholders and any adjournment(s) or postponement(s) thereof. Additional information is included in the Proxy Statement accompanying this Notice.

By order of the Board of Directors,

Jack E. Jerrett

Secretary

April 1, 2015

Bethlehem, Pennsylvania

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

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We are providing these Proxy Materials to stockholders of OraSure Technologies, Inc., a Delaware corporation (as used herein, we, us, our or the Company), in connection with the Company's solicitation of proxies (each, a Proxy) to be used at the Annual Meeting of Stockholders to be held on May 11, 2015, at 10:00 a.m. Eastern Time, at the ArtsQuest Center at SteelStacks, 101 Founders Way, Bethlehem, Pennsylvania 18015, and at any adjournment(s) or postponement(s) thereof (the Annual Meeting).

As a stockholder, you are invited to attend the Annual Meeting and are requested to vote on the matters described in this Proxy Statement. For your convenience, we are pleased to offer a live webcast of our Annual Meeting which you can access by going to www.virtualshareholdermeeting.com/OSUR2015. The webcast will end after the formal portion of the meeting is adjourned and will not include the presentation by management or the question and answer session provided only for those present in person at the Annual Meeting.

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

2015 ANNUAL MEETING INFORMATION

Date and Time: Monday, May 11, 2015 10:00 a.m. (ET)
Location: ArtsQuest Center at SteelStacks, 101 Founders Way, Bethlehem, PA 18015
Record Date: March 19, 2015

2014 BUSINESS HIGHLIGHTS

2014 consolidated net revenues of \$106.5 million - 8% growth over 2013.

HCV product sales grew 42% over 2013.

In 2014, we exceeded \$100 million in revenues for the first time in history. Our stock price increased

2014 consolidated net loss improved 59% over 2013.

Total HCV-related revenues (including AbbVie payments) were \$14.8 million, or 14% of 2014 net consolidated revenues.

\$7.5 million in cash generated from operations in 2014. Almost \$98.0 million in cash at year-end.

Gross margin of 63% in 2014, compared to 59% in 2013.

Common Stock price increased 61% during 2014.

Molecular collection systems revenues grew 17% over 2013.

Entered into an HCV co-promotion agreement with AbbVie during 2014.

61% for the year, in part due to the strong revenue growth of our molecular collection systems and OraQuick® HCV businesses, the AbbVie co-promotion agreement and more cost-effective promotion of our OraQuick® In-Home HIV test.

Generated \$45.1 million in revenues from newest business lines (i.e. DNA Genotek, HCV-related and HIV-OTC).

Implemented more cost effective promotional strategy for the OraQuick® In-Home HIV test.

Launched new Intercept i2M collector and a NIDA-5 panel of fully-automated, high-throughput oral fluid drug assays in the U.S.

Substantial progress in developing a rapid, point-of-care Ebola test.

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CORPORATE GOVERNANCE HIGHLIGHTS

Comprehensive Code of Business Conduct and Ethics applies to Board and Management.

High level of Board and Committee meeting attendance during 2014.

Corporate Governance Principles in place to address important governance matters.

All Directors attended 2014 Annual Meeting of Stockholders.

Independent Chairman of the Board of Directors (the Board).

Adopted enhanced stock ownership and retention guidelines for Directors and executive officers.

Six (6) of eight (8) members of the Board (Directors) are independent as defined by the Securities and Exchange Commission (SEC) and the NASDAQ Stock Market (NASDAQ).

Policy prohibiting short sales, hedging and pledging of our Common Stock.

All committees of the Board consist solely of independent Directors.

Compensation recoupment or clawback policy.

Strong pay-for-performance compensation philosophy.

Regular executive sessions of independent Directors.

Insider trading policy to prevent improper trading in our stock by Directors and employees.

Robust stockholder engagement through investor roadshows, investor conferences and other outreach.

Oversight of risk management by Directors.

STOCKHOLDER VOTING MATTERS AND BOARD VOTING RECOMMENDATIONS

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

Our Board and its Audit Committee have selected KPMG LLP (KPMG) to be our independent registered public accounting firm for the 2015 fiscal year. The Board believes KPMG is well qualified to serve in this capacity and is recommending that the engagement of KPMG be ratified by our stockholders.

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

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

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

The Compensation Discussion and Analysis portion of this Proxy Statement (the CD&A) contains a detailed description of our executive compensation philosophy and program, the compensation decisions the Board and Compensation Committee have made under that program and the factors considered in making those decisions, focusing on the compensation of our NEOs for the year ended December 31, 2014, who were:

Douglas A. Michels, President and Chief Executive Officer;
Ronald H. Spair, Chief Financial Officer and Chief Operating Officer;
Anthony Zezzo, II, Executive Vice President, Marketing and Sales;
Jack E. Jerrett, Senior Vice President, General Counsel and Secretary; and
Mark L. Kuna, Senior Vice President, Finance, Controller and Assistant Secretary

At our 2014 Annual Meeting, we did not receive a majority vote approving the compensation paid to our NEOs for the 2013 fiscal year as disclosed in our 2014 Proxy Statement. In addition, at our 2013 Annual Meeting of Stockholders (the 2013 Annual Meeting), we did not receive a majority vote approving the compensation paid to our NEOs for the 2012 fiscal year as described in our 2013 Proxy Statement. The Board and our management take seriously the results of each say-on-pay (SOP) vote and the views of our stockholders regarding executive compensation. Accordingly, following each of those votes we instituted an outreach effort to contact our stockholders in order to obtain their views on the reasons for the vote and to solicit their input on other aspects of our compensation practices. As part of that effort, we engaged with stockholders who, in the aggregate, beneficially owned approximately 30% of our outstanding Common Stock to understand their concerns. Based on that input and the advice of a newly engaged compensation consultant, we made several important changes to our executive compensation program that we believe directly respond to the concerns of our stockholders. The CD&A provides additional detail regarding the results of this outreach effort, the input received from our stockholders and the important actions we have taken in response to that input.

Table of Contents**Compensation Components**

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

Base Salary	Salaries are based on position relative to market and individual performance and contribution.
Annual Cash Incentive Bonus	Annual incentive cash bonuses reflect market-based targets and are contingent upon (i) achievement of corporate financial objectives, which are used to determine overall bonus pool funding, and (ii) the executive's individual performance against pre-determined objectives, which are used to determine individual bonus payouts.
Long-term Incentive Plan (LTIP)	Long-term incentive equity compensation reflects market-based targets with the value of individual awards contingent upon the executive's individual performance against pre-determined objectives during the fiscal year prior to award. During 2014, over half of the value of equity awards to executives consisted of stock options, which provide no value to executives unless our stock price increases after the date of grant.

Compensation Highlights

We believe that compensation awarded to our executives for 2014 was closely aligned with performance. The Company's financial results for 2014 represented a substantial improvement over 2013. Specifically, our 2014 consolidated net revenues reached a record high of \$106.5 million and grew by 8% over 2013. This performance contributed to a 59% improvement to our consolidated net loss for the year. A particularly strong performing segment was our molecular collection systems business, which delivered revenues 17% higher in 2014 than in 2013. We also entered into a significant HCV co-promotion agreement with AbbVie during 2014 and our HCV business grew substantially, with 2014 net product revenues increasing 42% over 2013. Late in the year, we made substantial progress in the development of a potential new rapid Ebola test and ended 2014 with almost \$98.0 million in cash on our balance sheet, which we can use for our future growth. These accomplishments helped drive a 61% increase in the price of our Common Stock during 2014.

The 2014 compensation for Mr. Michels, our President and Chief Executive officer (CEO), and Mr. Spair, our Chief Financial Officer and Chief Operating Officer (CFO/COO), increased by an amount that is in line with our performance. We believe these compensation levels are reasonable, given the substantially improved financial and stock performance during 2014.

Table of Contents**Significant Actions Taken in Response to the 2014 SOP Vote**

Following the negative SOP votes received at our 2013 Annual Meeting and 2014 Annual Meeting, the Compensation Committee engaged a new compensation consultant, Pay Governance, LLC (Pay Governance), to provide a fresh assessment of our compensation program and assistance in responding to the negative SOP votes. We also contacted stockholders who, in the aggregate, beneficially owned approximately 30% of our outstanding Common Stock, along with ISS Proxy Advisory Services and Glass Lewis & Co., two leading proxy advisory firms to solicit their views and concerns regarding our compensation program. Based on advice from Pay Governance and input from the stockholders we contacted, the Board and Compensation Committee adopted several important changes to our program in order to more closely align compensation and performance for our executives.

Changes Going Forward	Effective	Discussed on Page
Modified long-term incentive awards to include 50% performance-vested equity.	2015	33
Eliminated excise tax gross-up in all NEO employment agreements and changed single trigger change-in-control severance to double trigger in CEO agreement.	2015	33