

GFELLER WARREN H  
Form 4  
June 15, 2018

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
GFELLER WARREN H

(Last) (First) (Middle)

C/O HC2 HOLDINGS, INC., 450  
PARK AVENUE, 30TH FLOOR

(Street)

NEW YORK, NY 10022

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol

HC2 HOLDINGS, INC. [HCHC]

3. Date of Earliest Transaction  
(Month/Day/Year)

06/13/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)

Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
Common Stock	06/13/2018		A	(A) 9,584 (1)	\$ 0 39,744	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Transaction (Instr. 6)
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## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GFELLER WARREN H C/O HC2 HOLDINGS, INC. 450 PARK AVENUE, 30TH FLOOR NEW YORK, NY 10022	X			

## Signatures

/s/ Warren Gfeller  
 06/14/2018  
 \*\*Signature of Reporting Person Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The shares will vest and become exercisable 66-2/3% on June 13, 2019 and 33-1/3% on June 13, 2020 (each such date, a "Vesting Date"), provided reporting person continues as a director of HC2 Holdings, Inc. on each such Vesting Date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. man!;">•

Pay-for-Performance. We aim to align our executive compensation with both annual and long-term performance goals. Our Senior Management Incentive Plan provides cash bonus incentive awards based on adjusted EBITDA. The adjusted EBITDA target levels of performance are correlated with the Company's annual sales and income growth objectives. The Company's performance exceeded the threshold performance level, but did not meet or exceed the target performance level for adjusted EBITDA in the first half of 2016. The Company's performance exceeded the target performance level for adjusted EBITDA in the second half of 2016. The table on page 26 of the "Compensation Discussion and Analysis" section shows how these results translated into payouts under the Senior Management Incentive Plan.

**Long-Term Compensation.** In 2016, we made changes to our long-term compensation program to include a mix of restricted stock units and stock options that vest over three years and performance stock units that vest on January 1, 2019 subject to continued employment through the date of vesting and achievement of applicable performance thresholds, with accelerated vesting upon certain termination of employment or change in control. Our long-term compensation program is intended to align the interests of executives with those of our shareholders, encourage retention and focus the executives on long-term profitable growth and shareholder value creation. We believe that the changes implemented in 2016 further those goals.

**Prudent Corporate Governance.** We are committed to maintaining a prudent corporate governance model and to continually improving our compensation practices and policies. Key practices in this regard include annual review of the Company's compensation program by the Compensation Committee and maintenance of a Compensation Committee composed entirely of independent, non-employee directors who satisfy applicable independence requirements. In addition, in 2016, we eliminated all rights to "Section 280G" tax gross-up payments to further align management's interest with shareholder interests.

**Independent Compensation Consultation.** The Compensation Committee uses an independent global executive compensation consulting firm, Pearl Meyer & Partners, LLC ("Pearl Meyer"), to advise the Compensation Committee on matters related to executive compensation.

**Input from Shareholders.** The Company has determined to hold a "say-on-pay" advisory vote every year to regularly receive and review input from shareholders on our compensation programs and practices.

The Compensation Committee believes that the policies and procedures articulated in the "Compensation Discussion and Analysis" are effective in achieving the Company's goals and that the compensation of the Company's named executive officers reported in this management proxy circular reflects and supports these compensation policies and objectives. We encourage shareholders to review the "Compensation Discussion and Analysis" beginning on page 19 of this management proxy circular.

#### Recommendation

Our Board of Directors believes that the information provided above and within the “Compensation Discussion and Analysis” section of this management proxy circular demonstrates that our executive compensation program was designed appropriately and is working to ensure that management’s interests are aligned with our shareholders’ interests to support long-term value creation.

The following resolution will be submitted for a shareholder vote at the 2017 Annual Meeting:

RESOLVED, that the shareholders of Novanta Inc. approve, on an advisory basis, the compensation of Novanta Inc.’s named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the “Compensation Discussion and Analysis”, compensation tables and narrative discussion set forth in this management proxy circular.

This vote on our executive compensation is advisory, and therefore not binding on the Company, the Compensation Committee or the Board of Directors. However, the Compensation Committee will consider the outcome of the vote when making future compensation decisions for the named executive officers.

#### Required Vote

The affirmative vote of a majority of the common shares represented and cast in respect of this matter at the 2017 Annual Meeting is required to approve, on an advisory (non-binding) basis, the compensation of our named executive officers. Abstentions and broker non-votes will not be counted in determining the number of votes cast, and thus will not affect the voting results of this proposal.

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE “FOR” THE ADOPTION OF THE RESOLUTION APPROVING THE COMPANY’S EXECUTIVE COMPENSATION.

ITEM 3—appointment of independent

registered public accounting firm

At the 2017 Annual Meeting, the shareholders will be asked to approve the appointment of PricewaterhouseCoopers LLP (“PricewaterhouseCoopers”) as the Company’s independent registered public accounting firm and to authorize the Audit Committee to fix the auditors’ remuneration. PricewaterhouseCoopers has served as the Company’s independent registered public accounting firm since 2013.

We expect a representative of PricewaterhouseCoopers to be present at the meeting to answer appropriate questions and to have an opportunity to make a statement if desired.

Required Vote

The affirmative vote of a majority of the common shares represented and cast in respect of this matter at the 2017 Annual Meeting is required to approve the appointment of PricewaterhouseCoopers as the Company’s independent registered public accounting firm to serve until the 2018 annual meeting of shareholders. Abstentions will not be counted in determining the number of votes cast, and thus will not affect the voting results of this proposal. Because brokers have discretionary authority to vote on the appointment of PricewaterhouseCoopers, we do not expect any broker non-votes in connection with this proposal.

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE “FOR” THIS APPOINTMENT.

Independent Registered Public Accounting Firm Fees and Services

Set forth below are the fees paid by the Company to its independent registered public accounting firm, PricewaterhouseCoopers, for the fiscal years ended December 31, 2016 and 2015.

	2016	2015
Audit Fees (1)	\$1,721,500	\$1,780,000
Audit-Related Fees (2)	238,600	53,700
Tax Fees (3)	159,000	141,000
All Other Fees (4)	2,800	2,700
Total	\$2,121,900	\$1,977,400

(1)Consists of fees billed for professional services rendered for the audit of the Company’s annual consolidated financial statements and internal control over financial reporting, review of the Company’s interim consolidated financial statements included in quarterly reports and services that are normally provided in connection with statutory and regulatory filings or engagements.

- (2) Consists principally of fees for services related to financial due diligence associated with acquisition targets.
- (3) Consists of fees billed for professional services rendered for tax compliance, tax advice and tax planning.
- (4) Represents fees billed for online research tools.

#### Pre-Approval Policies and Procedures

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by the Company's independent registered public accounting firm. This policy generally provides that the Company will not engage its independent registered public accounting firm to render audit or non-audit services unless the Audit Committee specifically approves the service in advance, or the engagement is entered into pursuant to the pre-approval procedure described below.

Pursuant to the Audit Committee Charter, the Audit Committee may delegate pre-approval authority to an individual member of the Audit Committee. The decisions of any individual Audit Committee member to whom pre-approval authority is delegated must be presented to the full Audit Committee at its next scheduled meeting. The Audit Committee has delegated to the Chairman of the committee the authority to pre-approve any audit, non-audit or other service provided to the Company by the Company's independent registered public accounting firm, except for the annual audit engagement and fees, which must be approved by the committee. The prior approval of the Audit Committee or the pre-approval of the Chairman of the Audit Committee was obtained for all services provided by PricewaterhouseCoopers in fiscal year 2016.

## Report of the Audit Committee

The primary purpose of the Audit Committee is to assist the Board of Directors in its oversight of the accounting and financial reporting processes of the Company and the audits of the consolidated financial statements of the Company.

In conjunction with the specific activities performed by the Audit Committee in its oversight role, it issued the following report:

1. The Audit Committee has reviewed and discussed the audited consolidated financial statements as of and for the year ended December 31, 2016 with the Company's management.
2. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed under Statement on Auditing Standards No. 1301, as adopted by the Public Company Accounting Oversight Board.
3. The Audit Committee has received from the independent registered public accounting firm the written disclosures and the letters required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accounting firm's communications with the Audit Committee concerning independence, and the Audit Committee has discussed with the independent registered public accounting firm their independence from the Company.

Based on the review and discussions referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for filing with the SEC.

Mr. Ira J. Lamel (Chairperson)

Mr. Dominic A. Romeo

Mr. Thomas N. Secor

The foregoing Report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

## EXECUTIVE OFFICERS

Set forth below is information regarding the Company's current executive officers who are not also directors. Information concerning Matthijs Glastra, our Chief Executive Officer, may be found above in the section entitled "Item 1—Election of Directors" on page 5 of this management proxy circular.

Robert Buckley Chief Financial Officer

Age: 42

Executive Officer Since: March 2011

Mr. Buckley was appointed the Company's Chief Financial Officer on March 31, 2011. Prior to joining the Company in February 2011, Mr. Buckley had a ten-year career with PerkinElmer, Inc. ("PerkinElmer"), a provider of technology and services to the diagnostics, research, environmental, safety and security, industrial and laboratory services markets, where he served in several financial positions of increasing responsibility. From September 2008 to February 2011, Mr. Buckley served as Vice President and Chief Financial Officer of PerkinElmer's Environmental Health business. From September 2005 to September 2008, Mr. Buckley was Chief Financial Officer of PerkinElmer's Asian operations. From April 2001 to August 2005, Mr. Buckley served in various financial management roles at PerkinElmer. Prior to joining PerkinElmer, Mr. Buckley held management positions with Honeywell International, Inc. (formerly AlliedSignal, Inc.), a diversified technology and manufacturing company that services customers globally, and Georgeson & Company, Inc. Mr. Buckley holds a Bachelor of Arts Degree in Finance from Manhattanville College and an M.B.A. from University of California at Los Angeles (U.C.L.A.)

Brian Young Chief Human Resources Officer

Age: 48

Executive Officer Since: December 2016

Mr. Young joined Novanta in April 2015 as Vice President of Human Resources and was appointed Chief Human Resources Officer by the Board of Directors in December 2016. Mr. Young brings more than 20 years of human resources leadership experience in both public and private companies serving Original Equipment Manufacturers of Class I, II & III medical devices, industrial control technology and advanced materials. From July 2014 – March 2015, Mr. Young served as Global Human Resource Leader for Hollingsworth & Vose Company. From September 2011 – November 2013, Mr. Young served as Vice President & Human Resource Officer for CIRCOR International, Inc. ("CIRCOR"). From September 2010 – August 2011, Mr. Young served as Director Total Rewards for CIRCOR. In addition, from June 2003 – August 2010, Mr. Young served in various leadership roles with Lake Region Medical (formerly Accellent, Inc.). Mr. Young's early career experience was in General Human Resource Management with a specialization in training and development. Mr. Young holds a Bachelor of Science Degree in Administration of Justice from the School of Liberal Arts, Pennsylvania State University.





## CORPORATE GOVERNANCE

### The Board of Directors

The Board is elected annually and each of our directors stands for election every year. Presently, the Board is comprised of seven directors, and all except Mr. Glastra have been determined by the Board to be independent under the rules of The NASDAQ Stock Market LLC, or NASDAQ. In making this determination, the Board has affirmed that each of the independent directors meets the objective requirements for independence set forth by NASDAQ. The independent directors are Stephen W. Bershad, Harry L. Bosco, Dennis J. Fortino, Ira J. Lamel, Dominic A. Romeo and Thomas N. Secor. Mr. Glastra is not independent because he is the Company's Chief Executive Officer. The Board has also determined that Brian D. King, a nominee for election as a director, is independent under the NASDAQ rules.

In evaluating and determining the independence of the directors, the Board considered that in the ordinary course of business, transactions may occur between the Company and its subsidiaries and entities with which some of the directors are or have been affiliated and that the Company may have other relationships with its directors. Specifically, the Board considered that Mr. Bershad is a significant shareholder of the Company. The Board determined that this relationship did not impair Mr. Bershad's independence.

Please see the biography of each director under the section entitled "Item 1—Election of Directors" for the public company boards on which each director serves.

### Board Leadership Structure and Role in Risk Oversight

The Board is responsible for the overall stewardship of the Company. The Board discharges this responsibility directly and through delegation of specific responsibilities to its committees, the Chairman of the Board and officers of the Company. The Board has established three standing committees to assist with its responsibilities: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Each of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee has a charter defining its responsibilities. The Board of Directors does not have an executive committee.

The Company's By-Laws require the Chairman of the Board to be a director and provide the Board with the ability to appoint the Chief Executive Officer of the Company as the Chairman of the Board. This approach gives the Board the necessary flexibility to determine whether these positions should be held by the same person or by separate persons based on the leadership needs of the Company at any particular time. We recognize that different board leadership structures may be appropriate for companies in different situations.

Based on the Company's present circumstances, the Board believes that the Company and its shareholders are best served by having Mr. Bershad serve as its Chairman of the Board and Mr. Glastra serve as its Chief Executive Officer. Our current leadership structure permits Mr. Glastra to focus his attention on managing our Company and permits Mr. Bershad to manage the Board. Accordingly, we believe our current leadership structure is the optimal structure for us at this time.

The Board recognizes the importance of appropriate oversight of potential business risks in running a successful operation and meeting its fiduciary obligations to our business, our shareholders, and our other stakeholders. While our senior executives, including the Chief Executive Officer, and Chief Financial Officer, have responsibility for the

day-to-day assessment and management of business risks, the Board maintains responsibility for creating an appropriate culture of risk management and setting a proper “tone at the top.” In this role, the Board, directly and through its committees, takes an active role in overseeing our aggregate risk potential and in assisting our executives with addressing specific risks, including competitive, legal, regulatory, operational and financial risks. The Board does not believe that its role in the oversight of the Company’s risks affects the Board’s leadership structure.

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Corporate Governance Highlights

The following table summarizes our board structure and key elements of our corporate governance framework:

Size of Board	Seven Directors
Number of Independent Directors	Six
Board Leadership Structure	Separate Chairman & CEO
Board Self-Evaluation	Annual
Review of Independence of Board	At Least Annually
Independent Directors Meet without Management Present	Yes
All Directors Elected Annually	Yes
Voting Standard for Election of Directors	Cumulative
Corporate Governance Guidelines	Yes
Prohibition on Hedging Company Stock	Yes

Board Committees and Meetings

The Board maintains three standing committees whose functions are described below. All members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are independent directors. The following table sets forth the membership of the Board's standing committees:

Name	Audit Committee	Compensation Committee	Nominating and
			Corporate Governance Committee
Stephen W. Bershad		CHAIR	X
Harry L. Bosco			X
Dennis J. Fortino		X	CHAIR
Ira J. Lamel	CHAIR	X	
Dominic A. Romeo	X		
Matthijs Glastra			
Thomas N. Secor	X		X

Each standing committee maintains a written charter detailing its authority and responsibilities. These charters are reviewed and updated periodically as legislative and regulatory developments and business circumstances warrant. The committee charters are available in their entirety on our website at <http://www.novanta.com> in the Investors Relations section, under the Corporate Governance tab.

Meetings

The Board and standing committees met as follows during the year ended December 31, 2016:

Name	Number of Meetings
Board of Directors	8
Audit Committee	6
Compensation Committee	5
Nominating and Corporate Governance Committee	1

The independent directors also meet routinely in executive session in connection with regular meetings of the Board. Mr. Bershad presides over all executive sessions at which he is present.

During 2016, each director attended all meetings of the Board and all meetings of committees on which the director served. Members of our Board of Directors are strongly encouraged to attend our annual meeting of shareholders. In 2016, all of our directors attended our annual meeting of shareholders.

#### The Audit Committee

The Audit Committee consists of Mr. Lamel, Mr. Romeo and Mr. Secor, with Mr. Lamel serving as Chairman. All members of the Audit Committee meet the membership requirements of NASDAQ, including the requirements regarding financial literacy and financial sophistication, and the Board has determined that each member of the Audit Committee is independent under the listing standards of NASDAQ and the rules of the SEC regarding audit committee membership. The Board has further determined that Mr. Lamel is an “audit committee financial expert” as defined by the SEC.

The Audit Committee is directly responsible for the appointment, compensation and oversight of the work of the independent registered public accounting firm, and is responsible for reviewing and discussing with management and the independent registered public accounting firm our audited consolidated financial statements included in our Annual Report on Form 10-K and our interim consolidated financial statements. The Audit Committee also reviews the independence and quality control procedures of the independent registered public accounting firm, reviews management’s assessment of the effectiveness of internal controls, and discusses with management the Company’s policies with respect to risk assessment and risk management.

#### The Compensation Committee

The Compensation Committee consists of Mr. Bershada, Mr. Fortino and Mr. Lamel, with Mr. Bershada serving as Chairman. All members of the Compensation Committee meet the membership requirements of NASDAQ, and each member of the Compensation Committee is independent under the listing standards of NASDAQ regarding compensation committee membership.

The Compensation Committee is responsible for assisting our Board in fulfilling its fiduciary duties with respect to the oversight of the Company’s compensation plans, policies and programs, including assessing our overall compensation structure, reviewing all executive compensation programs, incentive compensation plans and equity-based plans and determining executive compensation. Specifically, the Compensation Committee reviews and approves the compensation and benefits of our Chief Executive Officer and our other officers, oversees the performance evaluation of our Chief Executive Officer and other named executive officers, and reviews and approves our Senior Management Incentive Plan (including grants of equity compensation and annual cash incentive compensation for our officers and certain other key employees).

The Compensation Committee has the authority under its charter to directly retain and cause the Company to pay reasonable compensation for compensation consultants, legal counsel and other advisors as it deems necessary or appropriate. In 2016, the Compensation Committee retained Pearl Meyer, as its independent compensation consultant to assist the Compensation Committee with its responsibilities related to our executive compensation programs.

For a discussion of the Compensation Committee’s processes and procedures for considering and determining compensation for our officers, please see the “Compensation Discussion and Analysis” section.

#### The Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee (the “NCG Committee”) consists of Mr. Fortino, Mr. Bershada, Mr. Bosco and Mr. Secor, with Mr. Fortino serving as Chairman. All members of the NCG Committee meet the

membership requirements of NASDAQ.

The NCG Committee is responsible for: (a) identifying individuals qualified to become Board members and recommending such individuals to the Board as director nominees; (b) developing and recommending to the Board a set of corporate governance principles applicable to the Company; (c) reviewing the qualifications of directors eligible to become members of the different committees of the Board and recommending to the Board director nominees for each committee; (d) overseeing periodic performance reviews of the Board; and (e) evaluating and making recommendations to our Board regarding director compensation.

#### Selection and Evaluation of Director Candidates

In searching for qualified director candidates for election to the Board and to fill vacancies on the Board, the NCG Committee solicits current directors for the names of potentially qualified candidates and may ask directors to pursue their own business contacts for the names of potentially qualified candidates and to conduct due diligence on director candidates. In addition, the NCG Committee has retained an outside search firm to assist in the search for qualified candidates. Director nominee Brian D. King was recommended to the NCG Committee through the third-party search firm process. In the event there is or is expected to be a vacancy on the Board, the NCG Committee will consider suggestions from shareholders for nominees for election as directors and evaluate such suggested nominees on the same terms as candidates identified by directors, officers, outside advisors or search firms selected by the NCG Committee.

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The criteria that the NCG Committee has established regarding the minimum qualifications for nominees are available on the Company's website at <http://www.novanta.com>, in the "Investor Relations" section, under the Corporate Governance tab, with the title of "New Director Selection Process." The criteria focuses on finding candidates who have the highest level of integrity, are financially literate, have motivation and sufficient time to devote themselves to Company matters and who have skills that complement the skills and knowledge of the current directors. The Board and NCG Committee have not established a formal policy on the consideration of diversity in director candidates.

Once potential candidates are identified, the NCG Committee reviews the backgrounds of those candidates, conducts interviews of candidates and establishes a list of final candidates. To the extent practicable, final candidates are then interviewed by each member of the NCG Committee, the Chairman of the Board and the Chief Executive Officer. Reasonable efforts are made to have all remaining directors interview final candidates.

The NCG Committee and the Board have not established a formal policy with regard to the consideration of director candidates recommended by shareholders. This is due to the following factors: (i) the limited number of such recommendations, (ii) the need to evaluate such recommendations on a case-by-case basis, and (iii) the expectation that recommendations from shareholders would be considered in the same manner as recommendations by directors, officers, outside advisors or search firms in the event there is or is expected to be a vacancy on the Board.

Any shareholder who intends to recommend a candidate to the NCG Committee for nomination as a director should deliver written notice to the Company with the following information: (a) the suggested candidate's biographical data (including business experience, service on other boards, and academic credentials), (b) all transactions and relationships, if any, between the recommending shareholder or such candidate, on the one hand, and the Company or its management, on the other hand, as well as any relationships or arrangements, if any, between the recommending shareholder and the candidate and any other transactions or relationships of which the Board should be aware in order to evaluate such candidate's potential independence as a director, (c) details of whether the candidate or the recommending shareholder is involved in any on-going litigation adverse to the Company or is associated with an entity which is engaged in such litigation, and (d) whether the candidate or any company for which the candidate serves or has served as an officer or director is, or has been, the subject of any bankruptcy, SEC or criminal proceedings or investigations, any civil proceedings or investigations related to fraud, accounting or financial misconduct, or any other material civil proceedings or investigations. The notice must also contain a written consent confirming the candidate's (a) consent to be nominated and named in the Company's management proxy circular and, if elected, to serve as a director of the Company and (b) agreement to be interviewed by the NCG Committee and submit additional information if requested to do so. Any such notice should be delivered to the Company sufficiently in advance of the Company's annual meeting to permit the NCG Committee, in the event there is or is expected to be a vacancy on the Board, to complete its review in a timely fashion.

Under the Company's Articles, a shareholder may propose a director candidate for inclusion in the Company's notice of meeting if the proposal is signed by one or more holders of shares representing in the aggregate not less than 5% of the common shares of the Company entitled to vote at the shareholders' meeting at which the nomination is to be presented. Any shareholder, as described in the preceding sentence, wishing to propose a director candidate for inclusion in the Company's notice of meeting must provide notice to the Company by February 9, 2018 and include the information about such nominee as discussed above with respect to director candidates recommended by shareholders.

#### Communications with the Board

The Board has not established a formal process for shareholders to send communications to the Board and/or individual directors due to the limited number of such communications historically. However, the names of all directors are available to shareholders in this management proxy circular and on the Company website. If the Company receives any shareholder communication intended for the full Board or any individual director, the



Company will forward all such communications to the full Board or such individual director, unless the communication is clearly of a marketing nature or is unduly hostile, threatening, illegal or similarly inappropriate. Any shareholder communications should be sent to: Novanta Inc., 125 Middlesex Turnpike, Bedford, Massachusetts 01730, Attention: Investor Relations.

#### Code of Ethics and Business Conduct

All of the Company's directors, officers and employees must act in accordance with the Code of Ethics and Business Conduct, which has been adopted by the Company's Board of Directors. A copy of the Code of Ethics and Business Conduct is available on the Company's website at <http://www.novanta.com> in the "Investor Relations" section, under the Corporate Governance tab, with the title Code of Business Conduct Download. The Company intends to satisfy the disclosure requirement under Nasdaq rules regarding waivers or under Item 5.05 of Form 8-K regarding disclosure of an amendment to, or waiver from, a provision of this Code of Ethics and Business Conduct with respect to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on the Company's website discussed above, unless a Form 8-K is otherwise required by law or applicable listing rules.

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### Orientation and Continuing Education

The Company's Corporate Governance Guidelines provide that directors are expected to participate in an orientation program within six months of the annual meeting at which new directors are elected or the date on which new directors are appointed. In addition, the Company may periodically make available to its directors continuing educational opportunities designed to assist them in performing their Board and committee functions.

### Assessments

The NCG Committee is responsible for annually overseeing a review of the performance of the Board, and each of the NCG Committee, Audit Committee and Compensation Committee is responsible for annually reviewing such committee's own performance. In January 2017, the NCG Committee adopted a self-evaluation questionnaire for the Board and each of the Board's standing committees. Each director completed a questionnaire evaluating the performance of the Board as a whole and each committee on which such director served, and a summary of the results of these self-evaluations was discussed by the Board at its February 28, 2017 meeting.

### Additional Governance Matters

The Board of Directors (acting on the recommendation of the Governance and Nominating Committee) has approved the Company's Corporate Governance Guidelines, which include, among other items (in addition to those items described elsewhere in this proxy):

- The independent directors meet regularly in executive session without the presence of management;
- The Compensation Committee is responsible for reviewing the Company's succession planning and senior management development and reports to the Board on the Company's plans.

DIRECTOR COMPENSATION

In general, the Company uses a combination of cash and equity-based compensation to attract and retain candidates to serve on the Company’s Board of Directors. The Company does not compensate directors who are also employees for their service on the Board of Directors. Accordingly, during the year ended December 31, 2016, Mr. Glastra and Mr. Roush who each served as the Company’s Chief Executive Officer, did not receive any compensation for their service on the Board of Directors. The Board of Director compensation is overseen by the Nominating and Corporate Governance Committee rather than the Compensation Committee, which focuses on employee compensation. The Nominating and Corporate Governance Committee periodically reviews its cash and equity-based compensation for non-employee directors and makes recommendations to the Board of Directors for any adjustments.

The Board of Directors approved the following compensation for non-employee directors:

- Each non-employee member of the Board of Directors will receive an annual retainer in the amount of \$125,000.
- The Chairperson of the Audit Committee will receive an additional annual retainer in the amount of \$15,000.
- The Chairperson of each of the Compensation Committee and the Nominating and Corporate Governance Committee will receive an additional annual retainer in the amount of \$10,000 (unless such Chairperson is also serving as non-executive Chairperson of the Board of Directors).
- The non-executive Chairperson of the Board of Directors will receive an additional annual retainer in the amount of \$125,000.

Fifty percent of the foregoing non-employee director compensation is paid in the form of cash and the remaining fifty percent of such compensation is paid in the form of deferred stock units, which are convertible into shares of the Company’s common stock upon a holder’s termination of directorship with the Company.

As of the end of the Company’s fiscal year ended December 31, 2016, each director was also a party to an indemnification agreement with the Company. Such indemnification agreements generally provide, among other things, that each director shall be indemnified to the fullest extent permitted by applicable law against all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such director in connection with any proceeding by reason of his or her relationship with the Company. In addition, such indemnification agreements provide for the advancement of expenses incurred by such director in connection with any proceeding covered by such indemnification agreements, subject to the conditions set forth therein and to the extent such advancement is not prohibited by law.

Director Compensation Table

The following table sets forth information regarding the compensation earned during the fiscal year ended December 31, 2016 by the Company’s non-employee directors.

Name	Fees Earned	Stock Awards	Total (\$)
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Explanation of Responses:

	or Paid in Cash		
	(\$)(2)(3)(4)		
	(\$)(1)		
<b>Directors</b>			
Stephen W. Bershada	\$ 125,000	\$ 125,004	\$ 250,004
Harry L. Bosco	\$ 62,500	\$ 62,502	\$ 125,002
Dennis J. Fortino	\$ 67,500	\$ 67,501	\$ 135,001
Ira J. Lamel	\$ 70,000	\$ 70,007	\$ 140,007
Dominic A. Romeo	\$ 62,500	\$ 62,502	\$ 125,002
Thomas N. Secor	\$ 62,500	\$ 62,502	\$ 125,002

- (1) All fees earned by the Company's Board of Directors during the year ended December 31, 2016 were paid in full prior to December 31, 2016.
- (2) Amounts shown do not reflect compensation actually received. Rather, amounts shown represent the aggregate grant date fair value (based on the closing price of the Company's common stock on the last business day prior to the date of grant) of each director's deferred stock unit award determined in accordance with Accounting Standards Codification ("ASC") 718, "Compensation-Stock Compensation". The deferred stock units granted by the Company were fully vested on the grant date and the associated expense was recognized in full on the grant date in accordance with ASC 718.
- (3) All awards were granted at the closing price of the Company's common stock on the NASDAQ Global Select Market on the last business day prior to the date of grant. The amounts represent the aggregate grant date fair value associated with the respective

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annual deferred stock unit award granted to each director on January 1, 2016. In accordance with the compensation arrangement with the Board of Directors, the number of deferred stock units granted on January 1, 2016 was determined based on the closing price of the Company's common stock of \$13.62 per share as of the last day of the preceding fiscal year, December 31, 2015.

(4) The following table sets forth the aggregate outstanding deferred stock unit awards held by each director as of December 31, 2016:

	Deferred Stock  Units(1)
Name	(#)
Stephen W. Bershad	90,409
Harry L. Bosco	24,596
Dennis J. Fortino	47,175
Ira J. Lamel	50,631
Dominic A. Romeo	24,596
Thomas N. Secor	24,596
Total	262,003

(1) Deferred stock units granted to the directors were fully vested on the date of grant and will convert into an equal number of shares of the Company's common stock as of the date the respective director ceases his membership on the Board of Directors. The following table presents the number of deferred stock units granted to each director, separated by grant date:

Grant Date	Mr. Bershad	Mr. Bosco	Mr. Fortino	Mr. Lamel	Mr. Romeo	Mr. Secor
September 2, 2010	23,149	—	11,575	12,963	—	—
February 15, 2011	11,815	—	5,908	6,617	—	—
January 1, 2012	12,219	—	6,110	6,843	—	—
July 2, 2012	—	2,982	239	—	2,982	2,982
January 1, 2013	14,435	7,218	7,795	8,084	7,218	7,218
January 1, 2014	11,121	5,561	6,006	6,228	5,561	5,561
January 1, 2015	8,492	4,246	4,586	4,756	4,246	4,246
January 1, 2016	9,178	4,589	4,956	5,140	4,589	4,589
Total	90,409	24,596	47,175	50,631	24,596	24,596



## COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis contains statements regarding individual and Company performance targets and goals. These targets and goals are disclosed in the limited context of the Company's compensation programs and should not be understood to be statements of management's expectations or estimates of results or other guidance. The Company specifically cautions investors not to apply these statements to other contexts.

The following discussion and analysis details the Company's philosophy and policies regarding executive compensation, the process that is used to set executive compensation within the Company, the elements of the executive compensation program, and the role of the Compensation Committee of the Board of Directors of Novanta Inc. and the executive staff in setting executive compensation. In this section, the terms, "we", "our", and "us" refer to the Company, and the "Board" and "Board of Directors" refer to the Board of Directors of Novanta Inc., unless otherwise specified.

The following table shows our named executive officers for fiscal year 2016:

Executive	Title	Officer Since
Matthijs Glastra	Chief Executive Officer	2012
Robert J. Buckley	Chief Financial Officer	2011
Brian S. Young	Chief Human Resources Officer	2016
John A. Roush	Former Chief Executive Officer	2010 (resigned as of September 1, 2016)

## EXECUTIVE SUMMARY

### 2016 Business and Compensation Highlights

Fiscal year 2016 was a solid year from a strategic execution and financial performance perspective. Strategically, the Company:

- Acquired Reach Technology Inc., a Fremont, California-based provider of embedded touch screen technology solutions to original equipment manufacturers in the medical and advanced industrial markets, for a total purchase price of \$9.4 million;
- Acquired certain video processing and video management technologies used in medical visualization solutions, for a total purchase price of \$4.0 million;
- Entered into the Second Amended and Restated Credit Agreement, which matures on May 19, 2021 and provides for an aggregated credit facility of \$300.0 million, comprised of a \$75.0 million, 5-year term loan facility and a \$225.0 million, 5-year revolving credit facility (collectively, the "Senior Credit Facilities"). The Second Amended and Restated Credit Agreement amended and restated our previous senior credit facility that had a maturity date of December 27, 2017. The Senior Credit Facilities may be increased by an additional uncommitted \$125.0 million in the aggregate, subject to the satisfaction of certain customary covenants; and
- Substantially completed the 2016 restructuring program, which included consolidating certain of our manufacturing operations to optimize our facility footprint and better utilize resources, costs associated with discontinuing our

radiology product line, and reducing redundant costs due to productivity cost savings and business volume reductions.

Financially, we achieved many of the goals set forth by management and the Board at the outset of the year and made significant progress toward our long-term goals, including the following accomplishments:

• For the full year of 2016, the Company generated revenue of \$384.8 million, an increase of 3.0% from \$373.6 million for the full year of 2015; and

• For the full year of 2016, operating income from continuing operations was \$32.6 million, compared to \$28.9 million for the full year of 2015.

Our executive compensation program results for fiscal year 2016 reflected this strategic and financial progress. The cash component of our Senior Management Incentive Plan (“SMIP”) for executives paid out above target for fiscal year 2016 based on the following:

• Company adjusted EBITDA for the first half of the year was 98% of target, resulting in a payout of 96% of the first half target bonus amount; and

- Company adjusted EBITDA for the second half of the year was 104% of target, resulting in a payout of 109% of the second half target bonus amount.

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Finally, we sought to maintain the strong governance of our executive compensation program. In particular, during fiscal year 2016, the Compensation Committee:

- Convened five times;
- Reviewed the performance of our Chief Executive Officer (the “CEO”);
- Reviewed the performance of the other named executive officers; and
- Considered the results of our fiscal year 2015 say-on-pay voting results.

We feel that our executive compensation programs continue to provide a strong link between pay and performance, provide appropriate incentives and provide a fair and balanced total compensation opportunity to the executives. Our shareholders agree, as evidenced by the approval of our executive compensation by approximately 98% of the votes cast with respect to our 2016 say-on-pay proposal.

## COMPENSATION PHILOSOPHY

The Company is a global supplier of precision photonics and motion control components and subsystems to original equipment manufacturers in the medical equipment and advanced industrial technology markets. The Company operates in an ever-evolving and fast-paced environment, and is moving aggressively to position itself in leading high growth medical and advanced industrial markets. Our ability to compete in this environment depends, to a large extent, on our success in identifying, recruiting, developing and retaining management talent.

In support of our goals, we have designed an executive compensation program that is robust, highly performance-driven, and intended to generate both long-term sustainable shareholder value and near-term focus on financial performance, operational excellence, quality and innovation. The program is based on the following principles:

- **Competitive compensation.** The compensation program is intended to attract and retain executive talent with the capability to lead within a global company, while remaining affordable for the Company, including with respect to its impact on earnings and cash flow, avoiding the promotion of inappropriate or excessive risk-taking and maintaining flexibility to respond to the changing needs of the business.
- **Pay-for-performance.** The Compensation Committee reviews the overall design of our executive compensation program on an annual basis to ensure that our executive compensation is aligned with both annual and long-term performance goals. In 2016, the Company adopted changes to the long-term compensation provided to our named executive officers to further reinforce our compensation philosophy. These changes include granting 50% of the long-term incentive compensation in the form of performance stock units and stock options. The Company considers options to be a form of performance-based long-term compensation.
- **Compensation mix with a larger percentage of “at-risk” compensation.** Through the adoption of a compensation structure offering both cash-based and equity-based incentives, the Compensation Committee has increased the percentage of “at-risk” compensation for named executive officers. The Compensation Committee may also consider further increasing the emphasis on “at-risk” elements of compensation in the future by reducing or maintaining base salaries and increasing short-term and/or long-term incentive potentials. This compensation mix is intended to support the following compensation objectives:
  - o Emphasis on variable pay to align executive compensation with the achievement of results that drive the Company’s business strategy; and
  - o Utilization of equity-based incentive plans to tie a significant portion of compensation to the Company’s long-term results, to align the executive’s financial interests with those of our shareholders and to facilitate an ownership culture among executives.
- **Prudent corporate governance.** We are committed to maintaining a prudent corporate governance model and to continually improving our compensation practices and policies. Key practices include:
  - o Annual review of the compensation philosophy of the Company by the Compensation Committee.

- o Implementation of a cap on cash incentive compensation (cash portion of the SMIP) at 250% of target and a cap on performance-based equity incentive compensation (performance stock units) at 200% of target.
- o Maintenance of a Compensation Committee composed entirely of independent, non-employee directors who satisfy applicable independence requirements.

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- oEngagement of an independent outside compensation consultant, Pearl Meyer, to perform market-based analyses of competitive pay levels and practices for key positions within the Company.
- oLimitation on engaging in hedging transactions by our named executive officers.
- oAnnual “say-on-pay” advisory voting.
- oElimination of all rights to “Section 280G” gross-up payments.

The following graphs depict the average target pay mix of base salary, short-term cash bonus incentives and long-term equity-based incentives for our Chief Executive Officer and for our other named executive officers (other than Mr. Roush who resigned effective as of September 1, 2016).

- (1)Based on annual base salary, annual target cash bonus and annual equity grant (based on target value) as stated in the target compensation package for the individual holding the office of Chief Executive Officer. Actual pay mix for Mr. Glastra in 2016 varied from this target pay mix given his promotion to CEO in 2016. Mr. Glastra’s pay in 2016 generally consisted of 17% salary, 15% short-term cash incentives, and 68% long-term equity incentives (which include his promotion RSU grant).
- (2)Based on annual base salary, annual target cash bonus and annual equity grant (based on target value) in the 2016 compensation packages for our Chief Financial Officer and Chief Human Resources Officer.

#### Highlights of Our 2016 Executive Compensation Program

During 2016, we continued to implement compensation practices and arrangements that reinforce our compensation philosophy. A summary of such compensation practices are set forth below:

Continuation of the SMIP, a pay-for-performance compensation structure for senior executives, which seeks to balance the percentage of compensation provided in the forms of base salary, cash bonus incentive awards and long-term equity-based awards. The SMIP provides a competitive market-based compensation structure with direct alignment to shareholder interests that enables the Company to attract and retain key management talent. Equity incentive awards were granted pursuant to the SMIP to align executive compensation with the long-term goal of enhancing shareholder value and to promote executive retention with the Company by granting annual equity awards that vest over three years. In 2016, the Company supplemented its equity incentive award structure by implementing (a) performance stock units that cliff vest following the end of the applicable three-year performance period based on achievement of specified performance targets and (b) time-based vesting stock options that vest ratably over three years, subject to continued employment. The Company believes that the implementation of performance stock units and stock options further reinforces our performance emphasis within our compensation philosophy with regards to the named executive officers. Additionally, to further support executive retention, the Company awarded one-time special promotion restricted stock units to Mr. Glastra and special retention restricted stock units to Messrs. Buckley and Young, in each case, that cliff vest in five years from the date of grant, subject to continued employment. Named executive officers are encouraged to retain the shares granted to them to further drive long-term value creation and interests that align with those of the shareholders.

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•The cash bonus incentive awards pursuant to the SMIP are determined based on performance metrics, based on the Board's belief that the Company's growth and future success are dependent upon the achievement of financial results. For our named executive officers, the metric is Company adjusted EBITDA. The Company currently defines Company adjusted EBITDA as operating income from continuing operations before deducting depreciation, amortization, non-cash stock-based compensation, restructuring, acquisition and divestiture related costs, and other income or expenses not considered part of our normal operating activities. The respective adjusted EBITDA target levels of performance are correlated with the Company's annual sales and income growth objectives. See the "Executive Compensation Program Elements" section below for additional information about the performance metrics applicable to the 2016 cash bonus incentive awards.

In addition to the compensation practices described above, the Company has agreed to certain compensation terms and conditions that are set forth in employment agreements with the named executive officers. For a full description of the Company's executive compensation program, please also see "Executive Compensation Program Elements." For a description of the employment agreements, see "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table" and "Potential Payments upon Termination or Change of Control".

## THE EXECUTIVE COMPENSATION DECISION MAKING PROCESS

### Compensation Committee Members and Independence

The Compensation Committee is comprised of Messrs. Bershad, Fortino and Lamel. None of the current members were, at any time, officers or employees of the Company or its subsidiaries and the Board has determined that each member of the Compensation Committee is an independent director under the applicable rules of NASDAQ.

### Role of the Compensation Committee, Management and Outside Advisors

The Compensation Committee is responsible for designing, implementing and evaluating the Company's executive compensation plans and policies. Among its responsibilities, the Compensation Committee:

- Reviews the Compensation Committee Charter annually and amends it as appropriate;
- Establishes our compensation philosophy and the framework for determining the compensation of our named executive officers;
- Reviews, evaluates and approves base salaries, cash-based incentives, long-term equity-based incentives and all other forms of compensation for these individuals;
- Evaluates the performance of the CEO and receives performance evaluations of the other named executives as reported by the CEO, which will impact the following year's compensation decisions;
- Reviews and approves the performance objectives, including the target financial objectives for the cash-based incentives, applicable to each of the named executive officers; and
- Certifies performance at the end of each year and approves annual cash bonus payouts.

In performing the responsibilities above, the Compensation Committee receives advice and input, as applicable, from the Board of Directors, the CEO, members of management, outside consultants, human resources representatives and the Company's outside legal counsel on compensation issues and regarding general compensation policies, including the appropriate level and mix of the compensation for executive officers.

The Compensation Committee meets in executive session and, where appropriate, with members of management, including the CEO, Chief Human Resources Officer, outside consultants, and the Company's outside legal counsel. Although the CEO is generally present during the non-executive sessions of the Compensation Committee meetings and provides input to the Compensation Committee with regard to his direct reports, the Compensation Committee makes all decisions with regard to CEO compensation in executive sessions and the CEO has no vote in the actual approval of compensation for any named executive officer.

Pursuant to its charter, the Compensation Committee may form and delegate authority to subcommittees of the Compensation Committee, to the extent consistent with the Company's Articles of Association, Bylaws, Corporate Governance Guidelines, applicable law and NASDAQ rules, except that it may not delegate its responsibilities for any matters that involve executive compensation or any matters where it has determined such compensation is intended to comply with Section 162(m) of the Internal Revenue Code (the "Code"), by virtue of being approved by a committee of "outside directors" or is intended to be exempt from Section 16(b) under the Securities Exchange Act of 1934 pursuant to Rule 16b-3 by virtue of being approved by a committee of "non-employee directors."

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Executive Compensation and Comparable Company Data

Generally, the Compensation Committee reviews each named executive officer's total compensation each year and, in connection therewith, considers market data for similar positions at other public companies and other relevant sources. The Compensation Committee may retain the services of advisors and it has the budgetary authority to hire such advisors as it deems necessary for its compensation review. In 2016, the Compensation Committee worked directly with its external advisor, Pearl Meyer, which helps the Compensation Committee assess whether the total compensation paid to the named executive officers is fair, reasonable and competitive. The Company has assessed the independence of Pearl Meyer and its representatives and has determined that no conflicts of interest exist. In order to avoid any conflict of interest, Pearl Meyer did not provide other consulting services to the Company during 2016.

Generally, the types of compensation and benefits provided to the named executive officers are intended to be similar to those provided to executive officers at other public companies. While the Compensation Committee does not believe it is appropriate to set executive compensation levels based exclusively on compensation surveys and comparable company data, the Compensation Committee uses publicly available surveys and comparable company data as tools for internally assessing whether the Company's executive compensation program is, in the aggregate, reasonable in scope, market-competitive, and consistent from year to year.

In early 2016, Pearl Meyer was asked to develop a compensation report that identifies market-based compensation structures, pay practices and rates of compensation for targeted positions at the Company as compared to the Company's peer group. The peer group is selected based on relevant factors, including industry, fiscal year or trailing twelve-month revenue, market capitalization, total shareholder return and EBITDA. The peer group used in this compensation report prepared by Pearl Meyer in February 2016, which was used in establishing the 2016 compensation of our named executive officers, was comprised of the following companies:

- Allied Motion Technologies Inc.
- American Science & Engineering Inc.
- Analogic Corporation
- Astronics Corporation
- Brooks Automation, Inc.
- Cognex Corporation
- Coherent, Inc.
- CTS Corporation
- FARO Technologies Inc.
- II-VI Incorporated
- IPG Photonics Corporation
- LMI Aerospace Inc.
- MTS Systems Corporation
- Newport Corp.
- NN Inc.
- Rofin-Sinar Technologies Inc.
- SL Industries Inc.
- Vishay Precision Group, Inc.

Pearl Meyer also provided compensation data from market survey data published by third parties regarding companies outside of our peer group, for use as a general indicator of relevant market conditions and pay practices and as a broader reference point.

The Company has retained the services of Pearl Meyer to assess 2017 executive compensation and, in connection with this review, the Company's peer group was further reconstituted to include the following companies:

- Analogic Corporation
- AngioDynamics, Inc.
- Brooks Automation, Inc.
- CTS Corporation
- FARO Technologies Inc.
- II-VI Inc.

- Cognex Corporation
- Coherent Inc.
- CONMED Corporation
- CryoLife, Inc.
- Cynosure, Inc.
- IPG Photonics Corporation
- Masimo Corporation
- Merit Medical Systems, Inc.
- MTS Systems Corporation
- NN Inc

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Outside of survey and peer group information and other important factors that drive compensation decisions include individual qualifications and expertise, responsibilities, particular industry and market conditions of a business segment, complexity of position and specific market factors in the locations in which our named executive officers are employed. The Compensation Committee also considers the performance of the Company's named executive officers, the individual's historical compensation and any retention concerns, and the CEO's recommendations (in the case of named executive officers other than the CEO) before determining the compensation arrangement for each of them.

#### Shareholder Say-On-Pay Vote

At our 2016 annual meeting of shareholders, the Company provided our shareholders with the opportunity to cast an annual advisory vote to approve the Company's executive compensation. Approximately 98% of the votes cast on the "2016 say-on-pay vote" were voted in favor of the proposal. We have considered the 2016 say-on-pay vote and we believe that the overwhelming support of our shareholders for 2016 say-on-pay vote indicates that our shareholders are generally supportive of our approach to executive compensation. The Company considered the outcome of the say-on-pay votes when making compensation decisions regarding its named executive officers for 2017, and plans to continue to consider input from shareholders in future years. The following chart presents the voting results for the say-on-pay for the last three years:

#### Executive Compensation Program Elements

Executive compensation at the Company includes base salary, short-term cash bonus incentives, long-term equity-based incentives, employee benefits and, in certain situations, severance and other compensation. These elements (and the amounts of compensation and benefits thereunder) were selected because the Compensation Committee believes they are necessary to help us attract and retain executive talent which is fundamental to our success. The elements of compensation may vary among executives based on the Compensation Committee's determination as to what is appropriate under the policies set forth above. Below is a summary of the current executive compensation programs as they relate to our named executive officers.

#### Base Salary

Base salary levels for the named executive officers are generally determined based on the Compensation Committee's evaluation of the named executive officer's position, experience, qualifications, prior employment (including historical compensation), current and individual performance, industry knowledge, quality of leadership, scope of responsibilities (including potential growth in responsibilities), internal pay equity, tax deductibility, cost of living, and competitive external market data (which includes peer group information as described above). No specific weighting is applied to the factors. Generally, the Compensation Committee refers to the median of the relevant competitive market for the position as part of the base salary evaluation, but any individual named executive officer may have a base salary above or below the median of the market. The Compensation Committee's philosophy is that base salaries are the minimum payment for satisfactory performance and should meet the objective of attracting and retaining the executive talent needed to run a complex business.



The annual base salaries for each of our named executive officers for fiscal years ended December 31, 2015 and 2016, respectively, are listed below:

	2015	2016
Mr. Glastra (1)	\$412,965	\$500,000
Mr. Buckley	\$380,615	\$393,937
Mr. Young (2)	\$—	\$256,800
Mr. Roush	\$587,714	\$608,284

(1) Mr. Glastra's 2016 base salary as COO was \$427,419 and his base salary as CEO was \$500,000.

(2) Mr. Young was employed by the Company in 2015, but was not a named executive officer.

#### Cash Bonus Incentives

In 2016, the SMIP included cash bonus incentives that were designed to motivate and reward the Company's key management team members for driving short-term performance within their respective organizations and across the Company. The cash bonus incentives pursuant to the SMIP are earned semi-annually based on achievement against Company adjusted EBITDA targets (the "Financial Objectives"). For purposes of payment of cash bonus incentives, adjusted EBITDA is defined as operating income from continuing operations before deducting depreciation, amortization, non-cash stock-based compensation, restructuring, acquisition and divestiture related costs, and other income or expense not considered part of our normal operating activities. The target level of the Financial Objectives (provided below) is correlated with the Company's annual growth objectives. Although the target financial metrics of cash bonus are intended to be achievable, a maximum bonus would require very high levels of performance. Actual performance against the Financial Objectives must be within an established range of the target to result in any payout for the respective Financial Objectives, as described in more detail below.

Each of our named executive officers has an established bonus incentive target, which is based on a percentage of his or her current annual base salary. Pursuant to the SMIP, the target bonus would be payable upon 100% achievement of each of the applicable Financial Objectives. The table below describes the cash bonus incentive for each named executive officer under the SMIP, including the annual target as a percentage of base salary and the annual target in dollars.

	Cash Bonus Incentive Annual Target (%) of base salary)	Cash Bonus Incentive Annual Target (\$)	Cash Bonus Incentive Minimum Payout (\$)	Cash Bonus Incentive Maximum Payout (\$)
Mr. Glastra (1)	65%	\$277,822	—	\$694,556
Mr. Buckley	75%	\$295,453	—	\$738,632
Mr. Young	50%	\$128,400	—	\$321,000

Mr. Roush	100%	\$ 608,284	—	\$ 1,520,710
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(1) Mr. Glastra’s cash bonus incentive for fiscal year 2016 was based on his base salary and target bonus percentage established in February 2016 when he was the COO of the Company. His cash bonus incentive as CEO at an annual target of 100% of base salary will be effective starting in 2017.

The following chart shows the weightings of each of the performance metrics under the SMIP for the named executive officers.

	First-half Financial	Second-half Financial
	Objective	Objective
Participants	50%	50%

The cash bonus incentives with respect to the Financial Objectives are eligible to be earned in six-month cycles, subject to availability of consolidated financial statements for the respective six-month cycle. Payouts for all named executive officers are calculated for each cycle as the achievement against the respective Financial Objectives multiplied by the target bonus percentages and the base salary for the applicable period for each participant, except for Mr. Glastra’s cash bonus for both six-month cycles which is based on his base salary and target bonus percentage established at the beginning of 2016. The target payout date for the first-half payout is around August 15 of the then-current year and the target payout date for the second-half is around March 15 of the following year.

Amounts earned based on the Financial Objectives will vary depending upon the level of achievement of the assigned Financial Objectives, and are calculated using payout curves. The threshold, target and maximum payouts pursuant to the respective Financial Objectives are presented below:

First Half of 2016

	Performance against Financial Objectives	Payout for Respective Financial Objectives
Threshold	75% or less of performance target	0% of target payout
Target	100% of performance target	100% of target payout
Maximum	175% or more of performance target	250% of target payout

Second Half of 2016

	Performance against Financial Objectives	Payout for Respective Financial Objectives
Threshold	75% or less of performance target	0% of target payout
Target	100% of performance target	100% of target payout
Maximum	175% or more of performance target	250% of target payout

The targets that would have resulted in a 100% payout of the respective Financial Objectives to each of the named executive officers in 2016 are as follows: first half financial target: Company adjusted EBITDA of \$31.5 million; second half financial target: Company adjusted EBITDA of \$35.0 million.

The table below presents the actual cash bonus incentives earned in 2016 under the SMIP, by performance objective, as applicable, for each of the named executive officers:

	First-half Financial Objective	Second-half Financial Objective	Total
Mr. Glastra (1)	\$ 133,355	\$ 151,413	\$ 284,768
Mr. Buckley (1)	\$ 141,817	\$ 161,022	\$ 302,839
Mr. Young (1)	\$ 61,632	\$ 69,978	\$ 131,610
Mr. Roush (1)	\$ 291,976	\$ 110,505	(2) \$ 402,481

- (1) Cash bonus incentive earned was determined based on achievement of 98% of the Financial Objective in the first half, resulting in a payout of 96% of the target amount with respect to such objective based on the payout curve and achievement of 104% of the Financial Objective in the second half, resulting in a payout of 109% of the target amount with respect to such objective based on the payout curve.
- (2) Second half cash bonus incentive for Mr. Roush represents a portion of such bonus, prorated based on the period of his employment during 2016, as contemplated by his separation agreement described below.

#### Equity-Based Compensation

The Company uses equity-based compensation to align executive compensation with long-term goals that enhance shareholder value and to promote executive retention with the Company by extending vesting periods over several years. Accordingly, the Company intends to make equity-based compensation a significant portion of compensation for the named executive officers, as demonstrated by the significant grants made to the named executive officers in 2016 under the SMIP.

Our annual grants of equity-based compensation are currently in the form of (a) service-based restricted stock units that generally vest in one-third increments over three years subject to continued employment, (b) performance stock units that cliff vest following the end of the applicable three-year performance period subject to continued employment through the date of vesting and achievement of the applicable performance targets, with accelerated vesting under specific circumstances, and (c) stock options that vest in one-third increments over three years subject to continued employment. The employment agreements for Mr. Glastra and Mr. Buckley mandate the minimum values of their annual equity grants.

The following table presents the equity grants awarded to the Company's named executive officers in 2016:

	Performance Stock Units Awards (1)			Restricted Stock Unit Awards (#) (2)	Promotion/Retention Restricted Stock Unit Awards (#) (3)	Option Awards (#) (4)	Exercise Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards
	Threshold (#)	Target (#)	Maximum (#)					
Mr. Glastra	5,088	10,175	20,350	20,349	80,000	42,733	\$ 14.13	\$1,888,969
Mr. Buckley	5,228	10,455	20,910	20,910	80,000	43,911	\$ 14.13	\$1,906,742
Mr. Young	1,931	3,862	7,724	7,724	30,000	16,221	\$ 14.13	\$711,315
Mr. Roush (5)	10,763	21,525	43,050	43,050	—	90,404	\$ 14.13	\$1,364,465

(1) Our annual grants of performance stock units vest following the end of the applicable three-year performance period (the period ending on December 31, 2018 for the 2016 performance stock unit awards), subject to continued employment through the date of vesting and achievement of the applicable performance thresholds. A threshold payout with respect to the performance stock units results in the issuance of a number of shares equal to 50% of the number of performance stock units and is based on achieving a cumulative adjusted earnings per share ("EPS") of \$3.08 for the three-year performance period ending on December 31, 2018; a target payout with respect to the performance stock units results in the issuance of a number of shares equal to 100% of the number of performance stock units and is based on achieving a cumulative adjusted EPS of \$3.39 for the three-year performance period ending on December 31, 2018; and a maximum payout with respect to the performance stock units results in the issuance of a number of shares equal to 200% of the number of performance stock units and is based on achieving a cumulative adjusted EPS of \$4.06 for the three-year performance period ending on December 31, 2018. Adjusted EPS for the year ended December 31, 2016 means diluted earnings per share, determined in accordance with GAAP, adjusted to exclude: (1) amortization of intangible assets, (2) restructuring, divestiture and other costs, (3) acquisition related costs, (4), acquisition fair value adjustments, (5) inventory related charges for discontinuation of radiology products, (6) CEO transition costs, and (7) the tax effect of the foregoing adjustments. The chart below illustrates the payout curve:

- (2) Our annual grants of restricted stock units vest one-third annually on each of the first, second and third anniversaries of the date of grant and are subject to accelerated vesting in certain situations as described more fully in the "Potential Payments upon Termination or Change of Control" section below.
- (3) The number of shares in this column represents the promotion restricted stock units granted to Mr. Glastra, and the retention restricted stock units granted to Messrs. Buckley and Young. The promotion/retention restricted stock units will cliff vest upon the fifth anniversary of the date of grant, subject to continued employment on the date of vesting, and accelerated vesting under specified circumstances.
- (4) Our annual grants of stock options vest one-third annually on each of the first, second and third anniversaries of the date of grant, subject to continued employment on the date of vesting and accelerated vesting under specified circumstances.
- (5)

Amounts shown above reflect the original number of shares granted without any adjustments resulting from Mr. Roush's separation agreement.

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## Employee Benefits and Other Compensation

In addition to the elements of compensation discussed above, the Company offers the named executive officers contributions towards health, dental, life, accidental death and dismemberment, and disability insurance premiums consistent with the Company's contribution levels offered to all other employees of the Company. The Company does not offer a deferred compensation program, nor does it offer retirement benefits other than a 401(k) defined contribution plan. This plan provides for Company matching contributions of 100% of the first three percent of compensation and 50% of the next two percent of compensation up to the maximum amount allowed under the Code.

Mr. Roush (prior to his resignation) and Mr. Buckley are provided with life insurance benefits in excess of those available to all other employees, to comply with the terms of their respective employment agreements that stipulate that the Company will provide life insurance benefits in the face amount equal to no less than 400% of their respective annual base salaries. The life insurance benefits were negotiated in connection with our hiring of Messrs. Roush and Buckley to assist in their recruitment and retention. The cost of such supplemental life insurance benefits for Messrs. Roush and Buckley in 2016 equaled \$1,102 and \$540, respectively. Mr. Roush did not receive these life insurance benefits following his resignation. The Company did not offer life insurance benefits in excess of the maximum allowed under its Group Life Insurance policy to Mr. Glastra in connection with his promotion.

In connection with his promotion to CEO, Mr. Glastra was provided with reimbursement of certain one-time relocation costs related to his move to the Company's headquarters in Massachusetts. Such reimbursed costs are generally related to moving, temporary housing and travel, and the aggregate reimbursement amounted to \$201,125. A pro rata portion of such reimbursement is subject to repayment by Mr. Glastra in the event that his employment is terminated for certain reasons prior to June 1, 2018.

## Severance and Change of Control Benefits

The Company has certain obligations to its named executive officers in specified circumstances, including termination of employment or a change of control of Novanta Inc., pursuant to the terms of individualized employment agreements. See "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table" for a description of the employment agreements and "Potential Payments upon Termination or Change of Control" for a description of the severance and change in control obligations in such agreements.

As described under "Potential Payments upon Termination or Change of Control", effective July 27, 2016, the Company entered into a letter agreement with Mr. Roush (the "Roush Separation Agreement") specifying the terms of his resignation as Chief Executive Officer as of September 1, 2016. The Roush Separation Agreement provides for continuation of base salary for 18 months following September 1, 2016, a prorated cash bonus for 2016 (based on actual performance), and prorated vesting of his outstanding equity awards. Mr. Roush executed a release of claims in favor of the Company as a condition to receiving the severance payments and benefits set forth in the Roush Separation Agreement.

At the start of fiscal year 2016, the respective employment agreements with Messrs. Buckley and Roush contained a "Section 280G tax gross-up" provision, which provided for a payment to Messrs. Buckley and Roush if they should become subject to parachute payment excise taxes imposed in connection with any change of control of the Company. These provisions were negotiated in connection with our hiring of Messrs. Buckley and Roush. Although the Company previously determined that such provisions were appropriate for Messrs. Buckley and Roush in order to assist in their recruitment and retention and in order to help ensure a stable senior management team in the event of any future change of control transaction, Mr. Buckley and the Company elected in July 2016 to eliminate such obligations on a going forward basis to better align management interest with shareholder interests. As a result, following the resignation of Mr. Roush and the amendment of Mr. Buckley's employment agreement (as described

further below), no executive officer is entitled to any “Section 280G tax gross-up” payments and the Company does not currently plan to implement similar tax gross-ups for any executives in the future.

#### Policy Prohibiting Hedging by Executive Officers

The Company’s insider trading policy prohibits our executive officers and other persons covered by the policy from engaging in hedging transactions with respect to the Company’s shares.

#### Tax and Accounting Implications

In 2016, the Company’s compensation programs were affected by each of the following:

- **Accounting for Stock-Based Compensation:** The Company accounts for stock-based compensation in accordance with the requirements of Accounting Standards Codification (“ASC”) 718, “Stock Compensation”. The Company also takes into consideration ASC 718 and other generally accepted accounting principles in determining changes to policies and practices for its stock-based compensation programs.

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Section 162(m) of the Code: This section generally limits, for U.S. corporate income tax purposes, the deductibility of compensation for a public company's chief executive officer and its three other most highly compensated officers (other than the chief financial officer) unless the compensation is less than \$1 million during any fiscal year or is "performance-based" under Section 162(m). The Company periodically reviews the potential consequences of Section 162(m), and it generally intends to structure the performance-based portion of executive compensation, where appropriate, to comply with exemptions in Section 162(m) so that the compensation remains tax deductible to the Company. The Compensation Committee in its judgment may, however, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such compensation is appropriate and in the best interests of the shareholders after taking various factors into consideration, including business conditions and the performance of such executive officer.

#### Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Company's "Compensation Discussion and Analysis", and based on such review and discussions, has recommended to the board of directors that the "Compensation Discussion and Analysis" be included in this management proxy circular.

Mr. Stephen W. Bershad (Chairperson)

Mr. Dennis J. Fortino

Mr. Ira J. Lamel

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## EXECUTIVE COMPENSATION

## Summary Compensation Table

The following table sets forth information regarding the compensation earned by each of the Company's named executive officers during the fiscal years ended December 31, 2016, 2015 and 2014. For the year ended December 31, 2016, the Company's named executive officers consisted of: (i) the individual who served as the Chief Executive Officer as of the end of fiscal year 2016 (M. Glastra), (ii) the individual who served as the Chief Financial Officer during the year ended December 31, 2016 (R. Buckley), (iii) one additional individual who served as Chief Human Resources Officer as of the end of the year ended December 31, 2016 (B. Young), and (iv) one additional individual who served as the Chief Executive Officer during the year ended December 31, 2016 (J. Roush), (the individuals described in (i) through (iv) above, collectively, the "Named Executive Officers" or "NEOs").

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	Stock Awards (\$)(2)	Option Awards (\$)(3)	Non-Equity		Compensation Total (\$)
						Incentive Plan Compensation (\$)(4)	All Other Compensation (\$)(5)	
Matthijs Glastra Chief Executive Officer(6)	2016	456,962	125,000	1,675,304	213,665	284,768	211,921	2,967,620
	2015	410,955		412,973	—	287,755	7,666	1,119,349
	2014	387,892		159,612	—	183,939	5,903	737,346
Robert J. Buckley Chief Financial Officer	2016	392,089		1,687,187	219,555	302,839	10,208	2,611,878
	2015	378,762		570,925	—	306,015	10,143	1,265,845
	2014	358,387		551,620	—	254,295	8,593	1,172,895
Brian S. Young Chief Human Resources Officer(7)	2016	253,526		630,210	81,105	131,610	7,682	1,104,133
Former Executive Officer John A. Roush Chief Executive Officer	2016	434,278 (8)		912,445	452,020	291,976	1,075,684	3,166,403
	2015	584,853		1,175,434	—	630,030	13,061	2,403,378
	2014	553,392		1,135,692	—	517,870	11,630	2,218,584

Explanation of Responses:

- (1) The Compensation Committee awarded Mr. Glastra a special one-time cash bonus of \$125,000 in respect of the successful and seamless transition of the Chief Executive Officer's responsibilities from Mr. Roush and the strong performance of the Company's operating results as well as the appreciation in the Company's stock price following the transition.
- (2) Amounts shown do not reflect compensation actually received. Rather, amounts shown represent the aggregate grant date fair value of these awards determined in accordance with ASC 718 (disregarding any reduction in such value due to any estimate of forfeitures related to service-based vesting conditions) and based on the closing price of the Company's common stock on the grant date. Under ASC 718, compensation expense with respect to stock awards is generally recognized over the vesting periods applicable to the awards.
- (3) Amounts represent the aggregate grant date fair value of stock options that were granted in each fiscal year as computed in accordance with ASC 718 utilizing the assumptions discussed in Note 11 to our Consolidated Financial statements for the fiscal year ended December 31, 2016.
- (4) Amounts shown consist of awards earned during the period based on performance under the applicable annual cash bonus incentive plan. Amounts shown in 2016, 2015 and 2014 relate to the SMIP, which is applicable to each of the NEOs. Amounts shown for each year include cash bonus earned under the SMIP plan as of the end of the year but paid in the subsequent year.

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(5) Amounts in 2016 include the following:

	Mr. Glastra	Mr. Buckley	Mr. Young	Mr. Roush
	(\$)	(\$)	(\$)	(\$)
Defined Contribution Plan Company Match	\$ 10,288	\$ 9,139	\$ 7,329	\$ 10,600
Group Term Life Insurance	508	529	353	876
Supplemental Life Insurance	-	540	-	1,102
Relocation Reimbursement	201,125	-	-	-
Health Insurance	-	-	-	40,175
Cash Severance	-	-	-	1,022,931
	\$ 211,921	\$ 10,208	\$ 7,682	\$ 1,075,684

(6) On September 1, 2016, Mr. Glastra was appointed as Chief Executive Officer of the Company. Prior to such appointment, Mr. Glastra served as the Company's Chief Operating Officer.

(7) Mr. Young was appointed as Chief Human Resources Officer on December 8, 2016.

(8) On September 1, 2016, Mr. Roush resigned as Chief Executive Officer of the Company. Amount shown represents Mr. Roush's base salary through such date.

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Grants of Plan-Based Awards

The following table sets forth information regarding all plan-based awards granted to the Company's Named Executive Officers during the year ended December 31, 2016.

Name	Type	Grant Date	Approval Date (3)	Estimated Future Payouts under Non-Equity Incentive Plan Awards(1)		Estimated Future Payouts under Equity Incentive Plan Awards(2)			All Other Stock Awards: Other Option	Number of Shares of Stock or Units	Exercise Price (\$/Sh)	Fair Value of Option Stock and Awards (\$)
				Target (\$)	Maximum (\$)	Threshold	Target (#)	Maximum (#)				
Executive Officers Matthijs Glastra	Bonus			-\$277,822	\$694,556							
	PSUs	3/30/2016	3/22/2016			5,088	10,175	20,350				\$143,773
	Annual RSUs	3/30/2016	3/22/2016						20,349			\$287,531
	Stock Options	3/30/2016	3/22/2016							42,733	\$14.13	\$213,665
	Promotion RSUs	8/2/2016	7/27/2016						80,000			\$1,244,000
Robert J. Buckley	Bonus			-\$295,453	\$738,632							
	PSUs	3/30/2016	3/22/2016			5,228	10,455	20,910				\$147,729
	Annual RSUs	3/30/2016	3/22/2016						20,910			\$295,458
	Stock Options	3/30/2016	3/22/2016							43,911	\$14.13	\$219,555
	Retention RSUs	8/2/2016	7/27/2016						80,000			\$1,244,000
Brian S. Young	Bonus			-\$128,400	\$321,000							
	PSUs	3/30/2016	3/22/2016			1,931	3,862	7,724				\$54,570
	Annual RSUs	3/30/2016	3/22/2016						7,724			\$109,140

Stock										
Options	3/30/2016	3/22/2016						16,221	\$ 14.13	\$ 81,105
Retention										
RSUs	8/2/2016	7/27/2016						30,000		\$ 466,500

Former  
Executive  
Officer  
John A.

Roush	Bonus											
										-\$608,284 \$ 1,520,710		
	PSUs	3/30/2016	3/22/2016					10,763	21,525	43,050	\$ 304,148	
	Annual											
	RSUs	3/30/2016	3/22/2016							43,050	\$ 608,297	
	Stock											
	Options	3/30/2016	3/22/2016							90,404	\$ 14.13	\$ 452,020

- (1) Amounts shown in these columns reflect aggregate threshold, target and maximum payout levels for cash bonuses under the SMIP. Pursuant to the SMIP, each participating NEO has an established target bonus which is based on a percentage of the respective NEO's base salary. A target payout assumes a 100% payout of the target bonus based on 100% achievement of the respective Financial Objectives under the SMIP. A threshold payout assumes 0% payout for failure to attain the minimum performance targets. A maximum payout assumes a 250% payout for achievement of 175% or more of the Financial Objectives. See the section entitled "Compensation Discussion and Analysis" for the Financial Objectives. Further information regarding amounts earned is provided in the section entitled "Compensation Discussion and Analysis". The actual amount earned is reported under the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.
- (2) Amounts shown in these columns reflect threshold, target and maximum payout levels of the performance stock units. The grant date fair value of these units was based on the target number of shares that might be earned. These performance stock units cliff-vest following the end of the applicable three-year performance period, subject to continued employment on the date of vesting and achievement of the applicable performance thresholds, subject to accelerated vesting under specified circumstances. Further information regarding accelerated vesting is provided in the section entitled "Potential Payments upon Termination or Change of Control".
- (3) Approval Date represents the date on which the Compensation Committee approved the granting of the equity awards.
- (4) The number of shares in this column include both annual restricted stock units and promotion/retention restricted stock units granted in 2016. The restricted stock units granted on March 30, 2016 represent annual awards under the SMIP plan and vest one-third annually on each of the first, second and third anniversaries of the date of grant, subject to continued employment on the date of vesting and accelerated vesting under specified circumstances. The restricted stock units granted on August 2, 2016 represent special promotion and retention restricted stock units and cliff vest on the fifth anniversary of the date of grant, subject

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to continued employment on the date of vesting and accelerated vesting under specified circumstances. Further information regarding accelerated vesting is provided in the section entitled "Potential Payments upon Termination or Change of Control".

(5) These number of shares in this column represents the number of shares subject to stock options granted in 2016. These stock options vest one-third annually on each of the first, second and third anniversaries of the date of grant, subject to continued employment on the date of vesting and accelerated vesting under specified circumstances. Further information regarding accelerated vesting and the treatment of Mr. Roush's award in connection with his resignation is provided in the section entitled "Potential Payments upon Termination or Change of Control".

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Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

The material terms of the equity and non-equity incentive plan compensation disclosed in the Summary Compensation Table and the 2016 Grants of Plan-Based Awards Table are discussed above under the heading “Compensation Discussion and Analysis”, as well as in the footnotes to the applicable tables. Certain other elements of the Named Executive Officers’ compensation are provided for in their employment agreements, described below.

Matthijs Glastra

Prior to promotion to CEO

In February 2016, the Compensation Committee approved an increase in Mr. Glastra’s annual base salary to \$427,419, effective as of April 3, 2016, and an annual performance-based cash bonus opportunity of 65% of his annual base salary. Further, in March 2016, the Compensation Committee approved Mr. Glastra’s annual equity compensation for 2016, which included an annual equity compensation award, consisting of restricted stock units, performance stock units and stock options.

Following promotion to CEO

On July 27, 2016, in connection with Mr. Glastra’s appointment as the Company’s Chief Executive Officer, effective September 1, 2016, the Company and Mr. Glastra entered into an employment agreement (the “CEO Employment Agreement”). The initial term of Mr. Glastra’s employment as the Chief Executive Officer under the CEO Employment Agreement will be a three-year period ending on July 27, 2019, with automatic extensions for successive one-year periods absent prior notice of non-renewal from either the Company or Mr. Glastra. In connection with his transition to the role of Chief Executive Officer, Mr. Glastra relocated to the Company’s headquarters in Massachusetts and has been reimbursed for the expenses related to his relocation in an aggregate amount of \$201,125. A pro rata portion of such reimbursement is subject to repayment by Mr. Glastra in the event that his employment is terminated by the Company for Cause (as defined in the CEO Employment Agreement) or by Mr. Glastra without Good Reason (as defined in the CEO Employment Agreement), in either case, prior to June 1, 2018.

Following his promotion, Mr. Glastra became entitled to a base salary of at least \$500,000 per year and, beginning with respect to fiscal year 2017, an annual performance-based cash bonus with a target bonus opportunity of at least 100% of his annual base salary. Mr. Glastra’s performance-based cash bonus opportunity for fiscal year 2016 was not modified by the CEO Employment Agreement. In addition to his new cash compensation structure, Mr. Glastra also received 80,000 restricted stock units (the “Glastra Promotion RSUs”) on August 2, 2016 in connection with his promotion. The Glastra Promotion RSUs will cliff vest on the fifth anniversary of the date of grant, subject to accelerated vesting upon a change in control and termination of employment under certain circumstances. Beginning in 2017, Mr. Glastra will be entitled to receive an annual equity award (the “Annual Equity Awards”) with a grant date fair value equal to 200% of his base salary.

Additional discussion of Mr. Glastra’s compensation and certain termination obligations pursuant to the CEO Employment Agreement is provided in sections entitled “Executive Compensation Program Elements” and “Potential Payments upon Termination or Change of Control”.

Robert J. Buckley

On February 10, 2011, the Company and Mr. Buckley entered into an employment agreement (the “CFO Employment Agreement”) providing for the employment of Mr. Buckley in an advisory capacity prior to March 31, 2011 and as the Company’s Chief Financial Officer on and after March 31, 2011. The term of Mr. Buckley’s employment was

Explanation of Responses:



automatically extended on February 22, 2017 for an additional year and will automatically be extended for successive one-year periods thereafter unless either the Company or Mr. Buckley gives 90-days' notice of non-extension to the other party. Pursuant to the CFO Employment Agreement, Mr. Buckley is entitled to a base salary of at least \$325,000 per year, an annual performance-based cash bonus opportunity with a minimum target of 65% of his annual base salary and an annual equity compensation award with a value equal to 150% of his annual base salary. Since the commencement of Mr. Buckley's employment in 2011, the Compensation Committee has reviewed and adjusted Mr. Buckley's compensation on an annual basis. In February 2016, the Compensation Committee approved Mr. Buckley's cash compensation for 2016, which consisted of an annual base salary of \$393,937, effective as of April 3, 2016, and an annual performance-based cash bonus opportunity of 75% of his annual base salary. Further, in March 2016, the Compensation Committee approved Mr. Buckley's equity compensation for 2016, which included an annual equity compensation award, consisting of restricted stock units, performance stock units and stock options. The CFO Employment Agreement also provides that the Company will provide Mr. Buckley with term life insurance in a face amount equal to 400% of his annual base salary, subject to certain limitations.

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On July 27, 2016, the Company and Mr. Buckley entered into an amendment to the CFO Employment Agreement. Pursuant to the amendment, Mr. Buckley received a one-time retention grant of 80,000 restricted stock units (the “Buckley Retention RSUs”) on August 2, 2016. The Buckley Retention RSUs will cliff vest on the fifth anniversary of the date of grant, subject to accelerated vesting upon a change in control and termination of employment under certain circumstances. Further, following the amendment, Mr. Buckley is no longer entitled to any tax gross-up in the event that any payments due to him would be subject to excise tax under Sections 280G and 4999 of the Code. Instead, Mr. Buckley is subject to a Section 280G “cutback” whereby any amounts that would be subject to any such excise tax will be reduced to the extent necessary to avoid such excise tax if such reduction would result in a greater after-tax payments amount to Mr. Buckley.

Additional discussion of Mr. Buckley’s compensation and certain termination obligations pursuant to the CFO Employment Agreement is provided in sections entitled “Executive Compensation Program Elements” and “Potential Payments upon Termination or Change of Control”.

Brian S. Young

On March 9, 2015, the Company and Mr. Young entered into an offer letter (the “Young Offer Letter”). On December 8, 2016, Mr. Young was promoted to the title of Chief Human Resources Officer. The Young Offer Letter provides for an indefinite term of employment, subject to termination by the Company or Mr. Young at any time. Pursuant to the Young Offer Letter, Mr. Young is entitled to a base salary of at least \$240,000 per year, an annual performance-based cash bonus opportunity with a minimum target of 45% of his annual base salary and an annual equity compensation award with a value equal to a minimum of \$100,000 per year. Since the commencement of Mr. Young’s employment in 2015, the Compensation Committee has reviewed and adjusted Mr. Young’s compensation on an annual basis. In February 2016, the Compensation Committee approved Mr. Young’s cash compensation for 2016, which consisted of an annual base salary of \$256,800, effective as of April 3, 2016, and an annual performance-based cash bonus opportunity of 50% of his annual base salary. Further, in March 2016, the Compensation Committee approved Mr. Young’s equity compensation for 2016, which included an annual equity compensation award, consisting of restricted stock units, performance stock units and stock options. In addition, Mr. Young received a one-time retention grant of 30,000 restricted stock units (the “Young Retention RSUs”) on August 2, 2016. The Young Retention RSUs will cliff vest on the fifth anniversary of the date of grant, subject to accelerated vesting upon a change in control and certain terminations of employment.

John A. Roush

Prior to resignation as CEO

Prior to his resignation as Chief Executive Officer, Mr. Roush was entitled to a base salary of at least \$500,000 per year, an annual performance-based cash bonus opportunity with a minimum target of 85% of his annual base salary and an annual equity compensation award with a value equal to 200% of his annual base salary. Since the commencement of Mr. Roush’s employment in 2010, the Compensation Committee has reviewed and adjusted Mr. Roush’s compensation on an annual basis. In February 2016, the Compensation Committee approved Mr. Roush’s cash compensation for 2016, which consisted of an annual base salary of \$608,284, effective as of April 3, 2016, and an annual performance-based cash bonus opportunity of 100% of his annual base salary. Further, in March 2016, the Compensation Committee approved Mr. Roush’s equity compensation for 2016, which included an annual equity compensation award, consisting of restricted stock units, performance stock units and stock options. Prior to his resignation, the Company also provided Mr. Roush with term life insurance in a face amount equal to 400% of his annual base salary, subject to certain limitations.

Following resignation as CEO

Explanation of Responses:

On July 27, 2016, the Company and Mr. Roush entered into a separation agreement. Under the Roush Separation Agreement, Mr. Roush continued to serve as the Chief Executive Officer and a director of the Company through September 1, 2016 and then continued to provide advisory services to the Company through December 31, 2016. Pursuant to the Roush Separation Agreement, Mr. Roush is entitled to receive the following payments and benefits: (i) continued payment of his base salary for 18 months following September 1, 2016; and (ii) a prorated cash bonus for 2016 (based on actual performance), payable at the same time Mr. Roush would have been entitled to receive payment of such bonus had he remained employed by the Company. Further, under the Roush Separation Agreement, Mr. Roush was entitled to prorated vesting of his outstanding equity awards upon termination. As a result, the vesting of 36,590 restricted stock units and 12,797 stock options was accelerated and 4,796 performance stock units remain outstanding and eligible to be settled in shares of common stock based on actual Company performance. The remaining 96,127 restricted stock units, 16,729 performance stock units, and 77,607 stock options that were unvested were forfeited as of September 1, 2016. The severance payments and benefits were subject to Mr. Roush's provision of advisory services to the Company through December 31, 2016, his execution of a release of claims against the Company and his compliance with applicable restrictive

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covenants. Other than the severance payments and benefits described above, Mr. Roush did not receive any compensation for his consulting services.

Additional discussion of Mr. Roush’s compensation and certain termination obligations pursuant to the Roush Separation Agreement is provided in the sections entitled “Executive Compensation Program Elements” and “Potential Payments upon Termination or Change of Control”.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information regarding stock awards that had not yet vested for each of the Company’s Named Executive Officers as of December 31, 2016.

Name	Grant Date	Option Awards			Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have not Vested (\$)
		Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$/Sh)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Units of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have not Vested (#)	
Executive Officers Matthijs Glastra	3/3/2014	—	—		4,316 (2)	\$ 90,636		
	2/26/2015	—	—		20,717 (3)	\$ 435,057		
	3/30/2016	—	42,733	\$ 14.13	3/30/2026 20,349 (4)			
	3/30/2016	—	—		80,000 (5)	\$ 427,329		
	3/30/2016	—	—				10,175 (6)	\$ 213,675
	8/2/2016	—	—		80,000 (7)	\$ 1,680,000		
Robert J. Buckley	3/3/2014	—	—		14,913 (2)	\$ 313,173		
	2/26/2015	—	—			\$ 601,440		

				28,640					
				(3)					
		43,911							
	3/30/2016	—(4)	\$14.13	3/30/2026					
				20,910					
	3/30/2016	—	—	(5)	\$ 439,110				
	3/30/2016	—	—			10,455 (6)		\$	219,555
				80,000					
	8/2/2016	—	—	(7)	\$ 1,680,000				
Brian S. Young				4,739					
	4/15/2015	—	—	(8)	\$ 99,519				
		16,221							
	3/30/2016	—(4)	\$14.13	3/30/2026					
				7,724					
	3/30/2016	—	—	(5)	\$ 162,204				
	3/30/2016	—	—			3,862 (6)		\$	81,102
				30,000					
	8/2/2016	—	—	(7)	\$ 630,000				
Former Executive Officers									
John A. Roush	3/30/2016	—	—	—	—	—	—	4,796 (6)	\$ 100,716

- (1) Represents the product of the number of stock awards and \$21.00, the closing market price of the Company's common stock quoted on the NASDAQ Global Select Market as of December 31, 2016.
- (2) Represents time-based restricted stock units granted on March 3, 2014. Each restricted stock unit represents the right to receive one share of common stock upon vesting. These units were scheduled to vest on March 3, 2017, subject to continued employment on the date of vesting and accelerated vesting under specified circumstances as described under "Potential Payments upon Termination or Change of Control".
- (3) Represents time-based restricted stock units granted on February 26, 2015. Each restricted stock unit represents the right to receive one share of common stock upon vesting. These units were scheduled to vest in two equal installments on February 26, 2017 and February 26, 2018, respectively, subject to continued employment on the date of vesting, and accelerated vesting under specified circumstances as described under "Potential Payments upon Termination or Change of Control".
- (4) Represents stock options granted on March 30, 2016. Each stock option represents the right to receive one share of common stock upon exercise. These options were scheduled to vest in three equal installments on March 30, 2017, March 30, 2018 and March 30, 2019, respectively, subject to continued employment on the date of vesting and accelerated vesting under specified circumstances as described under "Potential Payments upon Termination or Change of Control".

- (5) Represents time-based restricted stock units granted on March 30, 2016. Each unit represents the right to receive one share of common stock upon vesting. These units were scheduled to vest in three equal installments on March 30, 2017, March 30, 2018 and March 30, 2019, respectively, subject to continued employment on the date of vesting, and accelerated vesting under specified circumstances as described under “Potential Payments upon Termination or Change of Control”.
- (6) Represents performance stock units granted on March 30, 2016. Each unit represents the right to receive up to two shares of common stock upon vesting. These units were scheduled to vest on January 1, 2019. The ultimate number of shares to be issued upon vesting shall be calculated based on actual cumulative Adjusted EPS for the performance period in relation to the performance target, subject to continued employment on the date of vesting (other than for Mr. Roush) and accelerated vesting under specified circumstances as described under “Potential Payments upon Termination or Change of Control”.
- (7) Represents time-based restricted stock units granted on August 2, 2016. Each unit represents the right to receive one share of common stock upon vesting. These units were scheduled to cliff vest on August 2, 2021, subject to continued employment on the date of vesting and accelerated vesting under specified circumstances as described under “Potential Payments upon Termination or Change of Control”.
- (8) Represents time-based restricted stock units granted on April 15, 2015. Each unit represents the right to receive one share of common stock upon vesting. These units were scheduled to vest in two equal installments on April 15, 2017 and April 15, 2018, respectively, subject to continued employment on the date of vesting and accelerated vesting under specified circumstances as described under “Potential Payments upon Termination or Change of Control”.

#### Options Exercised and Stock Vested

The following table sets forth information regarding stock options that were exercised and restricted stock unit awards that became vested, respectively, for the Company’s Named Executive Officers during the year ended December 31, 2016.

Name	Option Awards		Stock Awards	
	Number of Shares	Value Realized	Number of Shares	Value Realized
	Acquired on Exercise	on Exercise (\$)	Acquired on Vesting	on Vesting (\$)
	(#)	(1)	(#)	(2)
<b>Executive Officers</b>				
Matthijs Glastra	—	—	19,853	\$256,225
Robert J. Buckley	—	—	47,311	\$617,461
Brian S. Young	—	—	2,369	\$34,445
<b>Former Executive Officers</b>				
John A. Roush	12,797	\$39,095	133,994	\$1,892,894

(1)

Explanation of Responses:

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Value realized on exercise is computed by multiplying the number of shares of stock options exercised by the price difference between the exercise price and the closing market price of the Company's common stock on the applicable exercise date (or the last business day immediately prior thereto if the exercise date is a public holiday in the U.S.).

(2) Value realized on vesting is computed by multiplying the number of shares of restricted stock units vested by the closing market price of the Company's common stock on the applicable vesting date (or the last business day immediately prior thereto if the vesting date is a public holiday in the U.S.).

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## Potential Payments upon Termination or Change of Control

The following table sets forth estimated compensation that the Company would be obligated to provide to each of the Company's Named Executive Officers (other than Mr. Roush) upon termination of employment or change of control pursuant to the terms of individualized employment agreements or other contractual obligations. Further information regarding these agreements or other obligations is provided immediately following the table. Other than these agreements and obligations, there are no other plans or other contractual obligations triggered upon termination of employment or change of control related to the Company's Named Executive Officers (other than Mr. Roush). The amounts reflected in the following table assume that the termination of employment and/or, if applicable, change of control occurred on December 31, 2016. Further, the amounts do not reflect any reductions as a result of any Section 280G "cutback" that may apply to Messrs. Glastra or Buckley.

Name	Event	Salary (\$)	Bonus (\$)	Vesting of	Total (\$)
				Outstanding Stock (\$)	
Executive Officers Matthijs Glastra	Termination without cause or by employee for good reason	\$750,000 (1) (18 months salary)	\$151,415 (2)	616,910 (3)	\$1,518,323
	Termination by the Company without cause or by employee for good reason, within 12 months following a change of control	\$1,000,000 (1) (24 months salary)	\$151,415 (2)	3,140,273 (4) (5)	\$4,291,686
	Termination due to death or by the Company due to disability	—	\$151,415 (2)	3,140,273 (6)	\$3,291,686

Explanation of Responses:



				(Immediate vesting of unvested awards, including PSUs)	
	Change of control	—	—	\$ 2,633,022	\$2,633,022
				(5)	(7)
				(Immediate vesting of unvested awards, other than PSUs and stock options)	
Robert J. Buckley	Termination without cause or by employee for good reason	\$590,906	\$161,028	\$ 872,042	\$ 1,623,970
		(1) (18 months salary)	(2)	(8)	
				(Prorated vesting of unvested awards)	
	Termination without cause or by employee for good reason, within 12 months following a change of control	\$787,874	\$161,028	\$ 3,554,947	\$4,503,843
		(1) (200% annual base salary in a lump sum)	(2)	(5) (9)	
				(Immediate vesting of unvested awards, including PSUs)	
	Termination due to death or by the Company due to disability	—	\$161,028	\$ 3,554,947	\$3,715,969
			(2)	(9)	
				(Immediate vesting of unvested awards,	

	Change of control	—	—	including PSUs) \$ 3,554,947 (5) (9)	\$3,554,947
				(Immediate vesting of unvested awards, other than PSUs and stock options)	
Brian S. Young	Termination without cause or by employee for good reason	\$256,800 (1) (12 months salary)	—	—	\$256,800
	Termination without cause or by employee for good reason, within 12 months following a change of control	\$256,800 (1) (12 months salary)	—	\$ 1,034,535 (5) (10)	\$1,291,335
				(Immediate vesting of unvested awards)	
	Termination due to death or by the Company due to disability	—	—	—	\$—
	Change of control	—	—	\$ 841,995 (5) (11)	\$841,995
				(Immediate vesting of unvested awards, other than PSUs and stock options)	

- (1) Amounts based on the respective NEO's annual base salary in effect as of December 31, 2016.
- (2) The amount to be paid is equal to the product of: (i) the amount of bonus that would have been payable if the executive had remained employed through the first day of the fiscal year following the fiscal year in which the date of termination occurs based on actual Company performance in such year and (ii) the ratio of the number of days elapsed during the fiscal year in which such termination of employment occurs to 366 days. Amounts presented reflect the amounts earned in 2016 under the SMIP that remained unpaid as of December 31, 2016.
- (3) Represents the sum of (a) (i) the prorated portion of the unvested 2014, 2015 and 2016 annual RSU grants (3,584, 7,959 and 5,129, respectively) and the Glastra Promotion RSUs (6,616) held by Mr. Glastra based on the ratio of the number of days of employment during the applicable service-based vesting period to the total number of days of such service-based vesting period and (ii) a prorated portion of the unvested shares subject to the PSUs held by Mr. Glastra (2,565) (assuming target performance), multiplied by \$21.00, the closing market price of the Company's common stock as of December 31, 2016, and (b) the prorated portion of the unvested stock options (10,771) held by Mr. Glastra based on the ratio of the number of days of employment during the applicable service-based vesting period to the total number of days of such service-based vesting period, multiplied by the excess of \$21.00, the closing market price of the Company's common stock as of December 31, 2016, over \$14.13, the exercise price. Target performance with respect to the PSUs is referenced herein based on an assumption that earnings per share for fiscal 2016, 2017 and 2018 will equal the three-year cumulative target performance.
- (4) Represents the sum of (a) (i) the outstanding number of unvested 2014, 2015 and 2016 annual RSU grants (4,316, 20,717 and 20,349, respectively) and the Glastra Promotion RSUs (80,000) held by Mr. Glastra and (ii) the shares subject to the PSUs held by Mr. Glastra (10,175) (assuming target performance), multiplied by \$21.00, the closing market price of the Company's common stock as of December 31, 2016, and (b) the stock options (42,733) held by Mr. Glastra, multiplied by the excess of \$21.00, the closing market price of the Company's common stock as of December 31, 2016, over \$14.13, the exercise price. Target performance with respect to the PSUs is referenced herein based on an assumption that earnings per share for fiscal years 2016, 2017 and 2018 will equal the three-year cumulative target performance.
- (5) Pursuant to the respective restricted stock unit award agreements (including the Glastra Promotion RSUs, Buckley Retention RSUs and Young Retention RSUs, as applicable), outstanding unvested restricted stock units will become fully vested and non-forfeitable immediately prior to and subject to consummation of a Change in Control (as defined in such agreements) regardless of termination of employment, if any, in connection therewith.
- (6) Represents the sum of (a) (i) the outstanding number of unvested 2014, 2015 and 2016 annual RSU grants (4,316, 20,717 and 20,349, respectively) and the Glastra Promotion RSUs (80,000) held by Mr. Glastra and (ii) the shares subject to the PSUs held by Mr. Glastra (10,175) (assuming target performance), multiplied by \$21.00, the closing market price of the Company's common stock as of December 31, 2016, and (b) the stock options (42,733) held by Mr. Glastra, multiplied by the excess of \$21.00, the closing market price of the Company's common stock as of December 31, 2016, over \$14.13, the exercise price. Target performance with respect to the PSUs is referenced herein based on an assumption that earnings per share for fiscal 2016, 2017 and 2018 will equal the three-year cumulative target performance.
- (7) Represents the sum of the outstanding number of unvested 2014, 2015 and 2016 annual RSU grants (4,316, 20,717 and 20,349, respectively) and the Glastra Promotion RSUs (80,000) held by Mr. Glastra, multiplied by \$21.00, the closing market price of the Company's common stock as of December 31, 2016.
- (8) Represents the sum of (a) (i) the prorated portion of the unvested 2014, 2015 and 2016 annual RSU grants (12,382, 11,002 and 5,270, respectively) and the Buckley Retention RSUs (6,616) held by Mr. Buckley based on the ratio of the number of days of employment during the applicable service-based vesting period to the total number of days of such service-based vesting period and (ii) a prorated portion of the shares subject to the PSUs held by Mr. Buckley (2,635) (assuming target performance), multiplied by \$21.00, the closing market price of the

Company's common stock as of December 31, 2016, and (b) the prorated portion of the stock options (11,068) held by Mr. Buckley based on the ratio of the number of days of employment during the applicable service-based vesting period to the total number of days of such service-based vesting period, multiplied by the excess of \$21.00, the closing market price of the Company's common stock as of December 31, 2016, over \$14.13, the exercise price. Target performance with respect to the PSUs is referenced herein based on an assumption that earnings per share for fiscal years 2016, 2017 and 2018 will equal the three-year cumulative target performance.

(9) Represents the sum of (a) (i) the outstanding number of unvested 2014, 2015 and 2016 annual RSU grants (14,913, 28,640 and 20,910, respectively) and the Buckley Retention RSUs (80,000) held by Mr. Buckley and (ii) the shares subject to the PSUs held by Mr. Buckley (10,455) (assuming target performance), multiplied by \$21.00, the closing market price of the Company's common stock as of December 31, 2016, and (b) the stock options (43,911) held by Mr. Buckley, multiplied by the excess of \$21.00, the closing market price of the Company's common stock as of December 31, 2016, over \$14.13, the exercise price. Target performance with respect to the PSUs is referenced herein based on an assumption that earnings per share for fiscal years 2016, 2017 and 2018 will equal the three-year cumulative target performance.

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- (10) Represents the sum of (a) (i) the outstanding number of unvested 2015 and 2016 annual RSU grants (2,371 and 7,724, respectively) and the Young Retention RSUs (30,000) held by Mr. Young and (ii) the shares subject to the PSUs held by Mr. Young (3,862) (assuming target performance), multiplied by \$21.00, the closing market price of the Company's common stock as of December 31, 2016, and (b) the stock options (16,221) held by Mr. Young, multiplied by the excess of \$21.00, the closing market price of the Company's common stock as of December 31, 2016, over \$14.13, the exercise price. Target performance with respect to the PSUs is referenced herein based on an assumption that earnings per share for fiscal years 2016, 2017 and 2018 will equal the three-year cumulative target performance.
- (11) Represents the sum of the outstanding number of unvested 2015 and 2016 annual RSU grants (2,371 and 7,724 respectively) and the Young Retention RSUs (30,000) held by Mr. Young, multiplied by \$21.00, the closing market price of the Company's common stock as of December 31, 2016.

Mr. Roush's employment with the Company as the Chief Executive Officer terminated effective September 1, 2016. Mr. Roush and the Company entered into the Roush Separation Agreement on July 27, 2016, which sets forth the termination payments and benefits payable to Mr. Roush. Pursuant to Roush Separation Agreement, Mr. Roush will receive: (i) cash payment in the form of salary continuation for 18 months from September 1, 2016 amounting to \$912,426; (ii) a prorated cash bonus, amounting to \$110,505 for the second half of 2016 (based on actual performance in relation to the pertinent Financial Objectives), payable at the same time Mr. Roush would have been entitled to receive payment of such bonus had he remained employed by the Company; and (iii) prorated vesting of his outstanding equity awards with an aggregate value of \$739,748, representing the sum of: (a) the restricted stock units (36,590) and shares subject to performance stock units (4,796) (calculated at target performance) that vested pursuant to the Roush Separation Agreement, multiplied by \$16.99, the closing market price of the Company's common stock as of September 1, 2016, and (b) the stock options (12,797) held by Mr. Roush that vested pursuant to the Roush Separation Agreement, multiplied by the excess of \$16.99, the closing market price of the Company's common stock as of September 1, 2016, over \$14.13, the exercise price of the stock options. Target performance with respect to the performance stock units is referenced herein based on an assumption that earnings per share for fiscal years 2016, 2017 and 2018 will equal the three-year cumulative target performance.

## Employment and Severance Agreements and Letters

### Employment Agreement with Mr. Glastra

On July 27, 2016, the Company and Mr. Glastra entered into the CEO Employment Agreement. The initial term of the CEO Employment Agreement will be a period of three years through July 27, 2019, unless terminated earlier. The term will automatically renew for successive one-year periods after July 27, 2019, unless either party gives notice of non-extension no later than 90 days prior to expiration of the then-applicable term. Pursuant to the terms of the CEO Employment Agreement, the Company has certain obligations that become due in the event of termination or change of control.

Upon termination of Mr. Glastra's employment for any reason, Mr. Glastra or Mr. Glastra's estate is entitled to receive: (i) any portion of Mr. Glastra's annual base salary through the date of termination not theretofore paid, (ii) any business expenses owed to Mr. Glastra, (iii) any accrued, but unused vacation pay owed to Mr. Glastra and, (iv) any amount arising from Mr. Glastra's participation in, or benefits under, any employee benefit plans, programs or arrangements (together referred to as "CEO Accrued Amounts").

If Mr. Glastra's employment is terminated by the Company without Cause (as described below) or by Mr. Glastra for Good Reason (as described below), then in addition to the payment of the CEO Accrued Amounts, the Company will: (i) continue to pay Mr. Glastra's annual base salary for 18 months (or 24 months if such termination occurs within 12 months after a Change in Control, as defined in the CEO Employment Agreement) in accordance with the Company's regular payroll practices, (ii) pay Mr. Glastra a pro rata portion of any performance-based cash bonus to which he would have been entitled had he remained employed by the Company and (iii) cause a pro rata portion of the Glastra Promotion RSUs, and a prorated portion of all annual equity awards granted to Mr. Glastra (the "CEO Annual Equity Awards") subject to service-based vesting (which include his outstanding annual restricted stock units and stock options), to become vested, and a pro rata portion of any CEO Annual Equity Awards subject to performance-based vesting (which include his outstanding performance stock units) to continue to be eligible to become vested in accordance with their terms based on actual performance. Notwithstanding the foregoing, if such termination occurs while Mr. Glastra is unable to engage in substantial gainful activity that may reasonably be expected to result in Disability (as defined in the CEO Employment Agreement), the Company will cause the Glastra Promotion RSUs and all CEO Annual Equity Awards subject to service-based vesting to be fully vested and all CEO Annual Equity Awards subject to performance-based vesting to continue to be eligible to become vested in accordance with their terms based on actual performance. Further, if such termination occurs within 12 months after a Change in Control, the Company will cause all unvested equity awards held by Mr. Glastra to become vested, deeming that the Company will attain "target" performance levels for purposes of awards subject to performance-based vesting. For further discussion of the treatment of Mr. Glastra's equity awards upon certain terminations of employment following a Change in Control, see the section entitled "Equity Awards" below.

If Mr. Glastra's employment is terminated due to death or by the Company due to Disability, then in addition to the payment of the CEO Accrued Amounts, the Company will: (i) pay Mr. Glastra a pro rata portion of any performance-based cash bonus to which he would have been entitled had he remained employed by the Company, (ii) cause the Glastra Promotion RSUs, and all CEO Annual Equity Awards subject to service-based vesting, to become fully vested, and (iii) cause all CEO Annual Equity Awards subject to performance-based vesting to continue to be eligible to become vested in accordance with their terms based on actual performance.

Unlike Mr. Roush, Mr. Glastra is not entitled to any tax gross-up in the event that any payments due to him pursuant to the CEO Employment Agreement or otherwise would be subject to an excise tax under Sections 280G and 4999 of the Code. Instead, Mr. Glastra is subject to a Section 280G "cutback" whereby any amounts subject to any such excise tax will be reduced to the extent necessary to avoid such excise tax if such reduction would result in a greater after-tax

payment amount to Mr. Glastra. If a change of control had occurred on December 31, 2016, no such cutback was expected to have applied to payments to Mr. Glastra.

The severance payments and benefits provided for in the CEO Employment Agreement are subject to Mr. Glastra's compliance with a non-competition and non-solicitation covenant through the date that is 18 months following termination and an indefinite confidentiality covenant. No severance payments will be made and no acceleration of vesting will occur following the date of any violation of any such covenants, unless Mr. Glastra cures such violation within 30 days of written notice thereof.

The severance payments and benefits are also subject to Mr. Glastra's execution of a release of claims against the Company.

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For purposes of the CEO Employment Agreement, “Cause” is generally defined as (a) his willful failure to substantially perform the duties (other than any such failure resulting from disability or any inability to engage in any substantial gainful activity that could reasonably be expected to result in disability) which is not remedied within 30 days after receipt of written notice from the Company specifying such failure; (b) his willful failure to carry out, or comply with, in any material respect any lawful and reasonable directive of the Board of Directors of the Company not inconsistent with the terms of his employment agreement, which is not remedied within 30 days after receipt of written notice from the Company specifying such failure; (c) his commission at any time of any act or omission that results in, or may reasonably be expected to result in, a conviction, plea of no contest, plea of nolo contendere, or imposition of unadjudicated probation for any felony or crime involving moral turpitude; or (d) his unlawful use (including being under the influence) or possession of illegal drugs on the Company’s premises or while performing his duties and responsibilities under his employment agreement. For purpose of the CEO Employment Agreement, “Good Reason” is generally defined as the occurrence of one or more of the following conditions without his consent: (a) a material diminution in his responsibilities, duties or authority or a material diminution in his title; (b) failure of the Company to make any material payment or provide any material benefit under his employment agreement; (c) the Company’s material breach of his employment agreement; or (d) a material relocation of his place of employment.

#### Employment Agreement with Mr. Buckley

On February 10, 2011, the Company and Mr. Buckley entered into the CFO Employment Agreement. The initial term of the CFO Employment Agreement was a period of three years from February 22, 2011 through February 22, 2014, unless earlier terminated. The term has been renewed annually since February 22, 2014 and currently continues through February 22, 2018 and will automatically renew for successive one-year periods, unless either party gives notice of non-extension no later than 90 days prior to expiration of the then-applicable term. Pursuant to the terms of the CFO Employment Agreement, there are certain obligations of the Company that become due in the event of termination or change of control. Upon termination of Mr. Buckley’s employment for any reason, Mr. Buckley or Mr. Buckley’s estate is entitled to receive: (i) any portion of Mr. Buckley’s annual base salary through the date of termination not theretofore paid, (ii) any business expenses owed to Mr. Buckley, (iii) any accrued, but unused vacation pay owed to Mr. Buckley, and (iv) any amount arising from Mr. Buckley’s participation in, or benefits under, any employee benefit plans, programs or arrangements (together referred to as “CFO Accrued Amounts”).

If Mr. Buckley’s employment is terminated by the Company without Cause (as described below) or by Mr. Buckley for Good Reason (as described below), then in addition to the payment of the CFO Accrued Amounts, the Company will: (i) continue to pay the annual base salary for 18 months in accordance with the Company’s regular payroll practices; provided that if such termination occurs within 12 months after a Change in Control (as defined in the CFO Employment Agreement), then, in lieu of the foregoing annual base salary payments, the Company will pay Mr. Buckley a lump sum equal to 200% of his annual base salary, (ii) pay Mr. Buckley a pro rata portion of any performance-based cash bonus to which he would have been entitled had he remained employed by the Company and (iii) cause the pro rata portion of the Buckley Retention RSUs, and a prorated portion of all annual equity awards granted to Mr. Buckley (the “CFO Annual Equity Awards”) subject to service-based vesting (which include his outstanding annual restricted stock units and stock options), to become vested, and a pro rata portion of any CFO Annual Equity Awards subject to performance-based vesting (which include his outstanding performance stock units) to continue to be eligible to become vested in accordance with their terms based on actual performance; provided that if such termination occurs while Mr. Buckley is unable to engage in substantial gainful activity that may reasonably be expected to result in Disability (as defined in the CFO Employment Agreement), then the Company will cause the Buckley Retention RSUs and all CFO Annual Equity Awards subject to service-based vesting to be fully vested and all CFO Annual Equity Awards subject to performance-based vesting to continue to be eligible to become vested in accordance with their terms based on actual performance. For further discussion of the treatment of Mr. Buckley’s equity awards upon a Change in Control and certain terminations of employment following a Change in Control, see the section entitled “Equity Awards” below.



If Mr. Buckley's employment is terminated due to death or by the Company due to Disability, then in addition to the payment of the CFO Accrued Amounts, the Company will: (i) pay Mr. Buckley a pro rata portion of any performance-based cash bonus to which he would have been entitled had he remained employed by the Company, (ii) cause the Buckley Retention RSUs, and all CFO Annual Equity Awards subject to service-based vesting, to become fully vested, and (iii) cause all CFO Annual Equity Awards subject to performance-based vesting to continue to be eligible to become vested in accordance with their terms based on actual performance.

Prior to amendment in July 2016, Mr. Buckley was also entitled to a tax gross-up in the event that any payments due to him pursuant to the CFO Employment Agreement or otherwise would be subject to an excise tax imposed by Sections 280G and 4999 of the Code. However, pursuant to the amendment to the CFO Employment Agreement in July 2016, Mr. Buckley is no longer entitled to any such tax gross-up. Instead, Mr. Buckley is subject to a Section 280G "cutback" whereby any amounts subject to any such excise tax will be reduced to the extent necessary to avoid such excise tax if such reduction would result in a greater after-tax payments amount to Mr. Buckley. If a change of control had occurred on December 31, 2016, no such cutback was expected to have applied to payments to Mr. Buckley.

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The severance payments and benefits provided for in the CFO Employment Agreement are subject to Mr. Buckley's compliance with a non-competition and non-solicitation covenant through the date that is 18 months following termination and an indefinite confidentiality covenant. No severance payments will be made and no acceleration of vesting will occur following the date of any violation of any such covenants, unless Mr. Buckley cures such violation within 30 days of written notice thereof.

The severance payments and benefits are also subject to Mr. Buckley's execution of a release of claims against the Company.

As used in the CFO Employment Agreement, "Cause" and "Good Reason" have substantially the same meaning as used in the CEO Employment Agreement.

#### Employment Letter with Mr. Young

On March 9, 2015, the Company and Mr. Young entered into the Young Offer Letter. Pursuant to the terms of the Young Offer Letter, there are certain obligations of the Company that become due in the event of termination. If Mr. Young's employment is terminated by the Company other than for Cause, the Company will continue to pay the annual base salary for 12 months in accordance with the Company's regular payroll practices. The severance payments provided for in the Young Offer Letter are subject to Mr. Young's execution and non-revocation of a waiver and release of claims agreement. For a discussion of the treatment of Mr. Young's equity awards upon certain terminations of employment following a Change in Control, see the section entitled "Equity Awards" below.

For purposes of the Young Offer Letter, "Cause" is defined as (i) Mr. Young's willful failure to substantially perform his duties, other than such failure resulting from disability, (ii) Mr. Young's willful failure to carry out or comply with any lawful and reasonable directive from his direct supervisor, (iii) Mr. Young's commission of any act or omissions that results in, or may reasonably be expected to result in a conviction, plea of no contest, or imposition of unadjudicated probation for any felony or crime involving moral turpitude, or (iv) Mr. Young's unlawful use or possession of illegal drugs on the Company's premises or while performing his duties and responsibilities. Additionally, for purposes of severance, an involuntary termination other than for Cause also includes termination due to (a) a reduction in Mr. Young's base salary of more than 10% and/or a reduction in Mr. Young's bonus target of more than 10%, or (b) a requirement by the Company for Mr. Young to relocate his working location more than 50 miles from the Company's headquarters in Massachusetts.

#### Separation Agreement with Mr. Roush

On July 27, 2016, the Company and Mr. Roush entered into the Roush Separation Agreement. Under such agreement, Mr. Roush continued to serve as the Chief Executive Officer and a director of the Company through September 1, 2016 and then continued to provide advisory services to the Company through December 31, 2016. Mr. Roush is entitled to receive the following payments and benefits under his separation agreement: (i) continued payment of his base salary for 18 months following September 1, 2016; (ii) a prorated cash bonus for 2016 (based on actual performance in relation to the pertinent Financial Objectives), payable at the same time Mr. Roush would have been entitled to receive payment of such bonus had he remained employed by the Company; and (iii) prorated vesting of his outstanding equity awards.

The severance payments and benefits are subject to Mr. Roush's execution of a release of claims against the Company and his compliance with applicable restrictive covenants,



#### Equity Awards

##### Restricted Stock Units

Pursuant to the restricted stock unit award agreements under the Company's 2010 Incentive Award Plan (the "Equity Plan"), all outstanding restricted stock units (including the Glastra Promotion RSUs, the Buckley Retention RSUs and the Young Retention RSUs) held by the named executive officers on the date of a Change in Control (as defined in the 2010 Incentive Award Plan) will vest upon such Change in Control, subject to the executive's continued employment through the date of such Change in Control.

##### Stock Options

Pursuant to the CFO Employment Agreement, all outstanding stock options held by Mr. Buckley on the date of a Change in Control will vest. Pursuant to the stock option agreements under the Equity Plan, all outstanding stock options held by the named executive officers (other than Mr. Buckley) on the date of a Change in Control that are not assumed or substituted by the successor entity will vest (or be exchanged for a cash payment) upon such Change in Control, subject to the executive's continued employment through the date of such Change in Control. If such stock options are assumed by the successor entity in a Change in Control, such assumed stock options will remain unvested and will vest in accordance with their terms, subject to accelerated vesting upon a termination of employment without Cause or for Good Reason (as defined in the relevant employment agreement, if applicable, otherwise, as defined in the stock option agreement) within 12 months following a Change in Control.

##### Performance Stock Units

Pursuant to the CFO Employment Agreement, all outstanding performance stock units held by Mr. Buckley on the date of a Change in Control will vest. Pursuant to the performance stock unit award agreements under the Equity Plan, all outstanding performance stock units held by the named executive officers (other than Mr. Buckley) will vest upon a termination of employment without Cause or for Good Reason (as defined in the relevant employment agreement, if applicable, otherwise, as defined in the performance stock unit award agreement) within 12 months following a Change in Control, subject, where applicable, to the terms of the named executive officer's employment agreements and letters. See the section entitled "Employment and Severance Agreements and Letters" above for more information.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company's common shares for: (1) each person (or group of affiliated persons) who is known by the Company to own beneficially more than 5% of the Company's outstanding common shares; (2) each of the Company's current directors and director nominees; (3) each of the Company's current Named Executive Officers; and (4) all current directors and executive officers of the Company as a group. The beneficial ownership of common shares with respect to our 5% shareholders is based on information available to the Company as of March 16, 2017, and with respect to our directors, Named Executive Officers and directors and officers as a group is as of March 16, 2017.

Beneficial ownership is determined in accordance with SEC rules and includes voting or investment power with respect to securities. Except as indicated by the footnotes below, the Company believes, based on the information furnished to it, that the persons and entities named in the table below have sole voting and investment power with respect to all common shares that they beneficially own, subject to applicable community property laws. All rights to acquire common shares within 60 days of March 16, 2017 are deemed to be outstanding and beneficially owned by the persons holding those rights for the purpose of computing the number of shares beneficially owned and the percentage ownership of that person. They are not, however, deemed to be outstanding and beneficially owned for the purpose of computing the percentage ownership of any other person.

Percentage ownership of outstanding shares is based on 34,549,567 common shares outstanding as of March 16, 2017.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership (2)	Percentage of Common Shares	
<b>5% Shareholders</b>			
Paradise Investment Management LLC (3)	1,906,181	5.5	%
Wells Fargo & Company (4)	2,854,528	8.3	%
<b>Directors and Executive Officers</b>			
Stephen W. Bershad (5)	2,408,010	7.0	%
Robert J. Buckley (6)	201,052	*	
Matthijs Glastra (7)	89,919	*	
Ira J. Lamel (8)	53,965	*	
Dennis J. Fortino (8)	50,390	*	
Harry L. Bosco (8)	27,573	*	
Brian D. King (nominee for director)	—	*	
Dominic A. Romeo (8)	27,573	*	
Thomas N. Secor (8)	27,573	*	
Brian S. Young (9)	9,570	*	
All Directors and executive officers as a group (9 persons) (10)	2,895,626	8.3	%

Explanation of Responses:

\*Represents less than 1% of the outstanding common shares.

- (1) Unless otherwise indicated, the address of each shareholder is c/o Novanta Inc., 125 Middlesex Turnpike, Bedford, Massachusetts 01730.
- (2) The information provided in this table is based on the Company's records, information supplied to the Company by its executive officers, directors and principal shareholders and information contained in Schedules 13D and 13G filed with the SEC.
- (3) Pursuant to a Schedule 13G filed with the SEC on February 6, 2017 by Paradise Investment Management LLC, Paradise Investment Management LLC may be deemed to beneficially own 1,906,181 common shares of the Company, and has shared voting and dispositive power over all shares.
- (4) Pursuant to a Schedule 13G/A filed with the SEC on January 24, 2017 by Wells Fargo & Company and Wells Capital Management Incorporated, Wells Fargo & Company may be deemed to beneficially own 2,854,528 common shares of the Company. Wells Fargo & Company has sole voting power over 21,380 shares, shared voting power over 884,869 shares, sole dispositive power over 21,380 shares and shared dispositive power over 2,833,148 shares. Wells Capital Management Incorporated may be deemed to beneficially own 2,678,303 common shares of the Company, and has shared voting power over 2,406,683 shares and shared dispositive power over 2,678,303 shares.
- (5) Mr. Bershad is the Chairman of the Board of Directors of the Company. Mr. Bershad owns 2,408,010 common shares directly. Mr. Bershad's direct ownership also includes 96,362 deferred stock units that are fully vested and will convert into shares of common stock upon the date Mr. Bershad ceases to be a director of the Company. Mr. Bershad does not have voting rights or the right to receive dividends on these deferred stock units until they are converted to common shares.

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- (6) The amount includes 6,969 shares issuable upon vesting of RSUs within 60 days of March 16, 2017 and 14,636 shares issuable upon exercise of options vesting within 60 days of March 16, 2017 held by Mr. Buckley. It excludes 122,664 unvested restricted stock units, 24,859 unvested performance stock units, and 29,275 unvested stock options, which are subject to a risk of forfeiture in favor of the Company. Each restricted stock unit represents the right to receive one common share of the Company upon vesting. Each performance stock unit represents the right to receive up to two common shares of the Company upon vesting. Mr. Buckley does not have voting rights or the right to receive dividends with respect to such awards until vested and settled in common shares.
- (7) The amount includes 6,782 shares issuable upon vesting of RSUs within 60 days of March 16, 2017 and 14,244 shares issuable upon exercise of options vesting within 60 days of March 16, 2017 held by Mr. Glastra. It excludes 143,021 unvested restricted stock units, 49,270 unvested performance stock units, and 28,489 unvested stock options, which are subject to a risk of forfeiture in favor of the Company. Each restricted stock unit represents the right to receive one common share of the Company upon vesting. Each performance stock unit represents the right to receive up to two common shares of the Company upon vesting. Mr. Glastra does not have voting rights or the right to receive dividends with respect to such awards until vested and settled in common shares.
- (8) Mr. Bosco, Mr. Fortino, Mr. Lamel, Mr. Romeo and Mr. Secor are members of the Board of Directors of the Company. The respective amounts represent deferred stock units that are fully vested and will convert into shares of common stock upon the date each respective director ceases to be a director of the Company. The directors do not have voting rights or the right to receive dividends on the respective deferred stock units until they are converted to common shares.
- (9) The amount includes 2,574 shares issuable upon vesting of RSUs within 60 days of March 16, 2017 and 5,406 shares issuable upon exercise of options vesting within 60 days of March 16, 2017 held by Mr. Young. It excludes 44,206 unvested restricted stock units, 10,550 unvested performance stock units, and 10,815 unvested stock options, which are subject to a risk of forfeiture in favor of the Company. Each restricted stock unit represents the right to receive one common share of the Company upon vesting. Each performance stock unit represents the right to receive up to two common shares of the Company upon vesting. Mr. Young does not have voting rights or the right to receive dividends with respect to such awards until vested and settled in common shares.
- (10) The amount includes an aggregate of 16,325 shares issuable upon vesting of RSUs within 60 days of March 16, 2017 and 34,286 shares issuable upon exercise of options vesting within 60 days of March 16, 2017. It excludes 309,891 unvested restricted stock units, 84,679 unvested performance stock units, and 68,579 unvested stock options, which are subject to a risk of forfeiture in favor of the Company. Each restricted stock unit represents the right to receive one common share of the Company upon vesting. Each performance stock unit represents the right to receive up to two common shares of the Company upon vesting.

## EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information regarding the Company's common shares that may be issued upon the exercise of rights under all of its existing equity compensation plans as of December 31, 2016:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Rights	Weighted-Average Exercise Price of Outstanding Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity Compensation Plans approved by security holders			
2010 Incentive Award Plan	1,010,743	(1) \$14.13	(2) 1,552,239 (3)
Equity Compensation Plans not approved by security holders	47,687	(4) —	—
Total	1,058,430	\$14.13	1,552,239

- (1) Includes 634,986 shares of common stock to be issued in respect of unvested RSUs outstanding as of December 31, 2016, 58,576 shares of common stock to be issued in respect of unvested PSUs (calculated at maximum performance) outstanding as of December 31, 2016, 102,865 shares of common stock subject to unvested stock options outstanding as of December 31, 2016, and 214,316 shares subject to fully vested deferred stock units granted to the members of the Company's Board of Directors which will convert into shares of common stock as of the date the respective director ceases to be a director of the Company. These awards were granted pursuant to the 2010 Incentive Award Plan which was initially approved by the Company's shareholders in November 2010 and later approved by the Company's shareholders, as amended and restated, in May 2014.
- (2) Represents the weighted-average exercise price of options outstanding under the 2010 Incentive Award Plan. See footnote 1 above with respect to RSUs, PSUs and deferred stock units granted under the 2010 Incentive Award Plan. The weighted-average exercise price does not take these awards into account.
- (3) All shares of common stock available for issuance are reserved under the 2010 Incentive Award Plan and may be granted in the form of options, restricted stock, RSUs, PSUs, performance awards, dividend equivalents, deferred stock, deferred stock units, stock payments and/or stock appreciation rights.
- (4) Represents deferred stock unit awards granted to certain members of the Company's Board of Directors, which are fully vested as of December 31, 2016 and will convert into shares of common stock as of the date the respective director ceases to be a director of the Company. The deferred stock unit awards were granted to the following directors in the following amounts: Messrs. Bershada (23,149 deferred stock units), Fortino (11,575 deferred stock units) and Lamel (12,963 deferred stock units).





## CERTAIN RELATIONSHIPS

The Company's written Code of Ethics and Business Conduct sets forth the general principle that the Company's directors, officers and employees must act in the best interests of the Company and must refrain from engaging in any activity that presents a conflict of interest or having a personal interest that presents a conflict of interest. The Code of Ethics and Business Conduct generally provides that a conflict of interest occurs when an individual's personal interest interferes, or appears to interfere, with those of the Company. There may be times when a commercial relationship involving the Company's directors, officers or employees or their family members is beneficial to the Company and is not likely to raise material conflict of interest issues, but those situations should be disclosed to the Company for further review. The Company's policy is to review periodically, but not less than annually, all related party transactions for potential conflict of interest situations. The Company's corporate staff is primarily responsible for monitoring and obtaining information from the directors and officers with respect to related party transactions and for determining, based on the facts and circumstances, whether the Company or a related party has a direct or indirect material interest in the transaction. If deemed necessary, the Audit Committee of the Board of Directors may review certain related party transactions to determine if any transaction creates a conflict of interest.

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## OTHER MATTERS

## Performance Graph

The following graph compares the cumulative total return to shareholders for the Company's common shares for the period from December 31, 2011 through December 31, 2016 with the NASDAQ Composite Index and Russell 2000 Index. The comparison assumes an investment of \$100 is made on December 31, 2011 in the Company's common shares and in each of the indices and in the case of the indices it also assumes reinvestment of all dividends. The performance shown is not necessarily indicative of future performance.

	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Novanta Inc.	\$ 100	\$ 84.65	\$ 109.87	\$ 143.89	\$ 133.14	\$ 205.28
NASDAQ Composite Index	\$ 100	\$ 117.45	\$ 164.57	\$ 188.84	\$ 201.98	\$ 219.89
Russell 2000 Index	\$ 100	\$ 116.35	\$ 161.52	\$ 169.43	\$ 161.95	\$ 196.45

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the officers, directors and persons who own more than 10% of our common shares to file reports of ownership and changes in ownership with the SEC. These officers, directors and 10% shareholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) reports they file. Based solely on a review of copies of Forms 3, 4 or 5 filed by the Company on behalf of its directors and officers or otherwise provided to the Company, the Company believes that during and with respect to the year ended December 31, 2016, its officers, directors and greater than 10% shareholders complied with all applicable Section 16(a) filing requirements.

#### Directors' and Officers' Liability Insurance

At December 31, 2016, the Company maintained an entity and director and officers liability insurance policy in the aggregate principal amount of \$35 million plus \$10 million of additional A-side coverages for non-indemnifiable claims for current officers and directors. The policy is subject to a \$500,000 deductible for each indemnifiable securities related loss, a \$250,000 deductible for all other indemnifiable related losses and a \$1,000,000 deductible for each merger objection related loss. For claims that are not indemnifiable, there is no deductible. The Company is obligated to pay all deductibles. The policy expires in July 2017. The annual premium for this policy was approximately \$333,600. This policy does not cover any actions or claims that occurred prior to July 23, 2010.

#### Indebtedness of Directors and Officers

Since the beginning of the year ended December 31, 2016, there has been no indebtedness to the Company by any director or officer or the family members or associates of any such person, other than amounts owing for purchases, subject to usual trade terms, and for other transactions in the ordinary course of business.

#### Shareholder Proposals for the 2018 Annual Meeting

Shareholder proposals intended for inclusion in next year's management proxy circular pursuant to SEC Rule 14a-8 for the 2018 annual meeting of shareholders must be received at the Company's principal executive offices on or before December 18, 2017. Unless otherwise required by law, shareholder proposals received after this date will not be included in next year's management proxy circular. Shareholder proposals not intended for inclusion in next year's management proxy circular or notice of meeting, but which instead are sought to be presented directly at next year's annual meeting, will be considered untimely if received later than March 3, 2018. Proxies will confer discretionary authority with respect to such untimely proposals. In order to curtail controversy as to the date upon which such written notice is received by the Company, it is suggested that such notice be submitted by Certified Mail, Return Receipt Requested.

In the event the date of the 2018 annual meeting of shareholders is changed by more than 30 days from the date of the 2017 Annual Meeting, the Company will inform shareholders of such change and will indicate the new dates by which shareholder proposals must be received.

#### Householding

The Company's 2016 Annual Report, including audited financial statements for the fiscal year ended December 31, 2016, is being mailed to you along with this management proxy circular. In order to reduce printing and postage costs, Broadridge Investor Communication Services has undertaken an effort to deliver only one annual report and one management proxy circular to multiple shareholders sharing an address. This delivery method, called "householding," is not being used, however, if Broadridge has received contrary instructions from one or more of the shareholders sharing an address. If your household has received only one annual report and one management proxy circular, the Company will promptly deliver a separate copy of the annual report and the management proxy circular to any shareholder who sends a written request to Novanta Inc., 125 Middlesex Turnpike, Bedford, Massachusetts 01730, USA, Attention: Investor Relations or who calls our Investor Relations staff at 781-266-5137.

You can also notify Broadridge that you would like to receive separate copies of the Company's annual report and management proxy circular in the future by writing or calling your bank or broker. Even if your household has received only one annual report and one management proxy circular, a separate proxy form or voting instruction form, as applicable, should have been provided for each shareholder account. Each proxy form or voting instruction form, as applicable, should be signed, dated, and returned in the enclosed self-addressed envelope. If your household has

received multiple copies of the Company's annual report and management proxy circular, you can request the delivery of single copies in the future by completing the enclosed consent, if applicable, or writing or calling Broadridge directly.

#### Information Concerning the Company

You may obtain the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, the Company's 2016 audited consolidated financial statements, and additional copies of this document on the Company's Web site at <http://www.novanta.com>, or by writing to or calling Investor Relations, Novanta Inc., 125 Middlesex Turnpike, Bedford, Massachusetts 01730, USA, or 781-266-5137. You may also obtain such documents and additional information about the Company on SEDAR at [www.sedar.com](http://www.sedar.com) or on EDGAR at [www.sec.gov](http://www.sec.gov). This information is not incorporated by reference into this management proxy circular.

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Other Business

The Board of Directors knows of no business to be brought before the annual meeting other than as described in this management proxy circular. If other matters properly come before the shareholders at the meeting, it is the intention of the persons named on the proxy form to vote the shares represented thereby on such matters in accordance with their judgment.

Directors' Approval

The contents and the sending of this management proxy circular have been approved by the Company's Board of Directors.

By Order of the Board of Directors

/s/ Matthijs Glastra

Matthijs Glastra  
Chief Executive Officer

Bedford, Massachusetts

April 10, 2017

Analysis by mail. If you are not mailing back your proxy, you may register online to receive the above financial report(s) by mail at [www.computershare.com/maillinglist](http://www.computershare.com/maillinglist). L S I Q 2 0 2 5 7 1 A R 2

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