

Xtant Medical Holdings, Inc.  
Form DEF 14A  
May 26, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Xtant Medical HOLDINGS, INC.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

Edgar Filing: Xtant Medical Holdings, Inc. - Form DEF 14A

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid:

.. Fee paid previously with preliminary materials.

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

- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

664 Cruiser Lane  
Belgrade, Montana 59714  
(406) 388-0480

**Notice of Annual Meeting of Stockholders To Be Held June 15, 2016**

To Our Stockholders:

You are invited to attend the Annual Meeting of Stockholders (the “Annual Meeting”) of Xtant Medical Holdings, Inc. (the “Company”) on June 15, 2016 at 8:00 a.m. Eastern Time, at the Hilton Garden Inn, Dayton South/Austin Landing, 12000 Innovation Drive, Dayton, Ohio 45342, for the following purposes:

To elect the three Class II directors named in the accompanying Proxy Statement to serve on the Company’s Board of Directors for three year terms until the 2019 Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified;

2. To ratify the appointment of EKS&H LLLP as the Company’s independent registered public accounting firm for the year ending December 31, 2016;

To approve the First Amendment to the Amended and Restated Xtant Medical Equity Incentive Plan (the “Plan”) to increase the number of shares of common stock authorized for issuance under the Plan from 1,400,000 shares to 1,900,000 shares;

4. To conduct an advisory vote to approve the compensation of the named executive officers; and

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

Stockholders of record at the close of business on May 23, 2016 shall be entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements thereof.

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

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on June 15, 2016:** The Proxy Statement, along with our 2015 Annual Report on Form 10-K, are available at [www.xtantmedical.com](http://www.xtantmedical.com) (click “Investor Info” and “SEC Filings”).

**By order of the Board of Directors**

/s/ Daniel Goldberger  
Daniel Goldberger  
*Chief Executive Officer*  
Belgrade, Montana

May 26, 2016

**Information about Attending the Annual Meeting**

Only stockholders of record on the record date of May 23, 2016, are entitled to notice of, and to attend or vote at, our Annual Meeting. If you plan to attend the meeting in person, please bring the following:

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

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

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

**XTANT MEDICAL HOLDINGS, INC.**

664 Cruiser Lane  
Belgrade, Montana 59714  
(406) 388-0480

**PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JUNE 15, 2016**

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS**

**AND THE ANNUAL MEETING**

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

A: We are providing these proxy materials to you in connection with the Board's solicitation of proxies for our 2016 Annual Meeting of Stockholders (the "Annual Meeting"), which will take place on June 15, 2016. As a stockholder of record, you are invited to attend the Annual Meeting and are entitled and requested to vote on the items of business described in this Proxy Statement. This Proxy Statement and accompanying proxy card (or voting instruction card) are being mailed on or about May 26, 2016 to all stockholders entitled to vote at the Annual Meeting.

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

A: The Annual Meeting will be held on June 15, 2016 at 8:00 a.m. Eastern Time at the Hilton Garden Inn, Dayton South/Austin Landing, 12000 Innovation Drive, Dayton, Ohio 45342.

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

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

**Q: How may I obtain the Company's Annual Report on Form 10-K for the year ended December 31, 2015?**

A: We have enclosed with this Proxy Statement a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Our Annual Report on Form 10-K can also be accessed through our website at [www.xtantmedical.com](http://www.xtantmedical.com) (click "Investor Info" and "SEC Filings"). We filed our Annual Report on Form 10-K with the Securities and Exchange Commission (the "SEC") on March 24, 2016.

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

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

1. To elect three Class II directors to serve on the Board until the 2019 Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified;
  
2. To ratify the appointment of EKS&H LLLP (“EKS&H”) as the Company’s independent registered public accounting firm for the year ending December 31, 2016;
  
3. To approve the First Amendment to the Amended and Restated Xtant Medical Equity Incentive Plan (the “Plan”) to increase the number of shares of our common stock authorized for issuance under the Plan from 1,400,000 shares to 1,900,000 shares;

4. To conduct an advisory vote to approve the compensation of our named executive officers; and
5. To transact such other business as may properly be brought before the Annual Meeting and any adjournment or postponement thereof.

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

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

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

**A:** The affirmative vote of a majority of the shares cast in person or represented by proxy at the Annual Meeting and entitled to vote on the matter is required to ratify the appointment of EKS&H as our registered public accounting firm, to approve the First Amendment to the Amended and Restated Xtant Medical Equity Incentive Plan, and to approve, on an advisory basis, the compensation of our named executive officers.

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

**A:** Our Board recommends that you vote your shares “FOR” the nominees to the Board; “FOR” the ratification of the appointment of EKS&H as our registered public accounting firm; “FOR” the approval of the First Amendment to the Amended and Restated Xtant Medical Equity Incentive Plan; and “FOR” the approval, on an advisory basis, of the compensation of our named executive officers.

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

Each share of our common stock issued and outstanding as of the close of business on May 23, 2016 (the “Record Date”) is entitled to one vote on each of the matters to be voted upon at the Annual Meeting.

**A:**

You may vote all shares owned by you as of the Record Date, including (a) shares held directly in your name as the stockholder of record and (b) shares held for you as the beneficial owner through a broker, trustee or other nominee (collectively, a “Broker”). We had 12,135,150 shares of common stock issued and outstanding on the Record Date.

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

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

**Stockholder of Record**



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

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

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

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

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

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

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

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

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

Stockholders of record may submit proxies by completing, signing, dating and mailing their proxy cards to the address provided on the proxy card. Stockholders who hold shares beneficially in street name may vote by completing, signing and dating the voting instruction cards provided and mailing them to the address provided on the voting instruction card. The proxy card and voting instruction card also include directions as to how you may

submit your vote through the Internet. The voting instruction card may also include directions for alternative methods of submitting your vote. We encourage you to vote early. If you choose to vote by mail, please allow sufficient time for your proxy or voting instruction card to reach our vote tabulator prior to the Annual Meeting.

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

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

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

If you are a stockholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the Annual Meeting. If you are a stockholder of record and you properly sign and return your proxy card, your shares will be voted as you direct. If no instructions are indicated on such proxy card and you are a stockholder of record, shares represented by the proxy will be voted in the manner recommended by the Board of Directors on all matters presented in this Proxy Statement, namely “FOR” both of the director nominees, “FOR” the ratification of the appointment of EKS&H as the Company’s independent registered public accounting firm for the year ending December 31, 2016, “FOR” the approval of the First Amendment to the Amended and Restated Xtant Medical Equity Incentive Plan, and “FOR” the approval, on an advisory basis, of the compensation of our named executive officers as described in this proxy statement.

**A:**

If you are a beneficial owner of shares in street name and do not provide the Broker that holds your shares with specific voting instructions then, under applicable rules, the Broker may generally vote on “routine” matters but cannot vote on “non-routine” matters. In the case of a non-routine item, your shares will be considered “broker non-votes” on that proposal. Proposal 2 (ratification of the appointment of EKS&H) is a matter the Company believes will be considered “routine.” Proposal 1 (election of directors), Proposal 3 (approval of the First Amendment to the Amended and Restated Xtant Medical Equity Incentive Plan) and Proposal 4 (approval, on an advisory basis, of the compensation of our named executive officers) are matters the Company believes will be considered “non-routine.”

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

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

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

You may revoke your proxy and change your vote by voting again or by attending the Annual Meeting and voting in person. Only your latest dated proxy card received at or prior to the Annual Meeting will be counted.

**A:** However, your attendance at the Annual Meeting will not have the effect of revoking your proxy unless you forward written notice to the Corporate Secretary at Xtant Medical Holdings, Inc., 664 Cruiser Lane, Belgrade, Montana 59714, or you vote by ballot at the Annual Meeting. If you are a beneficial owner, you will need to request a legal proxy from your Broker and bring it with you to vote at the Annual Meeting.

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

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

establishing a quorum.

7

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

If sufficient votes for approval of the matters to be considered at the Annual Meeting have not been received prior to the meeting date, the Company may postpone or adjourn the Annual Meeting in order to solicit additional votes.

- A:** The enclosed proxy card requests authority for the proxy holders, in their discretion, to vote the stockholders' common shares with respect to a postponement or adjournment of the Annual Meeting. At any postponed or adjourned meeting, proxies received pursuant to this Proxy Statement will be voted in the same manner described in this Proxy Statement with respect to the original meeting.

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

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

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

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

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

## **PROPOSAL 1: ELECTION OF DIRECTORS**

### **Nominees for Director**

The Company's Board of Directors consists of three classes of directors with staggered terms of three years each. Our Class I directors are Daniel Goldberger and David Goodman, our Class II directors are Kent Swanson, John Deedrick and David L. Kirschman, and our Class III directors are Michael Lopach and Jon Wickwire. Each director holds office until his or her successor has been elected and qualified or until the director's earlier resignation or removal. The term of our Class II directors expires at the Annual Meeting, and all of our current Class II directors are standing for re-election. The board of directors has determined that all nominees except David L. Kirschman, Executive Vice President and Chief Scientific Officer, satisfy the NYSE MKT LLC's ("NYSE MKT") definition of independent director. Biographical information about our directors is provided below.

**The Board of Directors recommends that you vote "FOR" the election of Mr. Swanson, Mr. Deedrick and Dr. Kirschman.**

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

| <b>Name</b>              | <b>Age</b> | <b>Position</b>   |
|--------------------------|------------|---|
| Kent Swanson             | 71         | Chairman of the Board   |
| Daniel Goldberger        | 57         | Chief Executive Officer and Director                            |
| David Goodman, M.D.      | 61         | Director  |
| Michael Lopach           | 67         | Director  |
| Jon Wickwire             | 73         | Director  |
| John Deedrick            | 53         | Director  |
| David L. Kirschman, M.D. | 45         | Director, Executive Vice President and Chief Scientific Officer |

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

**Nominees standing for re-election as Class II Directors:**

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

**John Deedrick, Director**, is an experienced senior executive with 30 years of experience in healthcare, defense, and business consulting. He was a co-founder and managing director for Accuitive Medical Ventures (2003-2012) and a corporate venture capitalist for Mayo Clinic (1997-2003). Mr. Deedrick currently serves as President and Chief Executive Officer of CHIP Solutions (2012-present) and is founder and chairman of GreatDeeds (2001-present), a Minnesota non-profit organization. Mr. Deedrick has served on the board of numerous early, mid and growth stage healthcare companies over the last 17 years, including LAFORGE Optical (2016-present) GreatDeeds (2001-present) and Ironwood Springs Ranch (2014-present). Mr. Deedrick received his undergraduate degree from the University of Northwestern St. Paul (Roseville, MN) and his MBA from St. Thomas University (St. Paul, MN). Mr. Deedrick contributes significant financial, management and industry experience to the board of directors.



**David L. Kirschman, M.D., Director, Executive Vice President and Chief Scientific Officer**, is an inventor and entrepreneur with a background in the medical device industry. He completed training in neurosurgery with a specialization in instrumented spinal surgery. Dr. Kirschman retired from the practice of medicine in 2006. Dr. Kirschman has issued and pending patents for a wide range of spinal devices and has been the President of X-spine since 2004. In connection with the acquisition of X-spine by the Company on July 31, 2015, Dr. Kirschman became a member of our board of directors and our Executive Vice President and Chief Scientific Officer. Dr. Kirschman also serves on the board of directors of Aerobiotix, Inc. He received his B.S. in Biological Science cum laude from Colorado State University and M.D. from the University of Colorado School of Medicine. Dr. Kirschman contributes medical, management and industry experience to the board of directors, as well as an in-depth understanding of the X-spine business.

**Continuing Directors:**

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

**Michael Lopach, Director**, is a certified public accountant with over 40 years of accounting experience. Mr. Lopach spent 10 years of his career with Galusha, Higgins, Galusha & Co. (1981-1991), the largest privately held accounting firm in Montana and northern Idaho, where he served as president and Chief Executive Officer. In 1999, Mr. Lopach founded Lopach & Carparelli PC, an accounting firm that focuses on medical practitioners. Mr. Lopach received his MBA from the University of Notre Dame. Mr. Lopach serves as chairman of the audit committee. Mr. Lopach contributes significant accounting experience to the board of directors.

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

Crunchies Food Company. Mr. Wickwire is a graduate of the University of Maryland and Georgetown University Law Center. Mr. Wickwire serves as chairman of the nominations and corporate governance committee. Mr. Wickwire contributes legal experience to the board of directors.

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

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

### **Director Independence**

The NYSE MKT listing standards require that the boards of listed companies have a majority of independent directors and, with limited exceptions, that audit and compensation committee members must all be independent as affirmatively determined by the Board. After reviewing the NYSE MKT standards of independence, our Board affirmatively determined, by written consent in lieu of a special meeting of the Board, effective May 12, 2016, that the following directors were independent: Kent Swanson, Michael Lopach, Jon Wickwire, John Deedrick and David Goodman. The basis for these determinations was that each of these directors had no relationships with the Company other than being a director and/or stockholder of the Company. All of the members of the Company's Audit, Compensation, Nominations and Corporate Governance and Business Development committees are independent.

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

The Board of Directors met eight times during fiscal 2015. All directors attended at least 75% of the meetings of the Board and Board Committees on which the director served during the last fiscal year. The Company does not have a formal policy on Board member attendance at annual meetings of stockholders, but encourages Directors to attend. All Board members serving at the time of the Company's 2015 annual meeting of stockholders attended the annual meeting.

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

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

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

## Stockholder Communications

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

## Corporate Governance

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

## Committees

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

| <b>Audit</b>      | <b>Compensation</b> | <b>Nominations and Corporate Governance</b> | <b>Business Development</b> |
|-------------------|---------------------|---|-----------------------------|
| Mr. Lopach, Chair | Mr. Deedrick, Chair | Mr. Wickwire, Chair                         | Mr. Deedrick, Chair         |
| Mr. Swanson       | Mr. Lopach          | Dr. Goodman                                 | Mr. Swanson                 |
| Mr. Wickwire      | Dr. Goodman         | Mr. Deedrick                                | Dr. Goodman                 |

Our Audit Committee, Compensation Committee, and Nominations and Corporate Governance Committee charters are posted on our website at [www.xtantmedical.com](http://www.xtantmedical.com) (click “Investor Info” and “Corporate Governance”). A description of each committee's function and number of meetings during fiscal 2015 follows.

*Audit Committee*

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

The Audit Committee currently consists of Messrs. Lopach, Swanson and Wickwire, each an "independent director" in accordance with NYSE MKT listing standards. Mr. Lopach serves as the Chairman of the Audit Committee.

Under the NYSE MKT listing standards, all audit committee members must be “financially literate,” as that term is determined by the Board in its business judgment. Further, under SEC rules, the Board must determine whether at least one member of the audit committee is an “audit committee financial expert,” as defined by the SEC’s rules. The Board has determined that all members of the Audit and Finance Committee are “financially literate” and that Messrs. Lopach and Swanson (whose backgrounds are detailed above) each qualify as an “audit committee financial expert” in accordance with applicable rules and regulations of the SEC. The Audit Committee met eight times during 2015.

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

The Audit Committee reviews the Company’s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for establishing and maintaining adequate internal financial control, for preparing the financial statements and for the public reporting process. EKS&H, our independent auditor, is responsible for expressing opinions on the conformity of the Company’s audited financial statements with generally accepted accounting principles. In this context, the Audit Committee has (i) reviewed and discussed the audited financial statements with management and our independent auditor, (ii) discussed with our independent auditor the matters that are required to be discussed by the applicable Public Company Accounting Oversight Board standards, and (iii) received written disclosures and the letter from the independent auditor required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor’s communications with the Audit Committee concerning independence, and has discussed with the independent auditor the independent auditor’s independence. Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company’s 2015 Annual Report on Form 10-K.

Respectfully submitted,

Michael Lopach  
Kent Swanson  
Jon Wickwire

*The foregoing Audit Committee Report does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other filing of our company under the Securities Act of 1933, as amended, or the Exchange Act of 1934, except to the extent we specifically incorporate this Audit Committee Report by reference therein.*

*Compensation Committee*

The primary purposes of the Compensation Committee are to determine or recommend the compensation of our CEO and other executive officers and to oversee the administration of the Amended and Restated Xtant Medical Equity Incentive Plan. Our Compensation Committee currently consists of John Deedrick, Michael Lopach and David Goodman, each of whom is an “independent director” in accordance with NYSE MKT listing standards. The Compensation Committee met two times during 2015.

Our Chief Executive Officer makes recommendations to the Compensation Committee regarding the Company’s business goals and the performance of executives in achieving those goals, and recommends other executives’ compensation levels to the Compensation Committee based on such performance. The Compensation Committee considers these recommendations and then makes an independent decision regarding officer compensation levels and awards. While the Compensation Committee did purchase executive compensation data from Equilar, neither the Compensation Committee nor management engaged the services of a compensation consultant during the year ended December 31, 2015.



### *Nominations and Corporate Governance Committee*

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

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

The Nominations and Corporate Governance Committee currently consists of Messrs. Wickwire, Goodman and Deedrick, each of whom is an "independent director" in accordance with NYSE MKT listing standards. Mr. Wickwire serves as the Chairman of the Nominations and Corporate Governance Committee. The Nominations and Corporate Governance Committee met two times during 2015.

### *Business Development Committee*

The purpose of the Business Development Committee is to assist the Board in carrying out oversight responsibilities related to potential strategic transactions. The Business Development Committee consists of Messrs. Deedrick, Swanson and Goodman, each of whom is an independent director. Mr. Deedrick serves as the Chairman of the Business Development Committee. The Business Development Committee met six times during 2015.

### **Director Compensation**

Effective September 4, 2014, compensation for our independent Board members was revised as follows: independent directors receive an annual retainer of \$40,000 per year, the independent Chairman of our Board receives an additional \$20,000 per year, the Audit Committee Chair receives \$12,500 per year, other Committee Chairs receive \$10,000 per year, Audit Committee members receive \$5,000 per year, other Committee members receive \$4,000 per year and all independent directors receive an annual equity grant valued at \$40,000. In addition, the Chair of our Business Development Committee earned \$90,000 for the first six months of 2015, the other member of the Business Development Committee earned \$30,000 for the first six months of 2015, and thereafter, beginning July 1, 2015, the annual compensation for the Business Development Committee was set at \$12,500 per year for the Committee Chair and \$5,000 per year for the other members.

The following table describes the compensation earned by our independent Board members during fiscal 2015.

**Director Compensation**

| <b>Name</b>         | <b>Fees Earned or Paid in Cash</b> | <b>Stock Awards</b> <sup>(1)</sup> | <b>Option Awards</b> <sup>(1)</sup> | <b>Non-Equity Incentive Plan Compensation</b> | <b>Change in Pension Value and Nonqualified Deferred Compensation Earnings</b> | <b>All Other Compensation</b> | <b>Total</b> |
|---------------------|------------------------------------|------------------------------------|-------------------------------------|---|--|-------------------------------|--------------|
| Kent Swanson        | \$ 97,500                          | \$ 40,000                          | \$ -                                | \$ -  | \$ -   | \$ -                          | \$ 137,500   |
| Michael Lopach      | \$ 56,500                          | \$ 40,000                          | \$ -                                | \$ -  | \$ -   | \$ -                          | \$ 96,500    |
| Jon Wickwire        | \$ 55,000                          | \$ 40,000                          | \$ -                                | \$ -  | \$ -   | \$ -                          | \$ 95,000    |
| John Deedrick       | \$ 150,250                         | \$ 40,000                          | \$ -                                | \$ -  | \$ -   | \$ -                          | \$ 190,250   |
| David Goodman, M.D. | \$ 51,750                          | \$ 40,000                          | \$ -                                | \$ -  | \$ -   | \$ -                          | \$ 91,750    |

(1) Key assumptions used to estimate the grant date fair value of option awards are contained in Note 10 to the financial statements in our 2015 Annual Report on Form 10-K.

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

Certain former X-spine shareholders, who now own over 10% of our common stock, own a controlling interest in Norwood Tool Company d/b/a Norwood Medical, X-spine's largest supplier. In 2015, Xtant purchased from Norwood Medical approximately 12% of its operating products.

Dr. David Kirschman's sister, Deborah Kirschman Klopsch, serves as Xtant's Corporate Counsel and Director of Corporate Compliance. Compensation paid to Ms. Klopsch since the acquisition date was \$50,327 in 2015. Ms. Klopsch also received 1,005 of the restricted stock units at \$3.19 a share for a total cost of approximately \$3,000 to be expensed ratably over the vesting period as General and administrative expense. See Note 10 to the financial statements in our 2015 Annual Report on Form 10-K.

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

**Family Relationships**

There are no family relationships between or among our directors, executive officers, or persons nominated or chosen by the Company to become directors or executive officers not disclosed above.

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

The following table sets forth information regarding the beneficial ownership of our common stock as of April 30, 2016 by (a) each of our directors and named executive officers, (b) all of our current directors and executive officers as a group, and (c) each person who is known by us to beneficially own more than 5% of our common stock.

| Name and Address of Beneficial Owner   | Number of<br>Shares<br>Beneficially<br>Owned <sup>(2)</sup> | Percentage of<br>Shares Beneficially<br>Owned <sup>(3)</sup> |
|--|---|--|
| <i>Directors and Named Executive Officers<sup>(1)</sup>:</i>   |   |  |
| Daniel Goldberger  | 210,358 (4)   | 1.7 %  |
| Kent Swanson   | 120,828 (5)   | 1.0 %  |
| Michael Lopach   | 43,812 (6)  | *  |
| Jon Wickwire   | 74,509 (7)  | *  |
| John Deedrick  | 26,621 (8)  | *  |
| David Goodman, M.D.  | 5,000 (9)   | *  |
| David L. Kirschman, M.D.   | 1,701,063 (10)  | 14.0 %   |
| John P. Gandolfo   | 24,890 (11)   | *  |
| All executive officers and directors as a group (8 persons)  | 2,207,081   | 18.2 %   |
| Five Percent Stockholders:   |   |  |
| OrbiMed Advisors LLC<br>601 Lexington Ave., 54 <sup>th</sup> Floor<br>New York, NY 10022                                     | 1,212,301 (12)  | 10.0 %   |
| Kenneth J. Hemmelgarn, Jr. Revocable Living Trust dated February 9, 1998<br>9485 Gulf Shore Drive, B-201<br>Naples, FL 34108 | 1,272,796 (13)  | 10.5 %   |
| Brian J. Hemmelgarn Revocable Living Trust dated February 9, 1998<br>P.O. Box 421<br>15643 Captive Drive                     | 1,272,796 (14)  | 10.5 %   |

Captiva, FL 33924

15

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

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

(2) Unless otherwise indicated, includes shares owned by a spouse, minor children and relatives sharing the same home, as well as entities owned or controlled by the named person. Also includes shares that the named person has the right to acquire within 60 days after April 30, 2016, by the exercise or conversion of any warrant, stock option or convertible preferred stock. Unl