

EMAGIN CORP
Form DEF 14A
October 26, 2010

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for the use of the Commission only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

EMAGIN CORPORATION

(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):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- o Fee paid previously with preliminary materials.
- o 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:

eMagin Corporation

2010

NOTICE OF ANNUAL MEETING

AND

PROXY STATEMENT

November 18, 2010
at 10:00 a.m. Eastern Time

61 Broadway, 32 nd Floor
New York, New York 10006

IMPORTANT

The return of your signed Proxy as promptly as possible will greatly facilitate arrangements for the Annual Meeting. No postage is required if the Proxy is returned in the envelope enclosed for your convenience and mailed in the United States. If you received a Proxy card with a website address and voting codes, we urge you to vote on the Internet or telephonically by following the instructions on the Proxy card, to ensure that your vote is recorded without mail delays. If you vote by telephone or the Internet you do not need to return the Proxy card.

eMagin Corporation

3006 Northup Way
Suite 103
Bellevue, WA 98004

October 26, 2010

Dear Stockholder:

You are cordially invited to attend the 2010 Annual Meeting of Stockholders (the “Annual Meeting”) of eMagin Corporation, which will be held at the offices of Sichenzia Ross Friedman Ference LLP, 61 Broadway, 32 nd Floor, New York, New York 10006 on Thursday, November 18, 2010, at 10:00 a.m. Eastern time. Details of the business to be conducted at the Annual Meeting are provided in the attached Notice of Annual Meeting and Proxy Statement.

Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented and voted at the Annual Meeting. Therefore, we urge you to vote your shares as soon as possible. Instructions in the Proxy card will tell you how to vote over the Internet, by telephone, or by returning your Proxy card by mail. The Proxy Statement explains more about proxy voting. Please read it carefully.

We highly encourage you to receive future eMagin Annual Reports and Proxy Statement materials electronically and help us save costs in producing and distributing these materials. If you wish to receive our Annual Report and Proxy Statement electronically next year, please follow the instructions on the enclosed Proxy card.

We look forward to meeting those of you who will be able to attend the Annual Meeting, and appreciate your continued support of our company.

Sincerely,

/s/ Thomas Paulsen
Thomas Paulsen
Chairman of the Board of Directors

/s/ Andrew G. Sculley
Andrew G. Sculley
Chief Executive Officer and President

eMagin Corporation

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON NOVEMBER 18, 2010

To our Stockholders:

The 2010 Annual Meeting of Stockholders (the "Annual Meeting") of eMagin Corporation ("eMagin" or the "Company") will be held at the offices of Sichenzia Ross Friedman Ference LLP, on Thursday, November 18, 2010, at 10:00 am Eastern time, to consider the following proposals:

1. To elect the six (6) persons named herein as nominees for directors of the Company, to hold office for staggered terms of one, two and three years, until their successors are duly elected and qualified or until their earlier resignation or removal (provided that, if Proposal No. 3 is approved, the term of each director shall be until the next annual meeting of stockholders and until their successors are duly elected and qualified) (Proposal No. 1);
2. To ratify the appointment of Eisner Amper LLP as the Company's independent auditors for the fiscal year ending December 31, 2010 (Proposal No. 2);
3. To approve an amendment to the Company's amended and restated certificate of incorporation to eliminate the classified board of directors (Proposal No. 3); and
4. To act on such other matters as may properly come before the meeting or any adjournment or adjournments thereof.

BECAUSE OF THE SIGNIFICANCE OF THESE PROPOSALS TO THE COMPANY AND ITS STOCKHOLDERS, IT IS VITAL THAT EVERY STOCKHOLDER VOTES AT THE ANNUAL MEETING IN PERSON OR BY PROXY.

These proposals are fully set forth in the accompanying Proxy Statement, which you are urged to read thoroughly. For the reasons set forth in the Proxy Statement, your Board of Directors recommends a vote "FOR" each of the proposals. The Company intends to mail the Annual Report, Proxy Statement and Proxy enclosed with this notice on or about October 28, 2010 to all stockholders entitled to vote at the Annual Meeting. If you were a stockholder of record of eMagin common stock on September 30, 2010, the record date for the Annual Meeting, you are entitled to vote at the meeting and any postponements or adjournments of the meeting. Stockholders are cordially invited to attend the Annual Meeting. However, whether or not you plan to attend the meeting in person, your shares should be represented and voted. After reading the enclosed Proxy Statement, please sign, date, and return promptly the enclosed Proxy in the accompanying postpaid envelope we have provided for your convenience to ensure that your shares will be represented. Alternatively, you may wish to provide your response by telephone or electronically through the Internet by following the instructions set out on the enclosed Proxy card. If you do attend the meeting and wish to vote your shares personally, you may revoke your Proxy.

Only stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Photo identification is required (a valid driver's license or passport is preferred). Please note that if you hold your shares in "street name"

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(that is, through a broker or other nominee), to be admitted to the meeting, you will need to bring a copy of your proxy card as it was delivered to you by your brokerage firm, or bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices, and other electronic devices will not be permitted at the meeting. We thank you for your cooperation in returning your Proxy as promptly as possible.

By Order of the Board of Directors

/s/ Thomas Paulsen
Thomas Paulsen
Chairman of the Board of Directors

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IMPORTANT: Please immediately SIGN, DATE, and RETURN the enclosed Proxy or submit your Proxy by telephone or the Internet, whether or not you plan to attend the Annual Meeting. A return envelope, which requires no postage if mailed in the United States, is enclosed for your convenience.

eMagin Corporation
3006 Northup Way
Suite 103
Bellevue, WA 98004

(425) 284-5200

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of eMagin Corporation (“eMagin” or the “Company”) to be voted at the Annual Meeting of Stockholders which will be held at the offices of Sichenzia Ross Friedman Ference LLP on Thursday, November 18, 2010, at 10:00 a.m. Eastern time, and at any postponements or adjournments thereof.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held November 18, 2010. The Proxy Statement and our 2009 Annual Report to Stockholders are available at: <http://www.cstproxy.com/emagin/2010>.

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

What is the purpose of the Annual Meeting?

At our Annual Meeting, stockholders will act upon the matters outlined in the Notice of Annual Meeting on the cover page of this Proxy Statement, including (i) the election of six (6) persons named herein as nominees for directors of the Company, to hold office for staggered terms of one, two and three years, until their successors are duly elected and qualified or until their earlier resignation or removal (provided that, if proposal No. 3 is approved, the term of each director shall be until the next annual meeting of stockholders and until their successors are duly elected and qualified), (ii) ratification of the appointment of Eisner Amper LLP as the Company’s independent auditors for the fiscal year ending December 31, 2010, and (iii) approval of an amendment to the Company’s amended and restated certificate of incorporation to eliminate the classified board of directors. In addition, management will report on the performance of the Company during fiscal year 2009 and respond to questions from stockholders.

Who is entitled to vote at the meeting?

Stockholders of record at the close of business on September 30, 2010, the record date for the meeting, are entitled to receive notice of and to participate in the Annual Meeting. As of the record date, the Company had outstanding and entitled to vote 19,938,992 shares of common stock and 5,679 shares of its outstanding Series B Convertible Preferred Stock, of which each share of Series B Convertible Preferred Stock is entitled to voting rights equal to the number of shares of common stock issuable upon Conversion of the Series B Convertible Preferred Stock. The common stock and Series B Convertible Preferred Stock are the only classes of stock of eMagin that is outstanding and entitled to vote at the Annual Meeting. If you were a stockholder of record of common stock or Series B Convertible Preferred

Stock on that record date, you will be entitled to vote all of the shares that you held on that date at the meeting, or any postponements or adjournments of the meeting. Each outstanding share of eMagin common stock will be entitled to one vote on each matter and each share of Series B Convertible Preferred Stock will be entitled to voting rights equal to the number of shares of common stock issuable upon Conversion of the Series B Convertible Preferred Stock. Stockholders who own shares registered in different names or at different addresses will receive more than one Proxy card. You must sign and return each of the Proxy cards received to ensure that all of the shares owned by you are represented at the Annual Meeting.

Who can attend the meeting?

Only stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Seating, however, is limited. Admission to the meeting will be on a first-come, first-served basis. The Annual Meeting of Stockholders will begin at 10:00 a.m. Eastern time. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

Why is the Company soliciting proxies?

Because many of our stockholders are unable to personally attend the Annual Meeting, the Board of Directors of eMagin (the "Board" or the "Board of Directors") solicits the enclosed Proxy so that each stockholder is given an opportunity to vote. This Proxy enables each stockholder to vote on all matters which are scheduled to come before the meeting. When the Proxy is returned properly executed, the stockholder's shares will be voted according to the stockholder's directions. Stockholders are urged to specify their choices by marking the appropriate boxes on the enclosed Proxy card.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of the number of shares of common stock and Series B Convertible Preferred Stock (on an as-converted basis with the common stock) issued and outstanding on the record date will constitute a quorum permitting the meeting to conduct its business. As noted above, as of the record date, there are 19,938,992 shares of eMagin common stock and 5,679 shares of Series B Convertible Preferred Stock, convertible into 7,572,000 shares of common stock, issued and outstanding. Thus, the presence of the holders of common stock and Series B Convertible Preferred Stock (on an as-converted basis with the common stock) representing at least 13,755,497 votes will be required to establish a quorum.

How do I vote?

For your convenience, eMagin is offering you four methods of voting.

- You may indicate your vote on the enclosed Proxy card, sign and date the card, and return the card in the enclosed prepaid envelope.
- You may vote by telephone by calling the toll free number that appears on the enclosed Proxy card and following the instructions given.
- You may vote via the Internet by following the instructions provided on the enclosed Proxy card.
- You may attend the meeting and vote in person.

All shares entitled to vote and represented by a properly completed and executed Proxy received before the meeting and not revoked will be voted at the meeting as you instruct in a Proxy delivered before the meeting. If you do not indicate how your shares should be voted on a matter, the shares represented by your properly completed and executed Proxy will be voted as the Board of Directors recommends on each of the enumerated proposals and with regard to any other matters that may be properly presented at the meeting and all matters incident to the conduct of the meeting. If you are a registered stockholder and attend the meeting, you may deliver your completed Proxy card in person. "Street name" stockholders who wish to vote at the meeting will need to obtain a Proxy form from the institution that holds their shares. All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

Can I vote by telephone or electronically?

If you are a registered stockholder (that is, if you hold your stock in certificate form), you may vote by telephone, or electronically through the Internet, by following the instructions included with your Proxy card. If your shares are held in "street name," please check your Proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically. Please follow the voting instructions on the enclosed Proxy card.

In order to vote your shares either by Internet or telephone, please follow the instructions on your Proxy card.

Can I change my vote after I return my Proxy card?

A Proxy may be revoked by giving the Chairman of the Board of Directors of eMagin written notice of revocation at any time before the voting of the shares represented by the Proxy. A stockholder who attends the meeting may revoke a Proxy at the meeting. Attendance at the meeting will not, by itself, revoke a Proxy.

Abstentions and broker non-votes

While the inspectors of election will treat shares represented by Proxies that reflect abstentions or include "broker non-votes" as shares that are present and entitled to vote for purposes of determining the presence of a quorum, abstentions or "broker non-votes" do not constitute a vote "for" or "against" any matter and thus will be disregarded in any calculation of "votes cast." However, abstentions and "broker non-votes" will have the effect of a negative vote if an item requires the approval of a majority of a quorum or of a specified proportion of all issued and outstanding shares.

What are the Board's recommendations?

Unless you give other instructions on your Proxy card, the persons named as proxy holders on the Proxy card will vote in accordance with the recommendations of the Board of Directors. The Board's recommendation is set forth together with the description of each item in this Proxy Statement. In summary, the Board recommends a vote:

- for election of the six (6) directors nominated by the Company to hold office for staggered terms of one, two and three years and until their successors are duly elected and qualified (provided that, if proposal No. 3 is approved, the term of each director shall be until the next annual meeting of stockholders and until their successors are duly elected and qualified);
- for ratification of the appointment of Eisner Amper LLP as the Company's independent auditors for fiscal year 2010; and
- for approval of an amendment to the Company's amended and restated certificate of incorporation to eliminate the classified board of directors.

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion.

What vote is required to approve each item?

The election of the directors of the Company requires the affirmative vote of a plurality of the votes cast by stockholders at the Annual Meeting. A properly executed Proxy marked "WITHHOLD AUTHORITY" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for the purposes of determining whether there is a quorum.

Approving the ratification of the appointment of Eisner Amper LLP as the Company's independent auditors for fiscal year 2010 will require the affirmative vote of the holders of at least a majority of the shares of common stock and Series B Convertible Preferred Stock (on an as-converted basis with the common stock) voting as one class present in person or represented by Proxy and entitled to vote at the Annual Meeting.

The affirmative vote of two-thirds of the issued and outstanding shares of common stock and Series B Convertible Preferred Stock (on an as-converted basis with the common stock), voting together as one class, issued and outstanding as of the record date is required to approve the amendment to our amended and restated certificate of incorporation to eliminate the classified board of directors.

Dissenters' Right of Appraisal

Holders of shares of our common stock or Series B Convertible Preferred Stock do not have appraisal rights under Delaware law or under the governing documents of the Company in connection with this solicitation.

How are Proxy materials delivered to households?

Only one copy of the Company's 2009 Annual Report and this Proxy Statement will be delivered to an address where two or more stockholders reside with the same last name or whom otherwise reasonably appear to be members of the same family based on the stockholders' prior express or implied consent.

We will deliver promptly upon written or oral request a separate copy of the 2009 Annual Report and this Proxy Statement upon such request. If you share an address with at least one other stockholder, currently receive one copy of our Annual Report and Proxy Statement at your residence, and would like to receive a separate copy of our Annual Report and Proxy Statement for future stockholder meetings of the Company, please specify such request in writing and send such written request to eMagin Corporation, 3006 Northup Way, Suite 103, Bellevue, WA 98004; Attention: Corporate Secretary.

If you share an address with at least one other stockholder and currently receive multiple copies of our Annual Reports and Proxy Statements, and you would like to receive a single copy of our Annual Reports and Proxy Statements, please specify such request in writing and send such written request to eMagin Corporation, 3006 Northup Way, Suite 103, Bellevue, WA 98004; Attention: Corporate Secretary.

Interest of Officers and Directors in Matters to Be Acted Upon

Except for the election to our board of the six nominees set forth herein, and the proposal to amend the Company's amended and restated certificate of incorporation to eliminate the classified board of directors, none of our officers or directors has any interest in any of the matters to be acted upon at the Annual Meeting.

INFORMATION ABOUT STOCK OWNERSHIP

How much stock is owned by 5% stockholders, directors, and executive officers?

The following table sets forth the number of shares known to be owned by all persons who own at least 5% of eMagin's outstanding common stock, the Company's directors, the executive officers, and the directors and executive officers as a group as of September 30, 2010, unless otherwise noted. Unless otherwise indicated, the stockholders listed in the table have sole voting and investment power with respect to the shares indicated.

Name of Beneficial Owner	Common Stock Beneficially Owned	Percentage of Common Stock
Stillwater LLC (1)	12,686,037	35.9%
Ginola Limited (2)	4,622,512	13.1%
Rainbow Gate Corporation (3)	1,775,204	5.0%
Paul Cronson (4)	562,239	1.6%
Andrew G. Sculley (5)	512,898	1.5%
Thomas Paulsen (6)	313,201	*
Jack Goldman (7)	254,177	*
Claude Charles (8)	242,775	*
Irwin Engelman (9)	215,076	*
Paul Campbell (10)	238,033	*
Stephen Seay (11)	202,800	*
All executive officers and directors as a group (consisting of 8 individuals) (12)	2,541,199	7.2%

*Less than 1% of the outstanding common stock

** Beneficial Ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options, warrants, or preferred shares exercisable or convertible within 60 days of September 30, 2010 are deemed outstanding for computing the percentage of the person holding such option or warrant. Percentages are based on a total of 35,375,998 shares: 19,938,992 shares of common stock outstanding on September 30, 2010 and 15,437,006 shares issuable upon the exercise of options, warrants exercisable and preferred shares convertible on or within 60 days of September 30, 2010, as described below.

(1) This figure represents: (i) 4,316,824 shares of common stock owned by Stillwater LLC, which includes 783,325 shares of common stock owned by Rainbow Gate Corporation, in which the sole member of Stillwater LLC is the investment manager of Rainbow Gate Corporation; (ii) warrants held by Stillwater LLC to purchase 2,054,546 shares of common stock, which includes warrants to purchase 54,546 shares of common stock held by Rainbow Gate Corporation, in which the sole member of Stillwater LLC is the investment manager of Rainbow Gate Corporation; and (iii) 6,314,667 shares of common stock underlying convertible preferred shares which includes 937,333 shares of common stock underlying convertible preferred shares held by Rainbow Gate Corporation, in which the sole member of Stillwater LLC is the investment manager of Rainbow Gate Corporation. Mortimer D.A. Sackler exercises the sole voting power with respect to the shares held in the name of Stillwater LLC as sole member, and Mortimer D.A. Sackler exercises the sole voting power with respect to the shares held in the name of Rainbow Gate Corporation as

investment manager; therefore Stillwater LLC is deemed to beneficially own the shares held by Rainbow Gate as “beneficially owned” but Stillwater LLC disclaims beneficial ownership of such shares.

(2) This figure represents: (i) 2,532,693 shares of common stock owned by Ginola Limited, which include: 783,325 shares of common stock held indirectly by Rainbow Gate Corporation, in which the sole shareholder of Ginola Limited and the sole shareholder of Rainbow Gate Corporation are the estates of the same person; 78,478 shares of common stock owned by Mount Union Corp.; 57,372 shares of common stock owned by Chelsea Trust Company Limited, as trustee (Ginola Limited disclaims beneficial ownership of the shares owned by Mount Union Corp. and Chelsea Trust Company Limited, as trustee); and 372,971 shares of common stock owned by Crestflower Corporation, in which the sole shareholder of Crestflower Corporation is Ginola Limited; and (ii) warrants held by Ginola Limited to purchase 81,819 shares of common stock, which include: warrants to purchase 54,546 shares of common stock held by Rainbow Gate Corporation, in which the sole shareholder of Ginola Limited and the sole shareholder of Rainbow Gate Corporation are the estates of the same person; and warrants to purchase 27,273 shares of common stock held indirectly by Chelsea Trust Company Limited, as trustee (Ginola Limited disclaims beneficial ownership of the shares owned by Mount Union Corp. and Chelsea Trust Company Limited, as trustee); and (iii) 2,008,000 shares of common stock underlying convertible preferred shares, which includes 937,333 shares of common stock underlying convertible preferred shares held by Rainbow Gate Corporation, in which the sole shareholder of Ginola Limited and the sole shareholder of Rainbow Gate Corporation are the estates of the same person. Stillwater LLC and Ginola Limited are beneficially owned by separate individuals and therefore do not exert voting control over one another. However, Stillwater LLC does include the shares held by Rainbow Gate as “beneficially owned” since the sole member of Stillwater LLC is investment manager and sole director of Rainbow Gate Corporation and exerts voting control over such shares but Stillwater LLC disclaims beneficial ownership of such shares. Jonathan White, Steven Meiklejohn, and Joerg Fischer exercise the shared voting power with respect to the shares held in the name of Mount Union Corp. Stuart Baker, Joerg Fischer, Charles Lubar, Christopher Mitchell, Leslie Schreyer and Jonathan White exercise the shared voting power with respect to the shares held in the name of Chelsea Trust Company Limited. Jonathan White, Joerg Fischer and Steven Meiklejohn exercise the shared voting power with respect to the shares held in the name of Crestflower Corporation. Jonathan White, Joerg Fischer, John Crellin and Steven Meiklejohn are the directors of Ginola Limited and exercise the shared voting power with respect to the shares held in the name of Ginola Limited.

(3) This figure represents (1) 783,325 shares of common stock owned by Rainbow Gate Corporation; (ii) warrants to purchase 54,546 shares of common stock; and (iii) 937,333 shares of common stock underlying convertible preferred shares. Mortimer D.A. Sackler exercises the sole voting power with respect to the shares held in the name of Rainbow Gate Corporation but disclaims beneficial ownership of such shares.

(4) This figure represents 22,981 shares of common stock owned by Mr. Cronson, 186,666 shares of common stock underlying warrants, 165,925 shares of common stock underlying options, and 186,667 shares of common stock underlying convertible preferred shares held directly and indirectly by Paul Cronson. This includes (i) 12,097 shares of common stock held indirectly by a family member of Paul Cronson; and (ii) 3,783 shares of common stock, 186,666 shares of common stock underlying warrants and 186,667 shares of common stock underlying convertible preferred shares held indirectly by Navacorp III, LLC. Mr. Cronson exercises the sole voting power with respect to the shares held in the name of Navacorp III, LLC.

(5) This figure represents shares underlying options.

(6) This figure represents shares underlying options.

(7) This figure represents shares underlying options.

(8) This figure represents shares underlying options.

(9) This figure represents shares underlying options.

(10) This figure represents shares underlying options.

(11) This figure represents shares underlying options.

(12) This figure represents: (i) 22,981 shares; (ii) warrants held to purchase 186,666 shares; (iii) 186,667 shares of common stock underlying convertible preferred shares; and (iv) 2,144,885 shares of common stock issuable upon exercise of stock options.

There are no arrangements known to the Company, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

INFORMATION ABOUT THE BOARD OF DIRECTORS

The Board of Directors oversees our business and affairs and monitors the performance of management. In accordance with corporate governance principles, the Board does not involve itself in day-to-day operations. The directors keep themselves informed through discussions with the Chief Executive Officer, other key executives and by reading the reports and other materials that we send them and by participating in Board and committee meetings. Our directors hold office until their successors have been elected and duly qualified unless the director resigns or by reasons of death or other cause is unable to serve in the capacity of director. Biographical information about our directors is provided in “Item 1 - Proposal for the Election of Six Directors” on page 22. Except as set forth in this Proxy Statement, none of our directors held directorships in other reporting companies and registered investment companies at any time during the past five years.

The Board of Directors of eMagin is classified into three classes: Class A, Class B and Class C. As of December 31, 2009, Irwin Engelman and Andrew G. Sculley are Class A Directors, Paul Cronson, Admiral Thomas Paulsen, and Brig. General Stephen Seay are Class B directors, and Claude Charles and Dr. Jacob Goldman are Class C directors. No annual meeting was held in 2008 or 2009. All Class A, Class B and Class C directors will hold office until the 2010 Annual Meeting. Adm. Thomas Paulsen and Dr. Jacob Goldman have elected not to stand for reelection and as a result their service to the Board will end upon the election of the new directors at the 2010 Annual Meeting. In each case, each director will hold office until his successor is duly elected or appointed and qualified in the manner provided in our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws, or as otherwise provided by applicable law.

Name	Age	Position
CLASS A DIRECTORS		
Irwin Engelman	76	Director
Andrew G. Sculley	59	Director
CLASS B DIRECTORS		
Paul Cronson	53	Director
Adm. Thomas Paulsen (Ret.)	73	Chairman of the Board, Director
Brig. Gen. Stephen Seay (U.S. Army, Ret.)	63	Director
CLASS C DIRECTORS		
Claude Charles	72	Director
Dr. Jacob Goldman	88	Director

Involvement in Certain Legal Proceedings

To our knowledge, during the last ten years, none of our directors and (including those of our subsidiaries) has:

- Had a bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.
- Been convicted in a criminal proceeding or been subject to a pending criminal proceeding, excluding traffic violations and other minor offenses.
- Been subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities.
- Been found by a court of competent jurisdiction (in a civil action), the SEC, or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.
- Been the subject to, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, any registered entity, or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

There are no material proceedings to which any director of the Company is a party adverse to the Company or has a material interest adverse to the Company.

How often did the Board meet during fiscal 2009?

During 2009, the Board of Directors held 9 meetings. Each director attended no fewer than 78% of the aggregate of the total number of meetings of the Board and the total number of meetings held by all committees on which such director served. The Board also approved certain actions by unanimous written consent.

What committees has the Board established?

The Board of Directors has standing Audit, Compensation, and Governance and Nominating Committees. Information concerning the membership and function of each Board committee is as follows:

BOARD COMMITTEE MEMBERSHIP

Name	Audit Committee	Compensation Committee	Governance and Nominating Committee
Adm. Thomas Paulsen (Ret.) ***		**	*
Claude Charles	*	*	*
Irwin Engelman	**		
Dr. Jacob Goldman		*	**
Brig. Gen. Stephen Seay (Ret.)	*	*	

* Member of Committee

** Chairman of Committee

*** Chairman of the Board

Audit Committee

The Audit Committee is responsible for determining the adequacy of our internal accounting and financial controls, supervising matters relating to audit functions, reviewing and setting internal policies and procedures regarding audits, accounting and other financial controls, reviewing the results of our audit performed by the independent public accountants, and recommending the selection of independent public accountants. The Audit Committee has adopted an Audit Charter, which is posted on our website at <http://www.emagin.com/investors>. The Audit Committee is composed of three Directors, Claude Charles; Irwin Engelman (Chairman of the Audit Committee); and Brig. General Stephen Seay. The Board has determined that each of the members of the Audit Committee is unrelated, an outside member with no other affiliation with us and is independent as that term is defined under the NYSE Corporate Governance Rules. The Board has determined that Mr. Engelman is an “audit committee financial expert” as defined by the SEC. During 2009, the Audit Committee held 6 meetings in person or through conference calls.

Compensation Committee

The Compensation Committee determines matters pertaining to the compensation and expense reporting of certain of our executive officers, and administers our stock option, incentive compensation, and employee stock purchase plans. The Compensation Committee has adopted a Charter of the Compensation Committee, which is posted on our website at <http://www.emagin.com/investors>. The Compensation Committee is presently composed of four Directors, Dr. Jack Goldman; Admiral Thomas Paulsen (Chairman of the Compensation Committee); Claude Charles; and Brig. General Stephen Seay, each of whom the Board has determined to be independent as that term is defined under the NYSE Corporate Governance Rules and none of whom has been an employee of the Company. During 2009, the Compensation Committee held 5 meetings in person or through conference calls.

Governance and Nominating Committee

The Governance and Nominating Committee is responsible for considering potential Board members, nominating Directors for election to the Board, implementing the Company's corporate governance and ethics policies, and for all other purposes outlined in the Governance and Nominating Committee Charter, which is posted on our website at <http://www.emagin.com/investors>. The Governance and Nominating Committee is composed of Dr. Jack Goldman (Chairman of the Nominating Committee), Claude Charles and Admiral Thomas Paulsen, each of whom the Board has determined to be independent as that term is defined under the NYSE Corporate Governance Rules. During 2009, the Governance and Nominating Committee held 4 meetings in person or through conference calls.

Nomination of Directors

As provided in its charter and our Company's corporate governance principles, the Governance and Nominating Committee is responsible for identifying individuals qualified to become directors. The Governance and Nominating Committee seeks to identify director candidates based on input provided by a number of sources, including (1) the Governance and Nominating Committee members, (2) our other directors, (3) our stockholders, (4) our Chief Executive Officer or Chairman, and (5) third parties such as professional search firms. In evaluating potential candidates for director, the Nominating and Corporate Governance Committee considers the entirety of each candidate's credentials.

Qualifications for consideration as a director nominee may vary according to the particular areas of expertise being sought as a complement to the existing composition of the Board of Directors. However, at a minimum, candidates for director must possess:

- high personal and professional ethics and integrity;
- the ability to exercise sound judgment;
- the ability to make independent analytical inquiries;
- a willingness and ability to devote adequate time and resources to diligently perform Board and committee duties; and
- the appropriate and relevant business experience and acumen.

In addition to these minimum qualifications, the Governance and Nominating Committee also takes into account when considering whether to nominate a potential director candidate the following factors:

- whether the person possesses specific industry expertise and familiarity with general issues affecting our business;
- whether the person's nomination and election would enable the Board to have a member that qualifies as an "audit committee financial expert" as such term is defined by the Securities and Exchange Commission (the "SEC") in Item 401 of Regulation S-K;
- whether the person would qualify as an "independent" director under the listing standards of the NYSE Corporate Governance Rules;
- the importance of continuity of the existing composition of the Board of Directors to provide long term stability and experienced oversight; and
- the importance of diversified Board membership, in terms of both the individuals involved and their various experiences and areas of expertise.

Although we do not have a formal policy for the consideration of diversity in identifying director nominees, the Nominating Committee recognizes the benefits associated with a diverse board, and strives to create diversity in perspective, background and experience in the Board as a whole when identifying and selecting director nominees. On an annual basis, as part of the Board's self-evaluation, the Board assesses whether the mix of Board members is

appropriate for our Company.

Board Leadership Structure and Role in Risk Oversight

The Company has separated the positions of Chairman of the Board of Directors and Chief Executive Officer. Given the demanding nature of these positions, the Board believes it is appropriate to separate the positions of Chairman and Chief Executive Officer. Claude Charles, Paul Cronson, Irwin Engelman, Jack Goldman and Stephen Seay are our independent directors. Our Board has three standing committees, each of which is comprised solely of independent directors with a committee chair.

Our Board has overall responsibility for risk oversight. The Board has delegated responsibility for the oversight of specific risks to Board committees as follows:

- The Audit Committee oversees the Company's risk policies and processes relating to the financial statements and financial reporting processes, as well as key credit risks, liquidity risks, market risks and compliance, and the guidelines, policies and processes for monitoring and mitigating those risks.
- The Nominating Committee oversees risks related to the company's governance structure and processes.

Our Board is responsible to approve all related party transactions according to our Code of Ethics. We have not adopted written policies and procedures specifically for related person transactions.

Stockholder Communications

Stockholders requesting communication with Directors can do so by writing to eMagin Corporation, c/o Chairman of the Board of Directors, 3006 Northup Way, Suite 103, Bellevue, WA 98004. At this time we do not screen communications received and would forward any requests directly to the named Director. If no Director was named in a general inquiry, the Chairman would contact the chairman of a particular committee, as appropriate. We do not provide the physical address, email address, or phone numbers of Directors to outside parties without a Director's permission.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. The Code of Business Conduct and Ethics is posted on our website at <http://www.emagin.com/investors>.

COMPENSATION OF DIRECTORS

The following table sets forth with respect to the named director, compensation information inclusive of equity awards and payments made in the year ended December 31, 2009. The table includes only directors that were not employees of eMagin Corporation. Any director who was also an executive officer is included in the Summary Compensation Table on page 18.

DIRECTOR COMPENSATION

Name	Fees earned or paid in cash (\$)	Stock awards (\$)	Option awards (\$)	Non-equity incentive plan compensation (\$)	Change in pension value and nonqualified deferred compensation earnings (\$)	All other compensation (\$)	Total (\$)
Claude Charles	26,500	-	63,541	-	-	-	90,041
Paul Cronson	15,500	-	32,264	-	-	-	47,764
Irwin Engelman	19,500	-	52,264	-	-	-	71,764
Jack Goldman	23,000	-	75,541	-	-	-	98,541
Thomas Paulsen	88,000	-	97,264	-	-	-	185,264
Stephen Seay	22,500	-	57,264	-	-	-	79,764

The following table sets forth information with respect to the outstanding equity awards of our directors as of December 31, 2009:

OUTSTANDING EQUITY AWARDS AT YEAR-END

Name and principal position	Option awards					Stock awards				
	Number of securities underlying unexercised options (#) Exercisable	Number of securities underlying unexercised options (#) Unexercisable	Equity incentive plan awards: Number of securities underlying unexercised options (#), (a)	Options exercise price (\$)	Option expiration Date	Number of shares or units of stock that have not vested (#)	Market value of stock units that have not vested (\$)	Equity incentive plan awards: Number of shares other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$)	
Claude Charles	1,000	-	1,000	3.50	January 2, 2010	-	-	-	-	
	975	-	975	2.60	July 2, 2010	-	-	-	-	
	650	-	650	2.60	September 2, 2010	-	-	-	-	
	3,250	-	3,250	2.60	April 5, 2011	-	-	-	-	
	1,950	-	1,950	2.60	June 15, 2014	-	-	-	-	
	975	-	975	2.60	September 30, 2015	-	-	-	-	
	3,900	-	3,900	2.60	December 31, 2015	-	-	-	-	
	12,700	-	12,700	1.51	November 23, 2017	-	-	-	-	
	25,000	-	25,000	1.44	December 3, 2017	-	-	-	-	
	25,000	-	25,000	1.35	January 2, 2018	-	-	-	-	
	30,000	-	30,000	0.70	July 24, 2018	-	-	-	-	
	12,500	-	12,500	0.70	April 1, 2019	-	-	-	-	
	52,500	-	52,500	1.18	July 1, 2019	-	-	-	-	
	25,000	-	25,000	1.05	July 13, 2019	-	-	-	-	
	4,875	-	4,875	2.60		-	-	-	-	

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Paul Cronson				July 2, 2010				
	1,625	-	1,625	2.60	June 15, 2014	-	-	-
	3,900	-	3,900	2.60	December 31, 2015	-	-	-
	10,400	-	10,400	1.51	November 23, 2017	-	-	-
	25,000	-	25,000	1.44	December 3, 2017	-	-	-
	25,000	-	25,000	1.35	January 2, 2018	-	-	-
	12,500	-	12,500	0.70	April 1, 2019	-	-	-
	12,500	-	12,500	1.18	July 1, 2019	-	-	-
	25,000	-	25,000	1.05	July 13, 2019	-	-	-

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Irwin Engelman	3,900	-	3,900	2.60	October 3, 2012	-	-	-	-
	975	-	975	2.60	September 30, 2015	-	-	-	-
	163	-	163	2.60	October 3, 2015	-	-	-	-
	5,038	-	5,038	1.51	November 23, 2017	-	-	-	-
	25,000	-	25,000	1.44	December 3, 2017	-	-	-	-
	25,000	-	25,000	1.35	January 2, 2018	-	-	-	-
	30,000	-	30,000	0.70	July 24, 2018	-	-	-	-
	12,500	-	12,500	0.70	April 1, 2019	-	-	-	-
	37,500	-	37,500	1.18	July 1, 2019	-	-	-	-
	25,000	-	25,000	1.05	July 13, 2019	-	-	-	-
Jacob Goldman	650	-	650	2.60	July 2, 2010	-	-	-	-
	3,900	-	3,900	2.60	September 2, 2010	-	-	-	-
	2,113	-	2,113	2.60	June 15, 2014	-	-	-	-
	650	-	650	2.60	September 30, 2015	-	-	-	-
	488	-	488	2.60	October 3, 2015	-	-	-	-
	3,900	-	3,900	2.60	December 31, 2015	-	-	-	-
	12,026	-	12,026	1.51	November 23, 2017	-	-	-	-
	25,000	-	25,000	1.44	December 3, 2017	-	-	-	-