

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

June 3, 2022

Date of report (Date of earliest event reported)

PROTO LABS, INC.

(Exact Name of Registrant as Specified in its Charter)

Minnesota

(State of Incorporation)

001-35435

(Commission File Number)

41-1939628

(I.R.S. Employer Identification No.)

5540 Pioneer Creek Drive
Maple Plain, Minnesota

(Address of Principal Executive Offices)

55359

(Zip Code)

(763) 479-3680

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, Par Value \$0.001 Per Share | PRLB | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On June 3, 2022, Proto Labs, Inc. (the “Company”) appointed Daniel Schumacher, age 47, as Chief Financial Officer (“CFO”), effective immediately. Mr. Schumacher has been with the Company since April 2017 and most recently served as the Company’s Interim Chief Financial Officer and principal financial and accounting officer, since December 1, 2021. Prior to that, Mr. Schumacher led investor communication, forecasting and planning, and business intelligence for the Company as Vice President of Investor Relations and Financial Planning and Analysis. From 2015 to 2017, Mr. Schumacher served as finance director in the Americas Finance & Operations organization of Stratasys, Inc., a 3D Printing OEM. From 2001 to 2015, Mr. Schumacher was in finance leadership roles of increasing responsibility for Rockwell Automation, an industrial automation company. Mr. Schumacher earned his bachelor’s degree in accounting from the University of Minnesota’s Carlson School of Management.

In connection with his role as CFO, Mr. Schumacher will receive a base annual salary of \$360,000 and will be eligible for an annual target cash incentive bonus payment of 65% of his base salary. Mr. Schumacher will also receive restricted stock units with a value of \$300,000 on the date of grant, stock options with a value of \$150,000 on the date of grant, and performance stock units with a target value of \$150,000 on the date of grant under the Company’s long-term incentive plan. These equity awards will be granted in 2022 by the Compensation Committee of the Company’s Board of Directors. Mr. Schumacher will be eligible for annual equity grants beginning in 2023.

Mr. Schumacher will not enter into an employment agreement with the Company, but he will enter into a severance and change in control agreement with the Company, as described below. In addition, he has entered into a restrictive covenants agreement with the Company regarding confidentiality, intellectual property, non-solicitation, and non-competition (the “Restrictive Covenants Agreement”).

A copy of the press release issued by the Company on June 6, 2022, to announce the CFO appointment is filed as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Form of Executive Severance Agreement. On June 3, 2022, the Compensation Committee of the Board of Directors approved a revised form of severance and change in control agreement (the “Executive Severance Agreement”) that the Company intends to enter into with certain executive officers of the Company located in the United States, including Mr. Schumacher. The description of the Executive Severance Agreement under the heading “Mr. Schumacher’s Executive Severance Agreement” below is qualified in its entirety by reference to the full text of the Executive Severance Agreement, a copy of which is attached hereto as Exhibit 99.2, and the terms of which are incorporated by reference herein. There were no material changes to the terms of the form Executive Severance Agreement from the prior form of this agreement.

Mr. Schumacher’s Executive Severance Agreement

Mr. Schumacher and the Company have entered into an Executive Severance Agreement on the form of Severance Agreement used for executives of the Company and approved on June 3, 2022.

The Executive Severance Agreement provides that if the Company terminates Mr. Schumacher’s employment without cause (and other than as a result of Mr. Schumacher’s death or disability), or if Mr. Schumacher resigns for good reason (either such event being a “Qualifying Termination”), and provided that Mr. Schumacher complies with certain conditions, including compliance with a Restrictive Covenants Agreement and execution of a general waiver and release of claims in favor of the Company, then Mr. Schumacher will be entitled to certain benefits summarized below.

If Mr. Schumacher has a Qualifying Termination during the term of the Executive Severance Agreement and not in connection with a change in control (which is the period from the change in control until the 18-month period following a change in control (the “Change in Control Period”), then, subject to certain conditions:

- the Company will pay Mr. Schumacher an amount equal to Mr. Schumacher’s annualized base salary in substantially equal installments in accordance with the Company’s regular payroll practices over the 12-month period immediately following the termination date, subject to limited exceptions;
- the Company will pay Mr. Schumacher a pro rata cash incentive bonus amount calculated in accordance with the Executive Severance Agreement, payable in a lump sum;
- the Company will pay its share of premiums due for Mr. Schumacher and his eligible dependents for the first 12 months of coverage under COBRA; and
- if Mr. Schumacher has any unvested equity-based awards as of the termination date, a pro rata portion of any unvested awards scheduled to vest on the next anniversary of the grant date will vest immediately, as calculated in accordance with the Executive Severance Agreement. For time-based awards, the number of additional shares that that Mr. Schumacher will have the option to purchase or will vest as a result of such pro rata vesting will be determined by multiplying the total number of additional shares that would otherwise have or become exercisable or vested on the next anniversary of the grant date had Mr. Schumacher remained employed through that date by a fraction, the numerator of which is the number of days Mr. Schumacher was employed by the Company during the then current vesting year including the termination date and the denominator of which is 365 days. For performance-based awards, the number of additional shares that will vest as a result of such pro rata vesting will be based on actual performance and determined by multiplying the total number of additional shares that would otherwise have been determined to have been earned had Mr. Schumacher remained employed through the end of the applicable performance period by a fraction, the numerator of which is the number of days Mr. Schumacher was employed by the Company during the performance period and the denominator of which is the number of days in the performance period. In the event that the terms of an equity award or the Plan provide more favorable treatment, the terms of such award or the Plan will control.

If Mr. Schumacher has a Qualifying Termination which occurs within 90 days prior to a change in control, and if the termination arose in connection with or in anticipation of the change in control, then, in addition to the compensation Mr. Schumacher is entitled to receive in connection with a Qualifying Termination which is not in connection with a change in control, as described above:

- the Company will pay Mr. Schumacher an amount equal to Mr. Schumacher’s target annual cash incentive bonus for the calendar year in which Mr. Schumacher’s employment with the Company terminates, payable in a lump sum; and
- the Company will pay Mr. Schumacher an amount equal to the value of any unvested equity-based awards held by him as of the termination date that were forfeited as of the termination date. In the case of forfeited performance-based awards, the intrinsic value shall be based on the number of shares subject to an award based on a determination by the Board of the degree to which any performance-based vesting or payment conditions will be deemed satisfied.

If a change in control occurs during the term of the Executive Severance Agreement, and Mr. Schumacher has a Qualifying Termination during the Change in Control Period, then, subject to certain conditions:

- the Company will pay Mr. Schumacher an amount equal to Mr. Schumacher’s annualized base salary in substantially equal installments in accordance with the Company’s regular payroll practices over the 12-month period immediately following the termination date, subject to limited exceptions;
 - the Company will pay Mr. Schumacher an amount equal to the sum of (i) Mr. Schumacher’s target annual cash incentive bonus for the calendar year in which Mr. Schumacher’s employment with the Company terminates plus (ii) a pro rata cash incentive bonus amount calculated in accordance with the Executive Severance Agreement, payable in a lump sum;
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- the Company will pay its share of premiums due for Mr. Schumacher and his eligible dependents for the first 12 months of coverage under COBRA; and
- all of Mr. Schumacher's unvested equity-based awards as of the termination date will all such unvested awards will vest immediately on such termination date. In the case of performance-based awards, the number of shares subject to such accelerated vesting shall be based on a determination by the Board of the degree to which any performance-based vesting conditions will be deemed satisfied.

In the event that the severance pay and other benefits provided for in the Executive Severance Agreement or otherwise payable to Mr. Schumacher constitute "parachute payments" under Section 280G of the Internal Revenue Code and would be subject to excise taxes, then such benefits will either be delivered in full or delivered as to such lesser extent which would result in no portion of such severance pay and other benefits being subject to excise taxes, whichever results in the receipt by Mr. Schumacher of the greatest amount of benefits.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

- 99.1 [Press release of Proto Labs, Inc. dated June 6, 2022](#)
- 99.2 [Form of Executive Severance Agreement](#)
- 104 Cover Page Interactive Data File (formatted as Inline XBRL)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 6, 2022

PROTO LABS, INC.

By: /s/ Robert Bodor

Robert Bodor

President and Chief Executive Officer



Injection Molding
Sheet Metal Fabrication
CNC Machining
3D Printing

Protolabs Announces Dan Schumacher as Chief Financial Officer

MINNEAPOLIS, MINN.—June 6, 2022— Protolabs (NYSE: PRLB), a leading online and technology-enabled digital manufacturer has announced Dan Schumacher as its new Chief Financial Officer (CFO) effective immediately.

“I am very excited to officially welcome Dan as our new CFO”, said Rob Bodor, President and CEO at Protolabs. “During his time at Protolabs he has been a tremendous asset to our company and his knowledge and leadership will help us continue to grow Protolabs in the years to come.”

Schumacher was currently serving as interim CFO at Protolabs, where he has overseen the company’s investor relations for nearly five years in various leadership roles including Vice President of Investor Relations and FP&A. Before joining Protolabs, he held financial leadership roles at Stratasys and Rockwell Automation for more than a decade.

“I’ve witnessed firsthand the evolution of Protolabs as a leader in the digital manufacturing space and I am honored to have the opportunity to help the company remain well-positioned atop such an innovative industry with so much growth potential,” said Schumacher.

About Protolabs

Protolabs is the world’s leading provider of digital manufacturing services. The e-commerce-based company offers injection molding, CNC machining, 3D printing, and sheet metal fabrication to product developers, engineers, and supply chain teams across the globe. Protolabs serves customers using in-house production capabilities that bring unprecedented speed in tandem with Hubs, a Protolabs Company, which serves customers through its network of premium manufacturing partners. Together, they help companies bring new ideas to market with the fastest and most comprehensive digital manufacturing service in the world. Visit [protolabs.com](https://www.protolabs.com) for more information.

Forward-Looking Statements

Statements contained in this press release regarding matters that are not historical or current facts are “forward-looking statements” within the meaning of The Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors which may cause the results of Protolabs to be materially different than those expressed or implied in such statements. Certain of these risk factors and others are described in the “Risk Factors” section within reports filed with the SEC. Other unknown or unpredictable factors also could have material adverse effects on Protolabs’ future results. The forward-looking statements included in this press release are made only as of the date hereof. Protolabs cannot guarantee future results, levels of activity, performance or achievements. Accordingly, you should not place undue reliance on these forward-looking statements. Finally, Protolabs expressly disclaims any intent or obligation to update any forward-looking statements to reflect subsequent events or circumstances. Source: Proto Labs, Inc.

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SEVERANCE AGREEMENT

This **Severance Agreement** (the “**Agreement**”) is entered into as of _____ (the “**Effective Date**”) by and between **Proto Labs, Inc.**, a Minnesota corporation (the “**Company**”), and _____ (“**Executive**”), an individual residing in _____.

RECITALS

A. Executive is employed by the Company and is party to an Employee Confidentiality, Intellectual Property Assignment Agreement, Non-Solicitation and Non-Competition Agreement, previously executed by Executive dated as of _____ (the “**Restrictive Covenants Agreement**”), attached as Exhibit A to this Agreement.

B. Executive and the Company are parties to Stock Option Agreements and Restricted Stock Unit Agreements (collectively, the “**Award Agreements**”), which provide Executive with options to purchase, or an opportunity to have vest, shares of the Company’s common stock (“**Shares**”) pursuant to Award Agreements and the Company’s Long-Term Incentive Plan (the “**Plan**”).

C. It is desirable and in the best interests of the Company and its shareholders to continue to obtain the benefits of Executive’s services and attention to the affairs of the Company and to identify certain severance payments and benefits in the event that Executive is separated from employment with the Company under certain identified circumstances.

D. For the reasons set forth above, the Company and Executive desire to enter into this Agreement.

Now, **THEREFORE**, in consideration of the foregoing and the mutual covenants set forth herein, the Company and Executive, intending to be legally bound, hereby agree as follows:

AGREEMENTS

1. Term. The term of this Agreement shall commence on the Effective Date and expire on [DATE] (the “**Expiration Date**”), unless Executive’s employment is terminated at an earlier date in accordance with Section 4 hereof. The period between the Effective Date and the Expiration Date is referred to herein as the “**Initial Term**.” Effective as of the Expiration Date and each successive one year anniversary of the Effective Date (each an “**Anniversary Date**”), the term shall be automatically extended until the subsequent Anniversary Date (each a “**Renewal Term**”) unless Executive gives written notice of non-renewal to the Company at least sixty (60) days prior to the Anniversary Date on which this Agreement would otherwise be automatically extended that such party elects not to extend the term. The Initial Term, together with any Renewal Terms, is the “**Term**.” If Executive remains employed by the Company after the Term, then Executive shall no longer be entitled to any severance payments or benefits under this Agreement and any severance rights Executive may have shall be according to the terms and conditions established by the Company from time to time.

2. **At Will Employment.** Executive's employment with the Company shall be at will and Executive's employment may be unilaterally terminated by either party at any time for any reason, subject to the terms of Sections 4 and 5 of this Agreement. The effective date of Executive's termination with the Company and its affiliates is referred to herein as the "**Termination Date**."

3. **Restrictive Covenants Agreement.** Executive acknowledges entering into the Restrictive Covenants Agreement and hereby reaffirms Executive's commitments and obligations under the Restrictive Covenants Agreement. Nothing in this Agreement is intended to modify, amend, cancel or supersede the Restrictive Covenants Agreement in any manner.

4. **Termination.**

A. **Termination of Employment.** Except as provided in Sections 4.B., C., D. and E., each party hereto may terminate Executive's employment by giving to the other party no less than thirty (30) days prior written notice of the party's intent to terminate. If Executive voluntarily terminates Executive's employment without Good Reason, then the Company shall have no further liability to Executive for any payment, compensation or benefit whatsoever, other than payment of Executive's accrued but unpaid salary, cash incentive bonus and benefits through the Termination Date. If the Company terminates Executive's employment without Cause (as set forth in Section 4.D.) and other than as a result of death or Disability (as set forth in Section 4.C.), or if Executive terminates Executive's employment for Good Reason (as set forth in Section 4.E.) (either such event being a "**Qualifying Termination**"), and subject to Executive's compliance with Section 5 of this Agreement and with the Restrictive Covenants Agreement, then Executive shall be entitled to severance payments and benefits as described in and pursuant to the terms and conditions of Section 5 of this Agreement.

B. **By Death.** Executive's employment shall be terminated automatically upon the death of Executive. The Company's total liability in such event shall be limited to payment of Executive's accrued but unpaid salary, cash incentive bonus and benefits through the date of Executive's death.

C. **By Disability.** The Company may terminate Executive's employment upon the inability of Executive to perform on a full-time basis the duties and responsibilities of Executive's employment with the Company by reason of Executive's illness or other physical or mental impairment or condition, if such inability continues for an uninterrupted period of one hundred and twenty (120) days (a "**Disability**"). A period of inability shall be "uninterrupted" unless and until Executive returns to full-time work for a continuous period of at least thirty (30) days. The Company shall have no liability for severance pay or benefits following any Termination Date due to Disability, other than payment of Executive's accrued but unpaid salary, cash incentive bonus and benefits through the Termination Date and other than any rights Executive has to disability insurance benefits under applicable law or the Company's short or long term disability insurance policies as in effect at the time of termination.

D. **For Cause.** The employment relationship between Executive and the Company created hereunder shall automatically and immediately terminate upon receipt by Executive of notice of termination for Cause after the occurrence of any one of the events set forth below, each of which will be considered "**Cause**" for termination. For the avoidance of doubt, Executive will not be entitled to any compensation or benefits pursuant to this Agreement if the Company terminates Executive's employment for Cause.

(i) Executive's failure or refusal to perform satisfactorily the duties reasonably required of Executive by the Company (other than by reason of Disability);

(ii) Executive's material violation of any law, rule, regulation, court order or regulatory directive (other than traffic violations, misdemeanors or other minor offenses);

(iii) Executive's material breach of the Restrictive Covenants Agreement or any Company code of conduct;

(iv) Executive engaging in any act or practice that involves personal dishonesty on the part of Executive or demonstrates a willful and continuing disregard for the best interests of the Company or its affiliates; or

(v) While performing corporate duties and responsibilities, Executive engaging in conduct that would be reasonably expected to harm or bring disrepute to the Company, any of its affiliates, or any of their customers, employees or vendors.

E. Good Reason. Executive's voluntary resignation of Executive's employment under this Agreement will be considered to be with "**Good Reason**" if, following the occurrence of one or more of the events listed below, (1) Executive provides written notice to the Company's Board of Directors (the "**Board**") of the event(s) constituting Good Reason within sixty (60) days after the first occurrence of such event(s), (2) the Company fails to reasonably cure such event(s) within thirty (30) days after receiving such notice, and (3) the Termination Date is not later than thirty (30) days after the end of the period in which the Board may cure the event(s). For the avoidance of doubt, Executive will not be entitled to any compensation or benefits pursuant to this Agreement if Executive voluntarily resigns from Executive's employment without Good Reason. The following events will give rise to Good Reason, unless Executive has consented thereto in writing:

(i) a material reduction in Executive's total cash compensation, which is comprised of base salary and target incentive bonus, other than a reduction that is part of and proportionally consistent with a broad-based reduction in base compensation or target incentive bonus applicable to the Company's senior executives;

(ii) a material diminution in Executive's authority, duties or responsibilities;

(iii) a change in the location of the Company facility or office where Executive is based to a location more than fifty (50) miles from the Company facility or office where Executive is based as of the Effective Date; or

(iv) a material breach by the Company of any terms or conditions of this Agreement or any other agreement between Executive and the Company, which breach has not been cured by the Company within fifteen (15) days after written notice thereof to the Company from Executive.

5. Severance. If there is a Qualifying Termination, provided that Executive's termination of employment constitutes an involuntary "separation from service" (a "***Separation from Service***") under Section 409A ("***Section 409A***") of the Internal Revenue Code of 1986, as amended (the "***Code***"), provided that Executive signs, within forty-five (45) days after the Separation from Service, and does not rescind a general waiver and release of claims in favor of the Company and its affiliates in a form to be prescribed by the Company, and provided further that Executive is in compliance with Executive's continuing obligations to the Company (including but not limited to those in the Restrictive Covenants Agreement), then Executive will receive the severance payments and benefits identified in this Section 5. If Executive becomes eligible to receive any severance payments or benefits under this Section 5, then Executive will not be eligible to receive any severance payments or benefits under any other agreement between Executive and the Company or under any severance plan or program adopted by the Company. Notwithstanding any provisions in this Agreement to the contrary, this Agreement will not provide duplicate benefits with any severance plan or program adopted by the Company ("***Other Severance Plan***"). Executive will receive severance benefits, if any, pursuant to this Agreement, and not under any Other Severance Plan, which will not apply to Executive.

A. Payments Upon Qualifying Termination Prior to a Change in Control or After the Expiration of the Transition Period. If the Termination Date occurs during the Term and is prior to any Change in Control (as defined below) or after the Transition Period (as defined below), and if such termination is a Qualifying Termination, then, in addition to such base salary, cash incentive bonus and benefits that have been earned but not paid to Executive as of the Termination Date, and subject to Executive satisfying the conditions identified in the first paragraph of this Section 5, the Company shall provide to Executive the following severance payments and benefits:

(i) Base Salary Cash Severance. The Company shall pay to Executive an amount equal to one times Executive's annualized base salary as of the Termination Date (or, if Executive's resignation is for Good Reason because the Company materially reduced Executive's base compensation, one times Executive's annualized base salary as of immediately before such material reduction), less deductions and withholding required by law, payable in substantially equal installments in accordance with the Company's regular payroll practices over the 12-month period immediately following the Termination Date; provided, however that any installments that otherwise would be payable within the 60-day period immediately following the termination date shall be delayed and payable with the installment that is payable on the Company's first payroll date following the 60th day after the Termination Date. Notwithstanding anything above to the contrary, to the extent that the amount paid under the first sentence of this Section 5.A.(i) exceeds the lesser of two times (I) the limit of compensation set forth in section 401(a)(17) of the Code as in effect for the year in which the Termination Date occurs, or (II) Executive's annualized compensation based upon the annual rate of pay for services to the Company for the calendar year prior to the calendar year in which the Termination Date occurs (adjusted for any increase during that year that was expected to continue indefinitely if Executive had not separated from service) (the "Excess Amount"), then the Excess Amount will be deducted from the installment payments described above in equal proportions from each payment and will be paid in separate lump sum payment to Executive. Such lump sum payment of the Excess Amount shall be a separate payment from the installment payments provided under this Section 5.A.(i) and shall be paid to Executive on the Company's first payroll date following the 60th day after the Termination Date but in no event later than two and one-half (2 ½) months after the Termination Date.

(ii) **Pro Rata Bonus Payment.** The Company shall pay to Executive a pro rata cash incentive bonus amount calculated by multiplying the annual cash incentive bonus Executive would have received under the Company's annual cash incentive bonus plan for the calendar year in which the Termination Date occurs assuming Executive would have remained employed through the date Executive would have otherwise earned an annual cash incentive bonus under such year's annual cash incentive bonus plan by a fraction, the numerator of which is the number of days Executive was employed by the Company during the calendar year in which the Termination Date occurs through and including the Termination Date and the denominator is 365, less deductions and withholding required by law, payable in a lump sum at the same time as other eligible employees under the Company's annual cash incentive bonus plan for such calendar year are paid their bonuses under such Company's annual cash incentive bonus plan for such calendar year, but in any event no later than March 15 of the calendar year immediately following the calendar year in which the Termination Date occurs.

(iii) **Benefits Continuation.** If Executive was enrolled in a group health plan (e.g., medical, dental, or vision plan) sponsored by the Company immediately prior to the Termination Date, and if Executive (or Executive's eligible dependents) timely elects to continue such coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (together with any state law of similar effect, "**COBRA**"), the Company will pay to the insurance carrier(s) its share of the premiums due for Executive and Executive's eligible dependents for the first twelve (12) months of such coverage under COBRA (or until such earlier time as Executive and/or Executive's eligible dependents are no longer eligible for COBRA coverage).

(iv) **Vesting of Equity Awards.** Executive's equity awards shall be governed by their terms; however, the following provisions shall apply to the extent that they provide more favorable terms to the Executive than the terms set forth in the Award Agreements or the Plan: if Executive has an unvested option to purchase Shares or any unvested Stock Units (as defined in the Plan) under any Award Agreement or any other equity award agreement under the Plan addressing Executive's option to purchase or right to have vest Shares, then a pro rata portion of any such time-based award scheduled to vest on the next anniversary of the grant date for such award will vest as of the Termination Date and a pro rata portion of any such performance-based award will vest as provided below. In the case of time-based awards, the number of additional Shares that Executive will have the option to purchase or will have vest as a result of such pro rata vesting will be determined by multiplying the total number of additional Shares Executive would have had the option to purchase, or have had vest, as of the next anniversary of the grant date for such award assuming Executive would have remained employed through such anniversary by a fraction, the numerator of which is the number of days Executive was employed by the Company during the then-current vesting year through and including the Termination Date and the denominator is 365. For performance-based awards, the number of additional Shares that Executive will have vest as a result of such pro rata vesting will be determined by multiplying the total number of additional Shares that would otherwise have been determined to have been earned had Executive remained employed through the end of the applicable performance period by a fraction, the numerator of which is the number of days Executive was employed by the Company during the performance period and the denominator is the number of days in the performance period (e.g., 1,095 days in the case of a three-year performance period). Performance-based awards will be settled within two and one-half (2 ½) months after the last day of the relevant performance period.

B. Payments Upon Termination During the Transition Period. If a Change in Control occurs during the Term and Executive's Termination Date occurs on the date of the Change in Control or prior to the 18-month anniversary of the Change in Control (such 18-month period, the "**Transition Period**"), and if such termination is a Qualifying Termination, then, in addition to such base salary, cash incentive bonus and benefits that have been earned but not paid to Executive as of the Termination Date, and subject to Executive satisfying the conditions identified in the first paragraph of this Section 5, the Company shall provide to Executive the following severance payments and benefits:

(i) Base Salary Cash Severance. The Company shall pay to Executive an amount equal to one times Executive's annualized base salary as of the Termination Date (or, if Executive's resignation is for Good Reason because the Company materially reduced Executive's base compensation, one times Executive's annualized base salary as of immediately before such material reduction), less deductions and withholding required by law, payable in substantially equal installments in accordance with the Company's regular payroll practices over the 12-month period immediately following the Termination Date; provided, however that any installments that otherwise would be payable within the 60-day period immediately following the Termination Date shall be delayed and payable with the installment that is payable on the Company's first payroll date following the 60th day after the Termination Date. Notwithstanding anything above to the contrary, to the extent that the amount paid under the first sentence of this Section 5.B.(i) exceeds the lesser of two times (I) the limit of compensation set forth in section 401(a)(17) of the Code as in effect for the year in which the Termination Date occurs, or (II) Executive's annualized compensation based upon the annual rate of pay for services to the Company for the calendar year prior to the calendar year in which the Termination Date occurs (adjusted for any increase during that year that was expected to continue indefinitely if Executive had not separated from service) (the "Excess Amount"), then the Excess Amount will be deducted from the installment payments described above in equal proportions from each payment and will be paid in separate lump sum payment to Executive. Such lump sum payment of the Excess Amount shall be a separate payment from the installment payments provided under this Section 5.B.(i) and shall be paid to Executive on the Company's first payroll date following the 60th day after the Termination Date but in no event later than two and one-half (2 ½) months after the Termination Date.

(ii) Cash Bonus Payment. The Company shall pay to Executive an amount equal to the sum of: (1) one times Executive's target annual cash incentive bonus for the calendar year in which the Termination Date occurs plus (2) the amount determined by multiplying (x) the annual cash incentive bonus Executive would have received under the Company's annual cash incentive bonus plan for the calendar year in which the Termination Date occurs assuming Executive would have remained employed through the date Executive would have otherwise earned an annual cash incentive bonus under such year's annual cash incentive bonus plan by (y) a fraction, the numerator of which is the number of days Executive was employed by the Company during the calendar year in which the Termination Date occurs through and including the Termination Date and the denominator is 365. The amount payable pursuant to this paragraph shall be reduced by deductions and withholding required by law, and shall be payable in a lump sum at the same time as other eligible employees under the Company's annual cash incentive bonus plan for such calendar year are paid their bonuses under such Company's annual cash incentive bonus plan for such calendar year, but in any event no later than March 15 of the calendar year immediately following the calendar year in which the Termination Date occurs.

(iii) Benefits Continuation. If Executive was enrolled in a group health plan (*e.g.*, medical, dental, or vision plan) sponsored by the Company immediately prior to the Termination Date, and if Executive (or Executive's eligible dependents) timely elects to continue such coverage under COBRA, the Company will pay to the insurance carrier(s) its share of the premiums due for Executive and Executive's eligible dependents for the first twelve (12) months of such coverage under COBRA (or until such earlier time as Executive and/or Executive's eligible dependents are no longer eligible for COBRA coverage).

(iv) Full Accelerated Vesting of Equity. Notwithstanding any language in the Award Agreements or any other equity award agreement to the contrary, if Executive has any unvested awards of restricted stock units, options or other equity-based awards with respect to the Company as of the Termination Date, then any such unvested awards will vest immediately as of the Termination Date. In the case of performance-based awards, the number of Shares subject to such accelerated vesting shall be based on a determination by the Board of the degree to which any performance-based vesting conditions will be deemed satisfied.

C. Additional Payments Upon or Following a Change in Control. If the Termination Date occurs during the Term and within ninety (90) days prior to a Change in Control, and if such termination is a Qualifying Termination and Executive reasonably demonstrates within thirty (30) days after the Change in Control that such Qualifying Termination arose in connection with or in anticipation of the Change in Control, then the Company shall provide to Executive the following severance payments and benefits (in addition to the severance payments and benefits Executive is eligible to receive under Section 5.A.), each of which shall be considered a separate payment:

(i) Cash Bonus Payment. The Company shall pay to Executive an amount equal to one times Executive's target annual cash incentive bonus for the calendar year in which the Termination Date occurred, less deductions and withholding required by law, payable as follows: (a) if the Change in Control and the Termination Date occur in the same calendar year, then in a lump sum at the same time as other eligible employees under the Company's annual cash incentive bonus plan for such calendar year are paid their bonuses under such Company's annual cash incentive bonus plan for such calendar year, but in any event no later than March 15 of the calendar year immediately following the calendar year in which the Termination Date occurred, or (b) if the Change in Control occurs in the calendar year following the year in which the Termination Date occurred, then in a lump sum on the earlier of the date set forth in subsection (a) or not later than 60 days after the Change in Control.

(ii) **Vesting of Equity Awards.** The Company shall pay to Executive an amount equal to the intrinsic value of any unvested restricted stock units, options or other equity-based awards held by Executive as of the Termination Date that were forfeited as of the Termination Date, with such intrinsic value to be determined based on the per share price paid by the buyer for the Company's common stock in connection with the Change in Control, or, if no per share price is paid by a buyer in connection with such Change in Control, the per share value of the Company's common stock at the time of such Change in Control as determined in good faith by the Board as it exists prior to the consummation of the Change in Control, in each case, less any exercise price or other amount that would have been owed to the Company by Executive in order to realize the value of such awards. In the case of forfeited performance-based awards, the intrinsic value shall be based on the number of Shares subject to an award based on a determination by the Board of the degree to which any performance-based vesting or payment conditions will be deemed satisfied. Any amount payable under this Section 5.C(ii) will be subject to deductions and withholding required by law and payable in a lump sum within the 30-day period immediately following the Change in Control.

D. Change in Control. For purposes of this Agreement, "**Change in Control**" has the meaning ascribed to such term in the Plan (as such document may be amended from time to time); provided that no Change in Control shall be deemed to have occurred unless the event would also constitute a change in ownership or effective control of, or a change in the ownership of a substantial portion of the assets of, the Company under Code Section 409A.

E. Section 409A; Conditional Six-Month Delay. Any payments under this Section 5 (the "**Payments**") are intended to be exempt from or satisfy the requirements for deferred compensation under Section 409A, including current and future guidance and regulations interpreting Section 409A, and should be interpreted and administered accordingly. However, if the Company (or, if applicable, the successor entity thereto) determines that the Payments (or any portion of the Payments) constitute "deferred compensation" under Section 409A and Executive is a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) (a "**Specified Employee**"), then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the Payments shall be delayed as follows: on the earliest to occur of (i) the date that is six months and one day after the Termination Date, (ii) the date of the Specified Employee's death, or (iii) such earlier date, as reasonably determined in good faith by the Company (or any successor entity thereto), as would not result in any of the Payments being subject to adverse personal tax consequences under Section 409A (such earliest date, the "**Delayed Initial Payment Date**"), the Company (or the successor entity thereto, as applicable) shall (A) pay to Executive a lump sum amount equal to the sum of the Payments that Executive would otherwise have received through the Delayed Initial Payment Date if the commencement of the payment of the Payments had not been delayed pursuant to this Section 5.E. and (B) commence paying the balance of the Payments in accordance with the applicable payment schedules set forth in this Section 5 above. For the avoidance of doubt, it is intended that (1) each installment of the Payments is a separate "payment" for purposes of Section 409A, (2) all Payments satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under of Treasury Regulation 1.409A-1(b)(4)-(6), and 1.409A-1(b)(9)(iii), and (3) the Payments consisting of COBRA premiums also satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury Regulation 1.409A-1(b)(9)(v).

F. 280G Limitations. In the event that the severance pay and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute “parachute payments” within the meaning of Section 280G of the Code and (ii) would be subject to the excise tax imposed by Code Section 4999, then such benefits shall be either be: (A) delivered in full, or (B) delivered as to such lesser extent which would result in no portion of such severance pay and other benefits being subject to excise tax under Code Section 4999, whichever of the foregoing amounts, taking into account the applicable federal, state and local income and employment taxes and the excise tax imposed by Code Section 4999, results in the receipt by Executive, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be subject to excise tax under Code Section 4999. Any determination required under this Section 5.F. will be made in writing by an accounting firm selected by the Company or such other person or entity to which the parties mutually agree (the “*Accountants*”), whose determination will be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this Section 5.F., the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Code Sections 280G and 4999. The Company and Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 5.F. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 5.F. Any reduction in payments and/or benefits required by this Section 5.F. shall occur in the following order: (i) cash payments shall be reduced first and in reverse chronological order such that the cash payment owed on the latest date following the occurrence of the event triggering such excise tax will be the first cash payment to be reduced; (ii) accelerated vesting of restricted stock units, options or other equity-based awards, if any, shall be cancelled/reduced next and in the reverse order of the date of grant for such restricted stock units, options or other equity-based awards (i.e., the vesting of the most recently granted stock awards will be reduced first), with full-value awards reversed before any restricted stock units, options or other equity-based awards are reduced; and (iii) deferred compensation amounts subject to Section 409A shall be reduced last.

6. Remedies. Each of the parties to this Agreement will be entitled to enforce its rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction in accordance with Section 12 for injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

7. Attorney Fees. If any action at law or in equity, including any action for declaratory or injunctive relief, is brought which arises out of this Agreement or the termination of Executive’s employment, or which seeks to enforce or interpret this Agreement or to seek damages for its breach, the prevailing party shall be entitled to recover reasonable attorney fees from the non-prevailing party, which fees may be set by the court or arbitrator in the trial of such action, or may be enforced in a separate action brought for that purpose, and which fees shall be in addition to any other relief which may be awarded.

8. Assignment. This Agreement shall not be assignable, in whole or in part, by either party without the written consent of the other party, except that the Company may, without the consent of Executive, assign or delegate all or any portion of its rights and obligations under this Agreement to any corporation or other business entity (i) with which the Company may merge or consolidate, or (ii) to which the Company may sell or transfer all or substantially all of its assets or capital stock. Any such current or future successor to which any right or obligation has been assigned or delegated shall be deemed to be the “Company” for purposes of such rights or obligations of this Agreement. The rights and, obligations under this Agreement shall inure to the benefit of and shall be binding upon the heirs, legatees, administrators and personal representatives of Executive and upon the successors, affiliates, representatives and assigns of the Company.

9. Severability and Reformation. The parties hereto intend all provisions of this Agreement to be enforced to the fullest extent permitted by law, and are intended to be limited to the extent necessary so that they will not render this Agreement illegal, invalid, or unenforceable under present or future law. If any provision of this Agreement or any application thereof shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of such provision shall be fully severable, and this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision were never a part hereof and the remaining provisions shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance.

10. Notices. All notices and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, mailed by certified mail (return receipt requested) or sent by overnight delivery service, cable, telegram, facsimile transmission or telex to the parties at the following addresses or at such other addresses as shall be specified by the parties by like notice:

If to the Company:

Proto Labs, Inc.
5540 Pioneer Creek Drive
Maple Plain, MN 55359
Attention: President and CEO

If to the Executive:

Notice so given shall, in the case of notice so given by mail, be deemed to be given and received on the fourth calendar day after posting, in the case of notice so given by overnight delivery service, on the date of actual delivery and, in the case of notice so given by cable, telegram, facsimile transmission, telex or personal delivery, on the date of actual transmission or, as the case may be, personal delivery.

11. Further Actions. Whether or not specifically required under the terms of this Agreement, each party hereto shall execute and deliver such documents and take such further actions as shall be necessary in order for such party to perform all of the party's obligations specified herein or reasonably implied from the terms hereof.

12. Governing Law and Venue. This Agreement is to be governed by and construed in accordance with the laws of the State of Minnesota without giving effect to any choice or conflict of law provision or rule that would cause the application of laws of any jurisdiction other than the State of Minnesota. The parties agree that any dispute concerning this Agreement is to be brought in the District Court in Hennepin County, Minnesota and consent to jurisdiction and venue therein.

13. Entire Agreement. This Agreement, the Restrictive Covenants Agreement, the Award Agreements and the Plan contain the entire understanding and agreement between the parties, except as otherwise specified herein, and supersede any other agreement between Executive and the Company, whether oral or in writing, with respect to the same subject matter; *provided, however*, that nothing herein shall supersede or replace any of the Company's equity-based compensation plans and any award agreements with the Executive entered into thereunder.

14. No Waiver. No term or condition of this Agreement shall be deemed to have been waived, except by a statement in writing signed by the party against whom enforcement of the waiver is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived, and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

15. Counterparts. This Agreement may be executed in counterparts, with the same effect as if both parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

THE COMPANY:

PROTO LABS, INC.

By _____

EXECUTIVE:

Severance Agreement