
DYNASIL CORPORATION OF AMERICA
385 Cooper Road
West Berlin, New Jersey 08091-9145
(856) 767-4600

**NOTICE OF
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD AT 10:00 AM,
ON FEBRUARY 3, 2010**

To the Stockholders of Dynasil Corporation of America:

The annual meeting of stockholders of Dynasil Corporation of America (the "Company"), a Delaware corporation, will be held at the Radiation Monitoring Devices subsidiary of the Company, 44 Hunt Street, Watertown, Massachusetts 02472 on February 3, 2010 beginning at 10:00 A.M. local time. At the meeting, stockholders will act upon the following matters:

- (1) Election of seven (7) Directors, each for a term of one year;
- (2) Approval of the 2010 Stock Incentive Plan;
- (3) Ratification of appointment of Haeefe, Flanagan & Co., p.c., as the Company's independent accountants for fiscal 2010; and
- (4) Any other matters that properly come before the meeting.

Stockholders of record at the close of business on December 7, 2009 are entitled to vote at the meeting or any postponement or adjournment.

The accompanying form of proxy is solicited by the Board of Directors of the Company.

Stockholders (whether they own one or many shares and whether they expect to attend the annual meeting or not) are requested to vote, sign, date and promptly return the accompanying proxy in the enclosed self-addressed stamped envelope. A proxy may be revoked at any time prior to its exercise (a) by notifying the secretary of the Company in writing, (b) by delivering a duly executed proxy bearing a later date, (c) or by attending the annual meeting and voting in person.

By order of the Board of Directors:

Patricia L. Johnson, Corporate Secretary

January 6, 2010
West Berlin, New Jersey

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West Berlin, New Jersey 08091-9145
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PROXY STATEMENT

This Proxy Statement contains information related to the annual meeting of stockholders of Dynasil Corporation of America ("Dynasil" or the "Company") to be held on Wednesday, February 3, 2010, at 10:00 A.M., local time, at the Radiation Monitoring Devices subsidiary of the Company, 44 Hunt Street, Watertown, Massachusetts 02472, and at any adjournment or adjournments thereof. The mailing date for this proxy statement, along with the proxy form and 10-K annual report, is on or about January 6, 2010.

ABOUT THE MEETING

What is the purpose of the annual meeting?

At the Company's annual meeting, stockholders will act upon the matters outlined in the accompanying notice of meeting, including the election of directors, a proposal to adopt a new Stock Incentive Plan to replace the plan adopted in 1999, and ratification of the Company's independent auditors. In addition, the Company's management will report on the performance of the Company during fiscal year 2009 and respond to questions from stockholders.

Who is entitled to vote?

Stockholders of record at the close of business on the record date, December 7, 2009, are entitled to receive notice of the annual meeting and to vote the shares of common stock that they held on that date at the meeting, or any postponement or adjournment of the meeting. Each outstanding share entitles its holder to cast one vote on each matter to be voted upon.

Who can attend the meeting?

All stockholders as of the record date, or their duly appointed proxies, may attend the meeting.

Please note that if you hold your shares in "street name" (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement or similar document or record reflecting your stock ownership as of the record date and check in at the registration desk at the meeting.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date will constitute a quorum, permitting the meeting to conduct its business. As of the record date, 12,378,018 shares of common stock of the Company were outstanding. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

How do I vote?

If you complete and properly sign the accompanying proxy card and return it to the Company, it will be voted as you direct. 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.

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

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with the Secretary of the Company either a notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

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 Nominated Slate of Directors (see page 4);
- For Approval of the 2010 Stock Incentive Plan to Replace the 1999 Stock Incentive Plan Adopted in 1999 (see page 12);
- For Ratification of the Appointment of Haeefe, Flanagan & Co., p.c., as the Company's Independent Auditors (see page 15).

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?

Election of directors. The affirmative vote of a majority of the votes cast at the meeting is required for the election of directors. 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 purposes of determining whether there is a quorum. Accordingly, a "WITHHOLD AUTHORITY" will have the effect of a negative vote.

Other items. For each other item, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the item will be required for approval. A properly executed proxy marked "ABSTAIN" with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote.

If you hold your shares in "street name" through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. Shares represented by such "broker non-votes" will, however, be counted in determining whether there is a quorum.

STOCK OWNERSHIP

Who are the largest owners of the Company's stock?

As of December 7, 2009, Dr. Gerald Entine, President of the Company's RMD Research subsidiary and a director of the Company, owned 35.2% of the outstanding shares of the Company's common stock and Mr. Craig Dunham, President, CEO and a director of the Company, owned 20.2% of the outstanding shares of the Company's common stock. See the table and notes below.

How many shares of stock do the Company's directors and executive officers own?

The following table and notes set forth the beneficial ownership of the common stock of the Company as of December 7, 2009, by each person who was known by the Company to beneficially own more than 5% of the common stock, by each director and named executive officer who owns shares of common stock, and by all directors and executive officers as a group:

<u>Title of Class</u>	<u>Name and Address Of Beneficial Owner</u>	<u>No. of Shares and nature of Beneficial Ownership(1)</u>	<u>Percent of Class</u>
Common	Craig Dunham (1) (4)	2,515,715	20.3%
Common	Gerald Entine (7)	4,363,098	35.2%
Common	James Saltzman (1) (2) (3)	743,490	5.8%
Common	Peter Sulick (1) (6)	929,502	7.3%
Common	Cecil Ursprung (1)(5)	295,878	2.3%
Common	Laura Lunardo (1)	156,391	1.3%
	All Officers and Directors as a Group (1)	9,049,828	67.05%

(1) The numbers and percentages shown include shares of common stock issuable to the identified person pursuant to stock options exercisable within 60 days. In calculating the percentage of ownership, such shares are deemed to be outstanding for the purpose of computing the percentage of shares of common stock owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of share of common stock owned by any other stockholders. The number of shares outstanding on December 7, 2009 was 12,378,018.

(2) James Saltzman disclaims beneficial ownership of the 243,206 shares owned by Saltzman Partners.

(3) Includes options to purchase 144,648 shares of the Company's common stock at \$4.00 per share, options to purchase 54,873 shares of the Company's common stock at \$3.06 per share, options to purchase 91,124 shares of the Company's common stock at \$1.58 per share, options to purchase 66,667 shares of the Company's common stock at \$2.00 per share and shares of Series C Preferred Stock that are convertible into 40,400 shares of common stock.

(4) Includes shares of Series C Preferred Stock that are convertible to 20,000 shares of common stock and 1,000,000 shares of common stock held in the Dunham Family Limited Liability Company of which Mr. Dunham is the sole managing member and over which he has sole dispositive and voting power.

(5) Includes options to purchase 80,000 shares of the Company's common stock at \$2.00 per share, options to purchase 31,356 shares of the Company's common stock at \$3.06 per share, options to purchase 60,749 shares of the Company's common stock at \$1.58 per share, and shares of Series C Preferred Stock that are convertible into 100,000 shares of common stock.

(6) Includes options to purchase 80,000 shares of the Company's common stock at \$3.08 per share, options to purchase 51,389 shares of the Company's common stock at \$3.06 per share, options to purchase 138,373 shares of the Company's common stock at \$1.58 per share, options to purchase 41,871 shares of the Company's common stock at \$2.65 per share and shares of Series C Preferred Stock that are convertible into 100,000 shares of common stock.

(7) Includes shares held in the names of his family and children's trusts.

ITEM 1

ELECTION OF DIRECTORS

Seven (7) directors will be elected to hold office subject to the provisions of the Company's by-laws until the next Annual Meeting of Stockholders, and until their respective successors are duly elected and qualified. This represents the proposed expansion of the Company's board of directors from five to seven members. The primary reasons for expanding the number of directors are to broaden the business experience on the Board and to increase the number of independent directors available to serve on committees for more effective corporate governance. The vote of a majority of the votes entitled to be cast by stockholders present in person or by proxy, is required to elect members of the Board of Directors. The following table sets forth the name, age, position with the Company and respective director service dates of each person who has been nominated to be a director of the Company:

<u>Name</u>	<u>Age</u>	<u>Positions(s) With the Company</u>	<u>Director Since</u>
Mr. Peter Sulick	59	Chairman, Chair of the Audit Committee	2008
Mr. Craig Dunham	53	President, CEO, Director	2004
Mr. James Saltzman	66	Vice Chairman, member of the Audit Committee	1992
Mr. Cecil Ursprung	65	Director, member of the Audit Committee	2007
Dr. Gerald Entine	66	Director, RMD Research President	2009
Dr. Michael Joyner	51	Director	
Mr. David Kronfeld	62	Director	

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE NOMINEES LISTED BELOW.

Business Experience of the Directors

Craig Dunham, 53, Dynasil President and CEO, invested in Dynasil and then joined the Company in October 2004 as President, CEO and a director. Prior to joining Dynasil, he spent about one year partnering with a private equity group to pursue acquisitions of mid-market manufacturing companies. From 2000 to 2003, he was Vice President/General Manager of the Tubular Division at Kimble Glass Corporation. From 1979 to 2000, he held progressively increasing leadership responsibilities at Corning Incorporated in manufacturing, engineering, commercial and general management positions. At Corning, he delivered results in various glass and ceramics businesses including optics and photonics businesses. Mr. Dunham earned a B.S. in Mechanical Engineering and an M.B.A. from Cornell University.

Peter Sulick, 59, Chairman, Audit Committee Chairman, and the Board's Financial Expert, joined the Board on June 12, 2008. Mr. Sulick is currently President and CEO of AmeriSite, LLC, a family-owned real estate development and investment company. Mr. Sulick's business background includes the founding of Independence Broadcasting Corporation, PowerFone Inc., SSPCS Corp. and AmeriSite, LLC. Starting in 1985, Mr. Sulick founded and led telecommunications companies that were later acquired by Nextel and T-Mobile. In the early part of his career, Mr. Sulick was a principal financial officer for Cablevision Systems and has also held several senior-level financial positions at the Communications Operations Group of ITT. He began his career in the audit department at Arthur Andersen & Co, in New York City following graduate school. He is a certified public accountant who earned his MBA in finance from the University of Massachusetts and a B.S. in Business Administration from The Citadel.

James Saltzman, 66, Vice Chairman, has been a member of the Board since 1992. From January 1999 to September 2009, Mr. Saltzman was Dynasil's Chairman. Mr. Saltzman has been involved in the investment community since October 1969 where he has invested in both public and private corporations. He helped found several companies which have been purchased by larger corporations, most recently Without-a-Box which was purchased by Amazon.com. In

recent years, he has been a key source of potential acquisitions for Dynasil, including Optometrics and RMD. Mr. Saltzman earned a BA degree from Franklin & Marshall College.

Cecil Ursprung, 65, Director, has been a member of the Board since February 1, 2007. Mr. Ursprung is the retired Chairman and CEO of Reflexite Corporation in Avon, Connecticut, a manufacturer of reflective products to enhance safety and optical films used to manage light in LCD displays. He had been with Reflexite since 1983 and led the revenue growth of that company from \$2.5 million to approximately \$100 million. He is a frequent speaker on topics such as business strategy development, employee motivation, business ethics, executive compensation, employee ownership and the effective use of outside boards. His education includes a degree in Economics and Finance from Baylor University, an MBA from Washington University in St. Louis, and post-graduate work at the University of Michigan.

Dr. Gerald Entine, 66, Director and RMD Research President, is a founder and former majority stockholder of RMD, Inc and RMD Instruments, LLC. He was elected to the Dynasil Board of Directors on June 24, 2009. He has more than 40 years of experience in both applied and basic scientific research in optics, nuclear sensors and instrumentation and related physics or biophysics-based technologies. Dr. Entine received his B.Sc. in Physics/Biophysics and M.A. in Physics from the University of Pennsylvania. He received his Ph.D. in physics from the University of California at Berkeley under the direction of two Nobel Laureates: Dr. Melvin Calvin and Dr. Owen Chamberlain. Dr. Entine then joined Tyco Laboratories, a high technology research center in Boston, and conducted studies in semiconductor sensors until 1974, when he founded RMD with technology that RMD acquired from Tyco. Dr. Entine continues to be involved in research, and has been the Principal Investigator on numerous research contracts and grants funded privately and by government. Dr. Entine is currently an Adjunct Research Assistant Professor in the Department of Neurology at the Bowman Gray School of Medicine. His publications include works in Physics and Instrumentation (48), Basic Chemistry (22), and Medicine & Biophysics (51).

Michael Joyner, M.D., 51, nominee for Director, serves as the Associate Dean for research at Mayo Clinic and is the current Deputy Director for Research at Mayo Clinic in Rochester, Minnesota, as well as the associate program director of Mayo's Center of Translational Science Activities and a consultant in the Department of Anesthesiology. Dr. Joyner is recognized with the distinction of a named professorship, the Frank R. and Shari Caywood Professorship. He received his undergraduate and medical degrees from the University of Arizona. Dr. Joyner's work has been funded continuously by the NIH since the early 1990s. He held important editorial positions for key journals, served as an NIH study section member, and has received numerous national and international awards for his work on muscle blood flow and human physiology. A number of Dr. Joyner's former fellows now direct independent research programs in the United States, Canada, Europe and Japan.

David Kronfeld, 62, nominee for Director, founded JK&B Capital (JK&B), a venture capital firm focused in the software, information technology and communications markets with over \$1.1 billion of cumulative capital under management. Mr. Kronfeld is an experienced venture capital investor and telecommunications industry executive with over 30 years of experience. Prior to forming JK&B, Mr. Kronfeld was a General Partner at Boston Capital Ventures (BCV) where he focused on making venture capital investments in telecommunications and software companies. Before joining BCV, Mr. Kronfeld was Vice President of Acquisitions and Venture Investments with Ameritech where he was responsible for directing venture capital investments in a broad array of telecommunications-related companies and all of Ameritech's mergers and acquisitions activities. In addition, Mr. Kronfeld was a Senior Manager at Booz Allen & Hamilton and a Systems Analyst at Electronic Data Systems (E.D.S.). He has been on four public company boards, and currently sits on the board of directors of NeuLion, Inc. In addition, he has served on over 30 private company boards of directors. Mr. Kronfeld earned a Bachelor of Science in Electrical Engineering with high honors and a Master of Science in Computer Science from Stevens Institute of Technology, and a Master of Business Administration from The Wharton School of Business.

The Board believes that all five outside director nominees meet applicable standards for independence and therefore, if all the nominees are elected, the Dynasil Board will have a majority of independent Directors. Board members are expected to attend the Annual Meeting of Stockholders and all directors attended last year's meeting.

The Board held thirteen scheduled meetings in fiscal 2009. All Directors attended all meetings during fiscal year 2009. There were five scheduled audit committee meetings in fiscal 2009 and all committee members attended all meetings. Compensation committee meetings were conducted in conjunction with regularly scheduled Board meetings.

How are directors compensated?

Directors' Compensation

According to a policy begun in July 2008, each non-employee Director is paid \$36,000 per year, with at least 50% of that amount to be paid in the form of stock options. Directors are required to attend regularly scheduled quarterly Board Meetings, as well as additional special meetings. In addition, in view of their additional responsibilities and obligations, during fiscal 2009, the Chairman received an additional \$9,000 per year and the Audit Committee Chairman and Board's Financial Expert received an additional \$5,000 per year. The July 2008 change was initiated to provide competitive directors' compensation commensurate with the tripling of Dynasil's revenues resulting from the July 1, 2008 acquisition of RMD. Prior to making that change, and during multiple board meetings, Dynasil's Directors reviewed directors' compensation data from the National Association of Corporate Directors ("NACD") and Silicon Valley companies and engaged in extensive discussions regarding the appropriate level of directors' compensation. This data was used to revise the directors' compensation to a level that Dynasil's Directors believed was comparable to that paid by similar companies. Further, one of the best practices recommended by the NACD data was to pay at least half of directors' compensation in stock or stock options. Accordingly, the Dynasil Directors revised their compensation package to pay 50% of Directors' fees in stock options which are issued on an annual basis following the election of Directors at the annual meeting. For the remaining 50% of Directors' fees, each Director has the choice to be paid in any combination of monthly cash payments, quarterly stock payments (at the quarter's average market price) and/or annual stock options. The terms for the stock options generally include a three to five year exercise period from the initial issue date, an exercise price set at a 33% premium to the market price at the time of issue and the value is determined based on Black-Scholes methodology. In addition, all reasonable expenses incurred in attending meetings are reimbursed by the Company and Directors are eligible for other stock options and grants.

In July 2009, First Niagara Consulting, an independent compensation consulting firm, was engaged to review the Company's Board and Chair compensation program as compared to the programs offered by comparable companies. The analysis was based on 2008/2009 ECS and NACD Director Compensation Surveys and showed that Dynasil's overall directors' and audit committee chair compensation levels were moderately lower than comparable companies. In view of current economic conditions, the Board elected not to change its compensation programs in those areas. However, the analysis of Dynasil's Board chair compensation level indicated a significant shortfall relative to comparable companies. The Company's disinterested directors unanimously concluded that the then current Chairman, Mr. James Saltzman, had recently and was continuing to provide services to Dynasil which warranted targeting the 75th percentile of market for similar sized public companies and that the comparable compensation for that level of services was approximately \$80,000 per year. As a result, effective August 1, 2009, the annual fees paid to Mr. Saltzman for his services as the Company's Chair were increased from \$9,000 to \$44,000 to equal total compensation of \$80,000. In recognition that past Directors' fees paid to Mr. Saltzman had not adequately reflected the value to the Company of the services provided and responsibilities handled by Mr. Saltzman as Chair of the Company, the Company's disinterested directors also authorized a one-time equity grant of \$85,000 to Mr. Saltzman. Fifty percent (50%) of that one time grant to Mr. Saltzman was paid in the form of common stock and the remainder was in the form of stock options at a strike price of \$2 per share that shall vest over a three year period.

On September 11, 2009, Mr. Peter Sulick was unanimously elected Chairman of the Dynasil Board of Directors, with an increase in his total annual compensation rate from \$41,000 to a total of \$65,000 per year, which approximates the median market compensation of board chairs for similar sized public companies. In addition, on October 13, 2009, in recognition of the significant time commitment expected as Chairman, Mr. Sulick was granted options to acquire 400,000 shares of Dynasil common stock at an exercise price of \$4.00 per share that vest quarterly over a four year period. On September 11, 2009, Mr. Saltzman assumed the newly created position of Vice Chairman without any change in his compensation.

Additional details of the comparable company data used to revise Director's compensation as well as additional details regarding the plan is available in the Company's Periodic Report on Form 8-K dated July 15, 2008. These fees are in addition to fees paid or stock or option awards that may be paid or granted to induce an individual to join Dynasil's Board of Directors.

Name	Fees earned or Paid in:				Total(\$)
	Cash(\$)	Stock awards(\$)	Option awards(\$)	All other compensation(\$)	
James Saltzman(1)(4)	23,834	26,416	85,585		\$135,835
Cecil Ursprung (1)(2)		18,000	18,000		36,000
Peter Sulick (1)(3)		5,750	53,000		58,750

(1) On March 1, 2009, stock options were issued to all three outside Directors to cover their standard stock option portion of Directors' fees plus the cash, stock or options portion of their fees which they elect to receive in stock options through February 2010. These options were issued at \$1.58 per share, which was 33% above the market price of \$1.19 per share with a three year term. A total of 290,246 options were issued with a total Black-Scholes value of \$86,000.

(2) Mr. Ursprung elected to receive 100% of the cash, stock or options portion of his Directors' fees in shares of Dynasil common stock which was issued at quarter average market prices which ranged from \$1.06 to \$1.65 per share. A total of 12,578 shares of common stock were issued with an aggregate market value of \$18,000 at time of issue and for an average price per share of \$1.43 per share.

(3) Since March 1, 2009, Mr. Sulick has elected to receive 100% of the cash, stock or options portion of his Directors' fees, as well as his compensation for chairing the Audit Committee in options. During the period from October 1, 2008 to February 28, 2009, Mr. Sulick's 2008 Director's compensation was paid in options previously issued in July of 2008 and the remaining \$5,750 in the form of Dynasil common stock issued at quarter ending market prices which ranged from \$1.06 to \$1.65 per share. A total of 3,725 shares of common stock were issued with an aggregate market value of \$5,750 at time of issue and for an average price per share of \$1.54 per share. Mr. Sulick was granted 41,871 stock options on September 30, 2009 as payment for 6 months of chairing the Board of Directors. At that time, the most recent market price was \$1.99 per share, the option exercise price was \$2.65 per share, the options granted had a three year exercise period, and were valued at \$12,000.

(4) Mr. Saltzman elected to receive 100% of the cash, stock or options portion of his Directors' fees in cash for basic Board fees. Mr. Saltzman elected to receive the \$9,000 for being Chairman of the Board of Directors in options. Effective August 1, 2009, the annual fees paid to Mr. Saltzman for his services as the Company's Chair were increased from \$9,000 to \$44,000. Additionally, in recognition that previous directors' fees paid to Mr. Saltzman had not adequately reflected the value to the Company of Mr. Saltzman's services and responsibilities as Chair of the Company, a one-time equity grant of \$85,000 was made to Mr. Saltzman. This grant was in the form of 22,772 shares of common stock, which at the then market price of \$1.16 per share had a value of \$26,415 at the time of issue, with the remainder in the form of options to acquire 200,000 shares of stock at an exercise price of \$2 per share (60% above the then current market price) that vest over a three year period, with a Black-Scholes value of \$58,585.

What committees has the Board established?

Compensation Committee. The Compensation Committee is responsible for negotiating and approving salaries and employment agreements with officers of the Company. The committee currently consists of Messrs. Saltzman, Sulick and Ursprung. The Compensation Committee does not currently have a charter and current compensation practices are outlined in the Director Compensation and Executive Compensation sections of this proxy document. Formalization of Compensation Committee functions is planned as part of the proposed Board expansion described elsewhere in this Proxy Statement.

Audit Committee. The Audit Committee currently consists of Messrs. Sulick, Saltzman and Ursprung. Mr. Sulick is the Audit Committee Chairman and its Financial Expert. The Audit Committee is responsible for reviewing reports of the Company's financial results, audits, internal controls, and adherence to its Business Conduct Guidelines, compliance with federal procurement and other laws and regulations, and other matters. The Audit Committee recommends to the Board of Directors the selection of the Company's outside auditors, reviews their procedures for ensuring their independence with respect to the services performed for the Company and approves their compensation.

The Audit Committee is composed of outside directors who are not officers or employees of the Company. In the opinion of the Board, these directors are independent of the Company's management and free of any other relationship that would interfere with their exercise of independent judgment as members of this committee.

The Board of Directors approved and adopted a formal written Audit Committee Charter on March 5, 2001 and amended it on December 18, 2008. This Charter was adopted in accordance with quotation standards promulgated by NASDAQ and the Sarbanes-Oxley Act of 2002 (“SOX”). The amended Charter was filed with the Securities and Exchange Commission as an exhibit to the Company's Annual Report on Form 10-KSB for the year ended September 30, 2008.

Nominating Committee: Due to the small size of the Board, there has not been a separate standing nominating committee. The Company expects that the proposed expansion of the Board to seven Directors will result in the formation of a formal nominating committee. For nominations for the February 3, 2010 Annual Stockholders Meeting to which this Proxy Statement relates, an ad-hoc nominating committee was established comprised of Messrs. Saltzman (Chair) and Dunham and Dr. Entine, the latter two of whom hold an aggregate of 55.5% of the Company's outstanding shares of common stock as of the record date for that Meeting. Notwithstanding the composition of that ad-hoc committee, both Dr. Joyner and Mr. Kronfeld, the new nominees for director, were initially recommended by outside Directors. The full Board approved the director nominations recommended by the ad-hoc committee. The Company does not currently have a formal nomination process or nominating committee charter but anticipates the creation of a formal, standing nominating committee in the near future. So far as the Company can determine, no nominees for director have ever been recommended by non-director security holders. As a result, the Company does not currently have a policy regarding such nominations.

REPORT OF THE AUDIT COMMITTEE OF DYNASIL CORPORATION OF AMERICA

December 17, 2009

To the Board of Directors of Dynasil Corporation of America:

We have reviewed and discussed with management the Company's audited consolidated financial statements as of and for the fiscal year ended September 30, 2009.

We have discussed with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61, Communications with Audit Committees, as amended, as adopted by the Public Company Accounting Oversight Board.

We have received and reviewed the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1, as adopted by the Public Company Accounting Oversight Board, and have discussed with the independent accountants the accountants' independence.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the consolidated financial statements referred to above be included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2009.

The information contained in this report shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference in such filing.

By: /s/ Peter Sulick
Peter Sulick,
Chairman

By: /s/ James Saltzman
James Saltzman

By: /s/ Cecil Ursprung
Cecil Ursprung

Audit Committee

EXECUTIVE COMPENSATION

Summary Compensation Table

Name and Position	Year	Salary(\$)	Bonus(\$)	Stock Awards(\$)	Option Awards(\$)	All Other Compensation(\$)	Total(\$)

Craig Dunham President and CEO	2009	175,000					175,000
	2008	150,000	63,000				213,000
Gerald Entine President RMD Research	2009	325,000				19,312	344,315
	2008	81,250				4,828	86,078
Laura Lunardo COO- Optometrics	2009	118,076	10,488			3,931	132,495
	2008	115,931	41,928			12,492	170,351

Executive Compensation Philosophy

Dynasil's current executive compensation philosophy is outlined below. When companies are acquired, we typically do not immediately change existing salary and benefits so there may be significant differences versus our compensation philosophy for extended periods of time. We prefer employees to be "at will" in general but employment agreements are utilized where the Board sees it as advisable. The Board will deviate from these philosophies when necessary to attract and retain strong people. An equity compensation plan for employees and executives is currently being investigated. Here are the key points of our current executive compensation philosophy:

- Moderate base pay where the midpoint of the Company's salary is typically set at 90%-100% of the median salary for comparable companies from a national salary survey. Adjustments may also be made for differences in regional salary costs. National salary survey data is routinely used for annual executive compensation reviews. The current salary survey being used is the National Executive Compensation Survey by The Management Association of Illinois in cooperation with nineteen other Employer Association Group members. This survey provides data according to company size.
- Excellent incentive compensation to offset the moderate base pay and provide strong rewards for strong performance.
- Competitive benefits.
- No perquisites or "perks".

In order to ensure that stockholders get a reasonable return on their investment prior to the payment of corporate executive bonuses, the current corporate bonus plan includes a formula approved by Dynasil's Board each year to determine the maximum allowable bonus payout. For fiscal year 2009, the maximum allowable "corporate bonus pool" payout was limited to 15% of Dynasil's net profits before taxes after subtracting an amount equal to a 12% annual return on Dynasil's stockholders' equity (using the average stockholders' equity based on quarterly balance sheets). For fiscal year 2010, the maximum allowable "corporate bonus pool" payout will be limited to 12% of Dynasil's operating income (before interest and taxes) after subtracting an amount equal to a 12% annual return on Dynasil's stockholders' equity (using the average stockholders' equity based on quarterly balance sheets). In the event that the sum of individual bonuses exceeds the maximum allowable bonus payout, all bonus payouts are reduced by the percentage required to not exceed the maximum bonus payout. For fiscal year 2009, Dynasil profitability equaled the 12% return to stockholders, but did not exceed that level. Therefore, no corporate bonuses were or will be paid with respect to that year. Each corporate executive has a targeted bonus percentage with a "balanced scorecard" set of objectives which includes 25% to 50% of the bonus calculation based on corporate profitability. The objectives for each executive are mostly numerical objectives such as profit and revenue dollars, but they may also be based on completion of milestone objectives. Corporate bonus payouts are made on an annual basis after audited financial results are completed and must

be approved by the Board prior to payout. The current corporate participants in this bonus plan are the CEO, CFO and Controller.

The employment agreement with Craig T. Dunham, President and CEO, commenced on October 1, 2004 for an initial three-year period, after which it automatically renews for one-year terms, unless terminated by either party upon ninety days written notice prior to the end of any term or for cause. Under the terms of the employment agreement, Mr. Dunham works full time for the Company and if Dynasil terminates the agreement for any reason other than "cause" (as defined), he is entitled to receive 30% of his base salary at the time of termination plus continued health care benefits for six months. Effective October 1, 2007, the Compensation Committee increased Mr. Dunham's base salary to \$150,000 and modified his bonus plan. In view of the Company's significant growth in fiscal year 2008, the Compensation Committee increased Mr. Dunham's base salary to \$175,000, which the Board believed was equivalent to 90% of the median salary for chief executive officers of comparably sized entities. For fiscal year 2009, Mr. Dunham's bonus was targeted at 60% of his base pay but there were no corporate bonuses paid as described above. For fiscal year 2010, Mr. Dunham's bonus is again targeted at 60% of base pay with 50% weighting on operating profits and the remainder calculated based on revenue, acquisitions and commercialization results.

An employment agreement with Laura Lunardo, Chief Financial Officer of the Company through December 15, 2008 and Chief Operating Officer of its Optometrics Corporation subsidiary ("Optometrics"), commenced on March 9, 2005 and ended on March 10, 2008 when she became an "at will" employee consistent with the Company's current executive compensation philosophy. On March 10, 2008, Ms. Lunardo's salary was increased from \$100,000 to \$125,000 and her individual bonus remained at 5% of Optometrics' net profits before taxes. In order to be consistent with the Company's executive compensation philosophy, perquisites that were previously provided to Ms. Lunardo are being phased out. In accordance with that philosophy, a 6% extra contribution to Ms. Lunardo's 401(k) pension plan and health club benefit were eliminated effective March 2008 and her company car benefit was eliminated when the car lease ended in April 2009. Otherwise, Ms. Lunardo has standard Optometrics benefits. For fiscal year 2008, the Board of Directors awarded Ms. Lunardo an additional \$10,000 cash bonus for her contributions as its interim Chief Financial Officer and role in implementing the Company's management controls project pursuant to the Sarbanes-Oxley Act of 2002.

As part of the Company's acquisition of RMD, employment agreements were entered into with RMD's former owners that maintained their compensation at then current levels. Dr. Gerald Entine's Former Owner Work Continuation Agreement provides for Dr. Entine's employment as RMD's President for a period of 18 months starting July 1, 2008, extendible by mutual agreement for an additional 6 months thereafter. Under that agreement, Dr. Entine receives a base salary of \$325,000 per year, business expense reimbursements (including reimbursement for home office expenses) and standard RMD employee benefits. The agreement also requires Dr. Entine to maintain confidentiality and not compete with Dynasil or RMD for a five year period. If Dynasil or RMD terminates the agreement for any reason other than "cause" (as defined), Dr. Entine is entitled to receive 20% of his base salary at the time of termination. The terms of the agreement are similar to Dr. Entine's pre-transaction compensation package, although it is not consistent with Dynasil's current executive compensation philosophy.

Mr. Jacob Paster's Former Owner Work Continuation Agreement provides for Mr. Paster's employment as Vice President of RMD Instruments for a period of 24 months starting July 1, 2008. Under that agreement, Mr. Paster receives a base salary of \$250,000 per year, vested options exercisable for a 3 year period starting July 1, 2008 to acquire 100,000 shares of Dynasil common stock at an exercise price of 33% above market price, options exercisable for a 3 year period starting July 1, 2008 to acquire an additional 20,000 shares of Dynasil's common stock at an exercise price of 33% above market price which were cancelled on October 15, 2009 because RMD Instruments did not meet certain revenue objectives, customary business expense reimbursements, reimbursement for apartment rental expense of \$2,625 per month through October 2008 and customary employee benefits. The agreement also requires Mr. Paster to maintain confidentiality and not compete with Dynasil or RMD for a five year period. If Dynasil or RMD terminates the agreement for any reason other than "cause" (as defined), Mr. Paster will be entitled to receive 20% of his annual base pay at the time of termination. The base compensation in the agreement is similar to Mr. Paster's pre-transaction compensation package, although it is not consistent with Dynasil's current executive compensation philosophy.

Mr. Richard A. Johnson becomes Chief Financial Officer on January 1, 2010 and has an Employment Agreement with a twenty-four (24) month term. Mr. Johnson's compensation package includes an annual salary of \$150,000, eligibility for a target bonus payout of 33% of base pay per fiscal year based on accomplishment of specific goals. He also receives standard Dynasil benefits and expense reimbursements.

Option Grants in Last Fiscal Year

During the year ended September 30, 2009, 707,116 stock options were granted at prices ranging from \$1.40 to \$2.65 per share and with a total value of \$197,095. Of these, 532,116 options were granted at prices ranging from \$1.58 to \$2.65 per share for Directors' Compensation with a fiscal year 2009 value totaling \$117,528 plus deferred value of \$19,528 that will vest in each year, 2010 and 2011. Additionally, 75,000 options with exercise prices set at \$1.50 per share were granted to members of the Commercialization Advisory committee, with a total value of \$16,470. A total of 100,000 stock options at prices ranging from \$1.40 to \$1.73 per share were granted to employees as signing/retention bonuses with a total potential, deferred value of \$24,040.

Related Party Transactions

During the years ended September 30, 2009 and 2008, building lease payments of \$114,000 and \$114,000 were paid to Optometrics Holdings, LLC in which Laura Lunardo, Optometrics' COO has a 50% interest.

During the years ended September 30, 2009 and 2008, building lease payments of \$760,985 and \$188,055, were paid to Charles River Realty, dba Bachrach, Inc., which is owned by Dr. Gerald Entine and family, the Company's President of RMD Research.

On September 30, 2008, a loan for \$2,000,000 was completed with a company in which the Company's President of RMD Research, Dr. Gerald Entine, and Vice-President of RMD Instruments, Mr. Jacob Pastor, have greater than 90% interest. The loan currently bears interest at 9% and a balloon payment of all principal is due on October 1, 2010. Interest expense for the year ended September 30, 2009 was \$160,000.

ITEM 2

THE BOARD OF DIRECTORS RECOMMENDS ADOPTION OF THE 2010 STOCK INCENTIVE PLAN WHICH REPLACES THE EXPIRED 1999 STOCK INCENTIVE PLAN.

The Company adopted a Stock Incentive Plan in 1999 (the "1999 Plan") that provided for, among other incentives, the discretionary granting to officers, directors, employees and consultants of options to purchase shares of the Company's common stock and to also grant shares of common stock. The 1999 Plan has expired and the Board of Directors has recommended that the stockholders adopt a new plan, called the 2010 Stock Incentive Plan (the "2010 Plan" or the "Plan"), to replace the 1999 Plan and to continue providing for those incentives. The 2010 Plan is summarized below, but it generally has similar terms and conditions as the 1999 Plan. The 2010 Plan will have a ten year life and with an aggregate of 6,000,000 shares of common stock authorized for issuance pursuant to it, including options or share issuances granted or made in replacement for grants or issuances under any previous plan adopted by the Company. The shares issuable under the Plan are shares of authorized but unissued or reacquired common stock, including shares repurchased by the Company. The 2010 Plan provides for the grant of options that are required to be exercisable at or above the fair market value on the date of grant and that typically vest over a three to five-year period. The Plan also allows eligible persons to be issued shares of the Company's common stock either through the purchase of such shares or as a bonus for services rendered to the Company. Shares are generally issued at the fair market value on the date of issuance or at the average market price for the period where services were provided, although they may be issued at any higher value. The Plan also will be used for issuing shares due to Directors as a portion of their Directors' fees, as well as for other uses contemplated by it. To fulfill these objectives, the Board of Directors is seeking stockholder approval of the 2010 Stock Incentive Plan.

In addition to share issuances, the Plan generally provides for the grant of "incentive stock options" ("ISOs") and "nonstatutory stock options" ("NSOs"). ISOs are options that are intended to be, and qualifies as, "incentive stock options" within the meaning of §422 of the Internal Revenue Code, which requires ISOs to meet certain requirements when granted and during the time the option is held by the optionee until exercise, including continued employment. ISOs may only be granted to employees of the Company or its subsidiaries. NSOs may be granted and shares of stock may be issued to employees, directors and consultants to the Company. The aggregate number of employees eligible to receive options or share issuances at the date of this Proxy Statement is approximately 190, the number of directors is planned to be seven for 2010, if all nominees for director are elected, and the Company estimates that the number of consultants or others who will receive or be eligible to receive options or shares under the Plan over the next twelve

months will not exceed 30. There are limits on grants of ISOs to 10% stockholders of the Company and a \$100,000 limit on the value of ISOs that may be granted to first-time optionees during any calendar year. Options that do not qualify as ISOs are NSOs. Permitted payment terms for option exercises include cash or check, certain loan arrangements permitted by the Federal Reserve Board's Regulation T, delivery of other shares of the Company's common stock, so-called "net exercise" arrangements permitted by the Plan and any other form of legal consideration permitted by the Board. Generally, options granted under the Plan may not be transferred except in the case of death, disability or pursuant to a domestic relations order. Except in instances of death or disability, ISOs must be exercised within three months after an optionee terminates employment with or service to the Company.

The Plan will be administered by the Board, although the Board has a broad power to delegate its administrative powers to one or more of its committees. The Board also may delegate to one or more of the Company's officers the authority to designate non-officer employees to receive options or share issuances and the terms of such grants or issuances and to determine the number of shares of common stock to be subject to options granted or share issuances to those employees so long as the Board resolutions regarding such delegation specify the total number of shares of common Stock that may be subject to the options granted or shares issued by such officer(s) and that such officer(s) may not grant an option or issue shares to themselves. The Board's administrative powers include the power to determine those eligible to receive options or shares, when and how options will be granted or shares issued, combinations of options granted and shares issued, the terms of grants and issuances, numbers of options granted and shares issued, and the terms under which replacement options or shares may be granted or issued. The administrative powers also include the power to construe and interpret the Plan, including correcting defects and ambiguities, settle controversies, accelerate option exercises, share issuances or vesting, suspend or terminate the plan (subject to applicable contract rights), amend the Plan to comply with applicable law, subject to the need to obtain stockholder approval to materially increase the number of shares of common stock available for issuance under the Plan, materially expand those eligible to receive option grants or share issuances, materially increase the benefits available under the Plan or materially reduce the process at which shares may be issued or purchased under the Plan or materially extend the term of the Plan, submit any amendment for stockholder approval, amend the terms of any one or more options or share issuances in certain cases, generally exercise such powers and perform such acts as the Board deems necessary, desirable, advisable or expedient to promote the best interests of the Company and to adopt procedures and sub-plans as necessary or appropriate to permit participation in the Plan. All determinations, interpretations and constructions made by the Board in good faith are final, binding and conclusive.

The Plan also contains certain provisions that accelerate option vesting or limit the Company's repurchase/cancellation rights in the event of certain "corporate transactions" or "changes in control".

The foregoing description or summary of the Plan is qualified in its entirety by reference to the full text of the Plan, which is included in this Proxy Statement.

The following table provides certain information on the new benefits to be provided under the Plan to the individuals or groups indicated: As the benefits to be received in the future if the Plan is adopted cannot be determined, the information provided describes the benefits that would have been received had the Plan been in effect during the Company's 2009 fiscal year.

**2010 Stock Incentive Plan - New Plan Benefits
Which Reflects Actual 2009 Activity**

Name and Position	Dollar Value (\$)	Number of Options Granted	Number of Shares Issued
Craig Dunham- President, CEO	-0-	0	0
Gerald Entine- President RMD Research	-0-	0	0
Laura Lunardo- COO Optometrics	-0-	0	0
Executive Group	\$19,129	80,000	0
Non-Executive Directors	\$156,585	532,116	40,075
Non-Executive Officer Employees	\$4,911	20,000	0

The securities to which the 2010 Plan will relate are an aggregate of 6,000,000 shares of the Company's common stock. As of December 22, 2009, the aggregate market value of those shares was \$15.9 million. The 2010 Plan provides for the grant of options that are required to be exercisable at or above the fair market value on the date of grant and that typically vest over a three to five-year period. The Plan also allows eligible persons to be issued shares of the Company's common stock either through the purchase of such shares or as a bonus for services rendered to the Company. Shares are generally issued at the fair market value on the date of issuance or at the average market price for the period where services were provided, although they may be issued at any higher value. Generally, options may only be granted or shares issued in consideration of the optionee's or recipient's agreement to provide personal services to the Company in a capacity such as employee, director or consultant. In certain instances, options may be granted or shares issued in recognition of the Company's receipt of special or extraordinary benefits from an optionee's or recipient's efforts on behalf of the Company.

Recipients of ISOs have no income tax consequence from or at the time of grant or an ISO or at or as a result of its exercise. However, the excess of the fair market value of the stock received on exercise over the exercise price is usually a tax preference adjustment for purposes of calculating the alternative minimum tax. If exercise of an ISO results in the optionee incurring alternative minimum tax, generally §53 of the Code provides an alternative minimum tax carryover for future years. The Company will have no tax consequence from the grant or exercise of an ISO. If the optionee has ordinary income on the sale or disposition of shares acquired on exercise, the Company should be entitled to a §162 compensation deduction equal to the amount of ordinary income.

The income tax treatment of NSOs is complex. As a general rule, §83 of the Code taxes employees who receive compensatory property at its fair market value and as compensatory income if the fair market value is "readily ascertainable" at the time of grant, but there is no taxable event as a result of the grant if there is no readily ascertainable fair market value. If the grant is taxed as ordinary income at the time of grant, there is no tax effect when the option is exercised and any gain on sale will generally receive long-term capital gain treatment. If there is not a readily ascertainable fair market value at the time of grant, there is no tax effect at that time. However, in that event, the difference between the exercise price paid and the value of the securities acquired at the time of exercise must be included in gross income as compensation income at the time of exercise. Generally speaking, §83(h) of the Code allows an employer a compensation deduction for NSOs for the amount included in income by the employee in its taxable year in which or with which the employee's taxable year of income inclusion ends, although if the NSOs are "substantially vested" at the time of transfer, the employer's deduction is allowed in accordance with its normal method of accounting. In any event, under §162(m) of the Code a publicly held corporation may not deduct more than \$1 million in compensation expense per year paid or accrued for a "covered employee".

Reference is made to the information set forth above in this Item 2 of this Proxy Statement and under Item 1 of this Proxy Statement for information relating to the Company's option grants during its 2009 and 2008 fiscal years. The information in the following table supplements that information:

Other Option Information

Recipient(s)	Options received in Fiscal Year 2009	Options to be received in Fiscal Year 2010
Craig Dunham, President and CEO	0	*
Gerald Entine, President RMD Research	0	*
Laura Lunardo, COO Optometrics	0	*
All Current Executive Officers as a Group	80,000	*
All Current Non-Executive Directors as a Group	532,116	*
All New Nominees for Election as Directors	0	160,000
Each "associate" of the foregoing	0	*
Each other person who received 5% of option granted	0	*
All employees other than Executive Officers as a Group	20,000	*

*To be determined.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THIS PROPOSAL.

**ITEM 3
RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS**

Subject to approval of the Company's stockholders, the Board of Directors has decided that Haeefe, Flanagan & Co., p.c., which firm has been the independent certified public accountants of the Company for the fiscal year ended September 30, 2009, be continued as independent accountants for the Company. The stockholders are being asked to approve the Board's decision to retain Haeefe, Flanagan & Co., p.c. for the fiscal year ending September 30, 2010.

A representative of Haeefe, Flanagan & Co., p.c. will be available by telephone at the Annual Meeting of Stockholders and will have the opportunity to make a statement if he or she desires to do so and to respond to appropriate questions from stockholders.

Accountants Fees

(a) Audit Fees

The aggregate fees billed or to be billed for professional services rendered by the Company's principal accountant for the audit of the Company's annual financial statements for the fiscal years ended September 30, 2009 and 2008 and the reviews of the financial statements included in the Company's Forms 10-Q during those fiscal years are \$121,320 and \$93,750, respectively.

(b) Audit Related Fees

The aggregate fees billed or to be billed for professional services rendered by the Company's principal accountant for "audit related" fees for the fiscal years ended September 30, 2009 and 2008 were \$0 and \$63,220, respectively. The fiscal year 2008 fees related to due diligence fees of \$28,220 for the RMD acquisition and RMD audit fees of \$35,000.

(c) Tax Fees

The Company incurred fees of \$14,500 and \$12,000 during the last two fiscal years for professional services rendered by the Company's principal accountant for tax compliance, tax advice and tax planning.

(d) All Other Fees

The Company incurred fees of \$1,440 for Sarbanes Oxley consultations by the Company's principal accountant during fiscal year 2009 and \$1,800 during fiscal year 2008.

(e) Pre-approval Policies and Procedures

The Board of Directors has adopted a pre-approval policy requiring that the Audit Committee pre-approve the audit and non-audit services performed by the independent auditor in order to assure that the provision of such services do not impair the auditor's independence. All auditor fees were pre-approved during fiscal years 2009 and 2008.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF HAEFELE, FLANAGAN & CO., P.C. AS THE COMPANY'S INDEPENDENT ACCOUNTANTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2010.

OTHER MATTERS

As of the date of this Proxy Statement, the Company knows of no business that will be presented for consideration at the Annual Meeting of Stockholders other than the items referred to above. In the event that any other matter is properly brought before the meeting for action by the stockholders, proxies in the enclosed form returned to the Company will be voted in accordance with the recommendation of the Board of Directors or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

ADDITIONAL INFORMATION

Stockholder Proposals for the Annual Meeting. Stockholders interested in presenting a proposal for consideration at the Company's annual meeting of stockholders in 2011 may do so by following the procedures prescribed in Rule 14a-8 under the Securities Exchange Act of 1934 and the Company's by-laws. To be eligible for inclusion, stockholder proposals must be received by the Company's Corporate Secretary no later than August 31, 2010.

Stockholder Communications to the Board. Stockholders interested in communicating to the Dynasil Board of Directors may do so through the Dynasil website, www.Dynasilcorp.com, by clicking on "Contact" and then "Request Information".

Proxy Solicitation Costs. The proxies being solicited hereby are being solicited by the Company. The cost of soliciting proxies in the enclosed form will be borne by the Company. Officers and regular employees of the Company may, but without compensation other than their regular compensation, solicit proxies by further mailing or personal conversations, or by telephone, telex, facsimile or electronic means. The Company will, upon request, reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to the beneficial owners of stock.

By order of the Board of Directors

Patricia L. Johnson, Corporate Secretary

January 6, 2010
West Berlin, NJ

DYNASIL CORPORATION OF AMERICA
2010 Stock Incentive Plan
Approved By Board on: November 18, 2009
Anticipated Approved By Stockholders: February 3, 2010
Estimated Termination Date: February 2, 2020

1. General.

(a) Eligible Recipients. The persons eligible to receive Options or shares of Common Stock are Employees, Directors and Consultants.

(b) Available Options and Stock. The Plan provides for the grant of Incentive Stock Options, Nonstatutory Stock Options and shares of Common Stock, whether newly issued or to replace previous grants or intended grants.

(c) General Purpose. The Company, by means of the Plan, seeks to secure and/or retain for itself or any Affiliate the services of the persons eligible to receive Options or shares of Common Stock as set forth in Section 1(a), to provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate and to provide a means by which such eligible recipients may be given an opportunity to benefit from increases in value of the Common Stock.

2. Administration.

(a) Administration by Board. The Board shall administer the Plan unless and until the Board delegates administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) Powers of Board. The Board shall have the power, subject to and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time (A) which of the persons eligible under the Plan shall be granted Options or receive shares of Common Stock; (B) when and how each Option shall be granted or shares of Common Stock issued; (C) what type or combination of types of Option shall be granted or shares of Common Stock issued; (D) the provisions of each Option granted or share of Common Stock issuance (which need not be identical), including the time or times when a person shall be permitted to receive Common Stock pursuant to an Option; (E) the number of shares of Common Stock with respect to which an Option shall be granted or shares may be issued to each such person; and (F) whether and the extent to which Options granted or shares of Common Stock issued hereunder shall be granted or issued in replacement for grants or issuances under any plan previously adopted by the Company.

(ii) To construe and interpret the Plan and Options granted or shares issued under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission, inconsistency or ambiguity in the Plan, any Option Agreement or Stock Issuance Agreement in a manner and to the extent it shall deem necessary, desirable, advisable or expedient to make the Plan, Option or share issuance fully effective.

(iii) To settle all controversies regarding the Plan and the Options granted or shares of

Common Stock issued under it.

(iv) To accelerate the time at which an Option may first be exercised or the time during which an Option or any part thereof or any share issuance will vest in accordance with the Plan, notwithstanding the provisions in the Option stating the time at which it may first be exercised or the time during which it will vest or in corresponding provisions of a Stock Issuance Agreement.

(v) To suspend or terminate the Plan at any time; provided, however, that suspension or termination of the Plan shall not impair rights and obligations under any Option granted or shares of Common Stock issued while the Plan is in effect except with the written consent of the affected Optionholder or stockholder.

(vi) To amend the Plan in any respect the Board deems necessary, desirable, advisable or expedient, including, without limitation, relating to Incentive Stock Options and certain nonqualified deferred compensation under §409A of the Code and/or to bring the Plan or Options granted under the Plan into compliance therewith, subject to the limitations, if any, of applicable law. However, except as provided in Section 9(a) relating to Capitalization Adjustments, stockholder approval shall be required for any amendment of the Plan that (A) materially increases the number of shares of Common Stock available for issuance under the Plan, (B) materially expands the class of individuals eligible to receive Options or shares of Common Stock under the Plan, (C) materially increases the benefits accruing to Optionholders or recipients of shares of Common Stock under the Plan or materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, or (D) materially extends the term of the Plan, but only to the extent required by applicable law or listing requirements. Except as provided in Section 2(b)(viii), rights under any Option granted or shares of Common Stock issued before amendment of the Plan shall not be impaired by any amendment of the Plan unless the Company requests and obtains the written consent of the affected Optionholder or recipient of shares of Common Stock.

(vii) To submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of (i) §162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to Covered Employees, (ii) §422 of the Code regarding Incentive Stock Options or (iii) Rule 16b-3.

(viii) To amend the terms of any one or more Options or issuance of shares of Common Stock, including, but not limited to, amendments to provide terms more favorable than previously provided in the Option Agreement or Stock Issuance Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; provided however, that, the rights under any Option or stock option issuance shall not be impaired by any such amendment unless the Company requests and obtains the written consent of the affected Optionholder or recipient of shares of Common Stock. Notwithstanding the foregoing, subject to the limitations of applicable law, if any, and without the affected Optionholder's or stockholder's consent, the Board may amend the terms of any one or more Options or share issuances if necessary to maintain the qualified status of an Option as an Incentive Stock Option or to bring an Option or share issuance into compliance with Code §409A (or any other provision of the Code) and the related guidance thereunder.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary, desirable, advisable or expedient to promote the best interests of the Company and that are not in

conflict with the provisions of the Plan, Options or share issuances.

(x) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States.

(c) Delegation to Committee.

(i) General. The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revert in the Board some or all of the powers previously delegated.

(ii) Section 162(m) and Rule 16b-3 Compliance. In the sole discretion of the Board, the Committee may consist solely of two or more Outside Directors, in accordance with §162(m) of the Code, or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3. In addition, the Board or the Committee, in its sole discretion, may (A) delegate to a Committee of Directors who need not be Outside Directors the authority to grant Options or issue shares of Common Stock to eligible persons who are either not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Option or issuance or not persons with respect to whom the Company wishes to comply with §162(m) if the Code or (B) delegate to a Committee of Directors who need not be Non-Employee Directors the authority to grant Options or issue shares of Common Stock to eligible persons who are not then subject to §16 of the Exchange Act.

(d) Delegation to an Officer. The Board may delegate to one or more Officers the authority to do one or both of the following (i) designate Employees who are not Officers to be recipients of Options or shares of Common Stock and the terms thereof and (ii) determine the number of shares of Common Stock to be subject to Options granted or share issuances to such Employees; provided, however, that the Board resolutions regarding such delegation shall specify the total number of shares of Common Stock that may be subject to the Options granted or shares issued by such Officer and that such Officer may not grant an Option or issue shares to himself or herself. Notwithstanding anything to the contrary in this Section 2(d), the Board may not delegate to an Officer authority to determine the Fair Market Value of the Common Stock pursuant to Section 13(s)(ii) below.

(e) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

3. Shares Subject to the Plan.

(a) Share Reserve. Subject to the provisions of Section 8(a) relating to adjustments upon changes in stock, the aggregate number of shares of Common Stock of the Company that may be issued pursuant to Options or share issuances after the Effective Date shall not exceed 6,000,000 shares, including Options or share issuances granted or made in replacement for grants or issuances or purported grants or issuances under any previous plan adopted by the Company. For clarity, the limitation in this subsection 3(a) is a limitation on the number of shares of Common Stock that may be issued pursuant to the Plan. Furthermore, if an Option or share issuance expires or otherwise terminates without having been exercised in full, such expiration or termination shall not reduce (or otherwise offset) the number of shares of Common Stock that may be issued pursuant to the Plan.

(b) Return to Reserve. If any shares of Common Stock issued pursuant to an Option or share issuance are forfeited back to the Company because of the failure to meet a contingency or condition required to vest such shares in the Optionholder or intended stockholder, then the shares which are forfeited shall revert to and again become available for issuance under the Plan. Any shares withheld by the Company pursuant to Section 7(g) or as acquired as consideration for the exercise of an Option or issuance of shares shall again become available for issuance under the Plan.

(c) §162(m) Limitation on Annual Grants. Subject to the provisions of Section 9(a) relating to Capitalization Adjustments, at such time as the Company may be subject to the applicable provisions of §162(m) of the Code, no Employee shall be eligible to be granted during any calendar year Options or share issuances where the exercise or purchase price is less than one hundred percent (100%) of the Fair Market Value of the Common Stock on the date the Option is granted or shares are authorized for issuance.

(d) Source of Shares. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company.

4. Eligibility.

(a) Eligibility for Specific Options. Incentive Stock Options may be granted only to Employees of the Company or a parent corporation or subsidiary corporation (as such terms are defined in Code §§424(e) and (f)). Nonstatutory Stock Options may be granted and shares of Common Stock may be issued to Employees, Directors and Consultants.

(b) Ten Percent Stockholders. A Ten Percent Stockholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock on the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

(c) Consultants. A Consultant shall be eligible for the grant of an Option or issuance of shares of Common Stock only if, at the time of grant, a Form S-8 Registration Statement under the Securities Act ("Form S-8") is available to register either the offer or the sale of the Company's securities to such Consultant because of the nature of the services that the Consultant is providing to the Company, because the Consultant is a natural person, or because of any other rule governing the use of Form S-8.

5. Option Provisions.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates shall be issued for shares of Common Stock purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, then the Option shall be a Nonstatutory Stock Option. The provisions of separate Options need not be identical; provided, however, that each Option Agreement shall include (through incorporation of provisions hereof by reference in the Option Agreement or otherwise) the substance of each of the following provisions:

(a) Term. Subject to the provisions of Section 4(b) regarding Ten Percent Shareholders, no Option shall be exercisable after the expiration of ten (10) years from the date of its grant or such shorter period specified in the Option Agreement.

(b) Exercise Price. Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, the exercise price of each Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Option may be granted with an exercise price lower than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option if such Option is granted pursuant to an assumption or substitution for another option in a manner consistent with the provisions of §424(a) of the Code (whether or not such options are Incentive Stock Options).

(c) Consideration. The purchase price of Common Stock acquired pursuant to the exercise of an Option shall be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board shall have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to utilize a particular method of payment. The methods of payment permitted by this Section 5(c) are:

(i) by cash, check, bank draft or money order payable to the Company;

(ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock;

(iv) by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Common Stock issued upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; provided, however, that the Company shall accept a cash or other payment from the Optionholder to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued; provided, farther, that shares of Common Stock will no longer be outstanding

under an Option and will not be exercisable thereafter to the extent that (A) shares are used to pay the exercise price pursuant to the "net exercise," (B) shares are delivered to the Optionholder as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations; or

(v) in any other form of legal consideration that may be acceptable to the Board.

(d) Transferability of Options. The Board may, in its sole discretion, impose such limitations on the transferability of Options as the Board shall determine. In the absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options shall apply:

(i) Restrictions on Transfer. An Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder; provided, however, that the Board may, in its sole discretion, permit transfer of the Option in a manner consistent with applicable tax and securities laws upon the Optionholder's request.

(ii) Domestic Relations Orders. Notwithstanding the foregoing, an Option may be transferred pursuant to a domestic relations order, provided, however, that an Incentive Stock Option may be deemed to be a Nonqualified Option as a result of such transfer.

(iii) Beneficiary Designation. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form provided by or otherwise satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(e) Vesting Generally. The total number of shares of Common Stock subject to an Option may vest and therefore become exercisable in periodic installments that may or may not be equal. The Option may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of Performance Goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary. The provisions of this Section 5(e) are subject to any Option provisions governing the minimum number of shares of Common Stock as to which an Option may be exercised.

(f) Termination of Continuous Service. Except as otherwise provided in the applicable Option Agreement or other agreement between the Optionholder and the Company as to Options that are not Incentive Stock Options, in the event that an Optionholder's Continuous Service terminates (other than upon the Optionholder's death, Disability or for Misconduct), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination of Continuous Service) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service (or such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination of Continuous Service, the Optionholder does not exercise his or her Option within the time specified herein or in the Option Agreement (as applicable), the Option shall terminate.

(g) Extension of Termination Date. An Optionholder's Option Agreement may provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the

issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of a period of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements, or (ii) the expiration of the term of the Option as set forth in the Option Agreement.

(h) Disability of Optionholder. If an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination of Continuous Service (or such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination of Continuous Service, the Optionholder does not exercise his or her Option within the time specified herein or in the Option Agreement (as applicable), the Option shall terminate.

(i) Death of Optionholder. If (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death, or (ii) the Optionholder dies within the period (if any) specified in the Option Agreement after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the option upon the Optionholder's death, but only within the period ending on the earlier of (i) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of such Option is set forth in the Option Agreement. If, after the Optionholder's death, the Option is not exercised within the time specified herein or in the Option Agreement (as applicable), the Option shall terminate.

(j) Misconduct of Optionholder. If an Optionholder's Continuous Service terminates for Misconduct, then all outstanding option held by the Optionholder shall terminate immediately and cease to be outstanding.

(k) Non-Exempt Employees. No Option granted to an Employee that is a non-exempt employee for purposes of the Fair Labor Standards Act shall be first exercisable for any shares of Common Stock until at least six months following the date of grant of the Option. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option will be exempt from his or her regular rate of pay.

(l) Early Exercise. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. Any unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate. The Company will not exercise its repurchase option until at least six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes) have elapsed following exercise of the Option unless the Board otherwise specifically provides in the Option.

6. Stock Issuance Program.

(a) Stock Issuance Terms. Shares of Common Stock may be issued under the Stock Issuance Program through direct and immediate issuances without any intervening option grants. Each such stock issuance shall be evidenced by a Stock Issuance Agreement which complies with the terms specified below.

(i) The purchase price per share shall be fixed by the Board; provided, however, that in the case of a stock issuances intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the purchase price per share shall be no less than 100% of the Fair Market Value per share on the issuance date.

(ii) Shares of Common Stock may be issued under the Stock Issuance Program for any of the items of consideration described in paragraph (c) of Section 5 above.

(b) Vesting Provisions

(i) Shares of Common Stock issued under the Stock Issuance Program may, in the discretion of the Board, be fully and immediately vested upon issuance or may vest in one or more installments over the Participant's period of Service or upon attainment of specified performance objectives. The elements of the vesting schedule applicable to any unvested shares of Common Stock issued under the Stock Issuance Program may include the Service period to be completed by the Participant or the performance objectives to be attained; the number of installments in which the shares are to vest; the interval or intervals (if any) which are to lapse between installments, and the effect which death, Disability or other event designated by the Board is to have upon the vesting schedule, shall be determined by the Board and incorporated into the Stock Issuance Agreement.

(ii) Any new, substituted or additional securities or other property (including money paid other than as a regular cash dividend) which the Participant may have the right to receive with respect to the Participant's unvested shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Company's receipt of consideration shall be issued subject to (i) the same vesting requirements applicable to the Participant's unvested shares of Common Stock and (ii) such escrow arrangements as the Board shall deem appropriate.

(iii) The Participant shall have full stockholder rights with respect to any shares of Common Stock issued to the Participant under the Stock Issuance Program, whether or not the Participant's interest in those shares is vested. Accordingly, the Participant shall have the right to vote such shares and to receive any regular cash dividends paid on such shares.

(iv) Should the Participant cease to remain in Service while holding one or more unvested shares of Common Stock issued under the Stock Issuance Program or should the performance objectives not be attained with respect to one or more such unvested shares of Common Stock, then those shares shall be immediately surrendered to the Company for cancellation, and the Participant shall have no further stockholder rights with respect to those shares. To the extent the surrendered shares were previously issued to the Participant for consideration paid in cash or cash equivalent (including the Participant's purchase-money indebtedness), the Company shall repay to the Participant the cash consideration paid for the surrendered shares and shall cancel the unpaid

principal balance of any outstanding purchase-money note of the Participant attributable to the surrendered shares.

(v) The Board may in its discretion waive the surrender and cancellation of one or more unvested shares of Common Stock (or other assets attributable thereto) which would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those shares. Such waiver shall result in the immediate vesting of the Participant's interest in the shares of Common Stock as to which the waiver applies. Such waiver may be effected at any time, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives.

(c) Corporate Transactions/Change in Control.

(i) All of the Company's outstanding repurchase/cancellation rights under the Stock Issuance Program shall terminate automatically, and all the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Corporate Transaction, except to the extent (i) those repurchase/cancellation rights are to be assigned to the successor corporation (or parent thereof) in connection with such Corporate Transaction or (ii) such accelerated vesting is precluded by other limitations imposed in the Stock Issuance Agreement.

(ii) The Board shall have the discretionary authority, exercisable either at the time the unvested shares are issued or any time while the Company's repurchase/cancellation rights remain outstanding under the Stock Issuance Program, to provide that those rights shall automatically terminate in whole or in part, and the shares of Common Stock subject to those terminated rights shall immediately vest, in the event the Participant's Service should subsequently terminate by reason of an Involuntary Termination within twelve (12) months following the effective date of any Corporate Transaction in which those repurchase/cancellation rights are assigned to the successor corporation (or parent thereof).

(iii) The Board shall have the discretionary authority, exercisable either at the time the unvested shares are issued or any time while the Company's repurchase/cancellation rights remain outstanding under the Stock Issuance Program, to provide that those rights shall automatically terminate in whole or in part, and the shares of Common Stock subject to those terminated rights shall immediately vest, in the event the Participant's Service should subsequently terminate by reason or an Involuntary Termination within twelve (12) months following the effective date of any Change in Control.

(d) Share Escrow/Legends. Unvested shares may, in the Board's discretion, be held in escrow by the Company until the Participant's interest in such shares vests or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested shares.

7. Covenants of the Company.

(a) Availability of Shares. During the terms of the Options, the Company shall keep available at all times the number of shares of Common Stock reasonably required to satisfy such Options or share issuances.

(b) Securities Law Compliance. The Company shall seek to obtain from each regulatory

commission or agency having jurisdiction over the Plan such authority as may be required to grant Options, issue and sell shares of Common Stock upon exercise of the Options and issuance shares pursuant to the Stock Issuance Program; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Option or any Common Stock issued or issuable pursuant to any such Option or otherwise. If, after commercially reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Options or share issuance(s) unless and until such authority is obtained.

(c) No Obligation to Notify. The Company shall have no duty or obligation to any holder of an Option or intended recipient of shares of Common Stock to advise such person as to the time or manner of exercising such Option or acquiring such shares. Furthermore, the Company shall have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Option or right to acquire shares or a possible period in which the Option may not be exercised or shares acquired. The Company has no duty or obligation to minimize the tax consequences of an Option or right to acquire shares of Common Stock.

8. Miscellaneous.

(a) Use of Proceeds from Sales of Common Stock. Proceeds from the sale of shares of Common Stock pursuant to Options or the Stock Issuance Program shall constitute general funds of the Company.

(b) Corporate Action Constituting Grant of Options or Issuance of Shares. Corporate action constituting a grant by the Company of an Option to any Optionholder or issuance of shares of Common Stock to any recipient shall be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, letter or other document evidencing the Option or issuance is communicated to, or actually received or accepted by, the Optionholder or intended recipient.

(c) Stockholder Rights. No Optionholder shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Option unless and until such Optionholder has exercised the Option pursuant to its terms and the Optionholder shall not be deemed to be a stockholder of record until the issuance of the Common Stock pursuant to such exercise has been entered into the books and records of the Company.

(d) No Employment or Other Service Rights. Nothing in the Plan, any Option Agreement, Stock Issuance Agreement or other instrument executed thereunder or in connection with any Option granted or shares issued pursuant to the Plan shall confer upon any Optionholder or intended recipient any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Option was granted or shares issued or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(e) Incentive Stock Option \$100,000 Limitation. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and any Affiliates) exceeds one hundred thousand dollars (\$100,000), the Options or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(f) Investment Assurances. The Company may require an Optionholder or intended recipient of shares of Common Stock, as a condition of exercising or acquiring Common Stock under any Option or Stock Issuance Agreement, (i) to give written assurances satisfactory to the Company as to the Optionholder's or intended recipient's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Option or acquiring the shares of Common Stock ; and (ii) to give written assurances satisfactory to the Company stating that the Optionholder or recipient is acquiring Common Stock subject to the Option or Stock Issuance Agreement for the Optionholder's or recipient's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (x) the issuance of the shares upon the exercise or acquisition of Common Stock under the Option or Stock Issuance Agreement has been registered under a then currently effective registration statement under the Securities Act, or (y) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(g) Withholding Obligations. Unless prohibited by the terms of an Option Agreement or Stock Issuance Agreement, the Company may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to an Option or share issuance by any (or any combination) of the following means (in addition to the Company's right to withhold from any compensation paid to the Optionholder or intended stockholder by the Company): (i) causing the Optionholder or intended recipient to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Optionholder or intended recipient in connection with the Option or share issuance; or (iii) any other method set forth in the Option Agreement or Stock Issuance Agreement.

(h) Electronic Delivery. Any reference herein to a "written" agreement or document shall include any agreement or document delivered electronically or posted on the Company's intranet.

(i) Compliance with 409A. To the extent that the Board determines that any Option granted or shares issued under the Plan is or are subject to §409A of the Code, the Option Agreement evidencing such Option or applicable Stock Issuance Agreement shall incorporate the terms and conditions required by §409A of the Code. To the extent applicable, the Plan, Option Agreements and Stock Issuance Agreements shall be interpreted in accordance with §409A of the Code. Notwithstanding any provision of the Plan to the contrary, in the event that, following the Effective

Date, the Board determines that any Option or share issuance is or may be subject to §409A of the Code, the Board may adopt such amendments to the Plan and the applicable Option Agreement and/or Stock Issuance Agreement, adopt other policies and procedures (including amendments, policies and procedure with retroactive effect) or take any other action(s), that the Board determines are necessary or appropriate to (1) exempt the Option or share issuance from §409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Option or share issuance or (2) comply with the requirements of §409A of the Code.

9. Capitalization Adjustments; Other Corporate Events.

(a)Capitalization Adjustments. In the event of a Capitalization Adjustment, the Board shall appropriately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(c), (iii) the class(es) and maximum number of securities that may be awarded to any person pursuant to Section 3(d), and (iv) the class(es) and number of securities and price per share of stock subject to outstanding Options or share issuances. The Board shall make such adjustments and all its determinations related to such adjustments shall be final, binding and conclusive.

(b)Dissolution or Liquidation. Except as otherwise provided in the Option Agreement or the Stock Issuance Agreement, if the Company dissolves or liquidates, all outstanding Options or rights to acquire shares of Common Stock shall terminate immediately prior to the consummation of such dissolution or liquidation, and the shares of Common Stock subject to the Company's repurchase option may be repurchased by the Company notwithstanding the fact that the holder of such Common Stock is providing Continuous Service, provided, however, that the Board may, in its sole discretion, cause some or all outstanding Options or rights to acquire shares of Common Stock to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Options or rights have not previously expired or terminated) before the dissolution or liquidation is consummated, but contingent on such consummation.

(c)Corporate Transaction. The following provisions shall apply to Options and rights to acquire shares of Common Stock in the event of a Corporate Transaction unless otherwise provided in the instrument evidencing the Option, the Stock Issuance Agreement or any other written agreement between the Company or any Affiliate and the holder of the Option or right or unless otherwise expressly provided by the Board at the time of grant of an Option or issuance of shares.

(i) Options or Rights May Be Assumed. Except as otherwise stated in the Option Agreement or Stock Issuance Agreement, in the event of a Corporate Transaction, any surviving or acquiring corporation (or the surviving or acquiring corporation's parent company) may assume or continue any or all Options or rights to acquire shares of Common Stock outstanding under the Plan or may substitute similar stock awards for Options outstanding under the Plan (including but not limited to, awards to acquire the same consideration paid to the stockholders of the Company pursuant to the Corporate Transaction), and any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to Options or rights to acquire shares of Common Stock may be assigned by the Company to the successor of the Company (or the successor's parent company, if any), in connection with such Corporate Transaction. A surviving or acquiring corporation (or its parent) may choose to assume or continue only a portion of an Option, right to acquire shares of Common Stock or substitute a similar stock award or only a portion of an Option or right. The terms

of any assumption, continuation or substitution shall be set by the Board in accordance with the provisions of Section 2.

(ii) Options or Rights Held by Current Optionholders or Intended Recipients. Except as otherwise stated in the Option Agreement or Stock Issuance Agreement, in the event of a Corporate Transaction in which the surviving or acquiring corporation (or its parent company) does not assume or continue such outstanding Options or rights or substitute similar stock awards for such outstanding Options or rights, then with respect to outstanding Options or rights to acquire shares of Common Stock that have not been assumed, continued or substituted and that are held by Optionholders or intended recipients whose Continuous Service is not terminated prior to the effective time of the Corporate Transaction (referred to as the “Current Optionholders”), the vesting of such Options or rights (and, if applicable, the time at which such Options or rights may be exercised) shall (contingent upon the consummation of the Corporate Transaction) be accelerated in full to such date and time prior to the date and time of consummation of such Corporate Transaction as the Board shall determine (or, if the Board shall not determine such a date, to the date that is five (5) days prior to the consummation date of the Corporate Transaction), and such Options or rights shall terminate if not exercised (if applicable) at or prior to the consummation time of the Corporate Transaction, and any reacquisition or repurchase rights held by the Company with respect to such Options or rights shall lapse (contingent upon the consummation of the Corporate Transaction).

(iii) Options or Rights Held by Persons other than Current Optionholders or stockholders. Except as otherwise stated in the Option Agreement or Stock Issuance Agreement, in the event of a Corporate Transaction in which the surviving or acquiring corporation (or its parent company) does not assume or continue such outstanding Options or rights or substitute similar stock awards for such outstanding options or rights, then with respect to Options or rights to acquire shares of Common Stock that have not been assumed, continued or substituted and that are held by persons other than Current Optionholders or stockholders, the vesting of such Options or rights (and, if applicable, the time at which such Option or right may be exercised) shall not be accelerated and such Options or rights shall terminate if not exercised (if applicable) prior to the consummation time of the Corporate Transaction; provided, however, that any reacquisition or repurchase rights held by the Company with respect to such Options or rights shall not terminate and may continue to be exercised notwithstanding the Corporate Transaction.

(iv) Payment for Options in Lieu of Exercise. Notwithstanding the foregoing, if an Option or right will terminate if not exercised prior to the consummation of a Corporate Transaction, the Board may provide, in its sole discretion, that the holder of such Option or right may not exercise such Option or right but will receive a payment, in such form as may be determined by the Board, equal in value to the excess, if any, of (A) the value of the property the holder of the Option or right would have received upon the exercise of the Option or right, over (B) any exercise price payable by such holder in connection with such exercise.

(d) Change in Control. An Option or right to acquire shares of Common Stock may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the applicable Option Agreement, Stock Issuance Agreement or as may be provided in any other written agreement between the Company or any Affiliate and the Optionholder or intended recipient, but in the absence of such provision, no such acceleration shall occur.

10. Termination or Suspension of the Plan.

(a) Plan Term. Unless sooner terminated by the Board pursuant to Section 2, the Plan shall automatically terminate on the day before the tenth (10th) anniversary of the date the Plan is adopted by the Board or approved by the stockholders of the Company, whichever is earlier. No Options or rights may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Termination of the Plan shall not impair rights and obligations under any Option granted or shares issued while the Plan is in effect except with the written consent of the affected Optionholder or recipient.

11. Effective Date of Plan.

This Plan shall become effective on the Effective Date.

12. Choice of Law.

The law of the State of Delaware shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to its conflict of laws rules.

13. Definitions. As used in the Plan, any Option Agreement or Stock Issuance Agreement, unless otherwise specified, the following terms shall have the meanings set forth below:

(a) "Affiliate" means, at the time of determination, any "parent" or "subsidiary" as such terms are defined in Rule 405 of the Securities Act. The Board shall have the authority to determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.

(b) "Board" means the Board of Directors of the Company.

(c) "Capitalization Adjustment" means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Option or right after the Effective Date without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company). Notwithstanding the foregoing, the conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.

(d) *Change in Control* shall mean a change in ownership or control of the Company effected through either of the following transactions: (i) the acquisition, directly or indirectly, by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company), of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders which the Board does not recommend such stockholders to accept, or (ii) a change in the composition of the Board over a period of thirty-six (36) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of

individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

(e)“Code” means the Internal Revenue Code of 1986, as amended, and regulations and other guidance thereunder.

(f)“Committee” means a committee of one (1) or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(g)“Common Stock” means the common stock of the Company.

(h)“Company” means Dynasil Corporation of America, a Delaware corporation.

(i) “Consultant” means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, shall not cause a Director to be considered a "Consultant" for purposes of the Plan.

(j) “Continuous Service” means that the Optionholder's or intended recipient’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Optionholder or intended recipient renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Optionholder or recipient renders such service, provided that there is no interruption or termination of the Optionholder's or recipient’s service with the Company or an Affiliate, shall not terminate an Optionholder's or recipient’s Continuous Service. For example, a change in status from an employee of the Company to a Consultant to an Affiliate or to a Director shall not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party’s sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting in an Option or right to acquire shares of Common Stock only to such extent as may be provided in the Company’s leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Optionholder or intended recipient, or as otherwise required by law.

(k)“Corporate Transaction” means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events: (i) a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of the Company and its Subsidiaries; (ii) a sale or other disposition of at least ninety percent (90%) of the outstanding securities of the Company; (iii) the consummation of a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or (iv) the consummation of a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger,

consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(l) “Covered Employee” shall have the meaning provided in §162(m)(3) of the Code and the regulations promulgated thereunder.

(m) “Director” means a member of the Board.

(n) “Disability” means, with respect to an Optionholder or Participant, the inability of such Optionholder or Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, as provided in §§22(e)(3) and 409A(a)(2)(c)(i) of the Code.

(o) “Effective Date” means the effective date of this Plan document, which is the date of the annual meeting of stockholders of the Company held in 2010, provided this Plan is approved by the Company's stockholders at such meeting.

(p) “Employee” means any person employed by the Company, an Affiliate or a Subsidiary. However, service solely as a Director, or payment of a fee for such services, shall not cause a Director to be considered an "Employee" for purposes of the Plan.

(q) “Entity” means a corporation, partnership, limited liability company or other entity.

(r) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(s) “Fair Market Value” means, as of any date, the value of the Common Stock determined as follows: (i) If the Common Stock is listed on any established stock exchange or traded on the NASDAQ National Market, the NASDAQ Small Cap Market or the over-the-counter market (including the “Bulletin Board”), the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock as reported on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable. Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value shall be the closing sale price on the last preceding date for which such information exists or (ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined by the Board in good faith.

(t) “Incentive Stock Option” means an Option that is intended to be, and qualifies as, an “incentive stock option” within the meaning of §422 of the Code.

(u) “Involuntary Termination” means the termination of the Service of any individual which occurs by reason of: such individual's involuntary dismissal or discharge by the Company for reasons other than Misconduct, or such individual's voluntary resignation following: (i) a change in his or her position with the Company which materially reduces his or her level of responsibility; (ii) a reduction in his or her level of compensation (including base salary, fringe benefits and participation in corporate-performance based bonus or incentive programs) by more than fifteen percent (15%); or (iii) a relocation or such individuals place of employment by more than fifty (50) miles, provided and only such change,

reduction or relocation is effected by the Company without the individual's consent.

(v) "Misconduct" means the commission of any act of fraud, embezzlement or dishonesty by an Optionholder, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Company (or any Affiliate), any other intentional misconduct by such person adversely affecting the business or affairs of the Company (or any Affiliate) in a material manner or the commission by an Optionholder of any act or omission that is deemed to be "cause" for dismissal or termination of the Employment of any Optionholder who is an Employee under any employment or similar agreement between the Company (or any Affiliate) and the Optionholder or any policy, procedure or standard applicable generally to Employees of the Company (or any Affiliate).

(w) "Non-Employee Director" means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("Regulation S-K")), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(x) "Nonstatutory Stock Option" means any Option that does not qualify as an Incentive Stock Option.

(y) "Officer" means a person who is an officer of the Company within the meaning of §16 of the Exchange Act and the rules and regulations promulgated thereunder.

(z) "Option" means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(aa) "Option Agreement" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(bb) "Optionholder" means a person to whom an Option is granted pursuant to the Plan or, if permitted under the terms of this Plan, such other person who holds an outstanding Option.

(cc) "Outside Director" means a Director who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of Treasury Regulations promulgated under §162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year, has not been an officer of the Company or an "affiliated corporation," and does not receive remuneration from the Company or an "affiliated corporation," either directly or indirectly, in any capacity other than as a Director or (ii) is otherwise considered an "outside director" for purposes of §162(m) of the Code.

(dd) "Participant" means any person who is issued shares of Common Stock under the Stock

Issuance Program.

(ee) “Plan” means this Dynasil Company of America 2010 Stock Incentive Plan.

(ff) “Rule 16b-3” means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(gg) “Securities Act” means the Securities Act of 1933, as amended.

(hh) “Service” means the provision of services to the Company (or any Affiliate) by a person in the capacity of an Employee, a Non-Employee Director or a Consultant, except to the extent otherwise specifically provided in the documents evidencing the option grant or stock issuance.

(ii) “Stock Issuance Agreement” means the agreement entered into by the Company and the Participant at the time of issuance of shares of Common Stock under the Stock Issuance Program.

(jj) “Subsidiary” means, with respect to the Company: (i) any corporation of which more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company; (ii) any partnership in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%); or (iii) any other Entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%).

(kk) “Ten Percent Stockholder” means a person who owns (or is deemed to own pursuant to §424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Affiliate.