Milacron Holdings Corp.
Form DEF 14A
March 19, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.)

ý Filed by the Registrant

o Filed by a Party other than the Registrant

Check the appropriate box:

o Preliminary Proxy Statement

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

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

MILACRON HOLDINGS CORP.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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Amount Previously Paid:

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MILACRON HOLDINGS CORP.

10200 Alliance Road, Suite 200

Cincinnati, Ohio 45242

To our stockholders,

We are pleased to invite you to attend the Annual Meeting of Stockholders of Milacron Holdings Corp., which will be held Tuesday, April 24, 2018, at 8:30 a.m. eastern time, at Milacron corporate headquarters at 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242.

The following pages include a formal notice of the meeting and our proxy statement. The proxy statement describes various matters on the agenda for the meeting. Please read these materials so that you will know what we plan to do at the meeting. It is important that your shares be represented at our Annual Meeting regardless of whether you plan to attend the meeting in person. Please vote your shares as soon as possible through any of the voting options available to you as described in this proxy statement.

On behalf of management and the board of directors, we thank you for your continued interest in Milacron Holdings Corp.

Sincerely,

/s/Thomas J. Goeke

Thomas J. Goeke

President and Chief Executive Officer

March 19, 2018

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MILACRON HOLDINGS CORP.

10200 Alliance Road, Suite 200

Cincinnati, Ohio 45242

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held April 24, 2018

To our stockholders,

Notice is hereby given that the 2018 Annual Meeting of Stockholders of Milacron Holdings Corp. will be held on Tuesday, April 24, 2018, at 8:30 a.m. local time, at Milacron corporate headquarters at 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242, for the following purposes:

1.

To elect the three nominees named herein as Class III directors;

2.

To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2018;

3.

To vote on an advisory, non-binding "say-on-pay" resolution to approve the compensation of our executive officers;

4.

To approve the amendment of the Milacron Holdings Corp. 2015 Equity Incentive Plan, including to increase the authorized shares;

5.

To approve the material terms of awards under Code Section 162(m); and

6.

To consider any other matters that may properly come before the meeting or any adjournments or postponements of the meeting.

Holders of record of our common stock at the close of business on March 7, 2018 are entitled to notice of, and to vote at, the annual meeting. Stockholders of record may vote their shares via telephone, over the Internet, by signing, dating and mailing the proxy card in the envelope provided, by delivering a completed proxy card at the annual meeting or by voting in person at the annual meeting. Instructions regarding all methods of voting are contained on the proxy card. If your shares are held in the name of a bank, broker, fiduciary or custodian, follow the voting instructions you receive from your record holder. The availability of Internet and telephone proxies will depend on their voting procedures.

By Order of the Board of Directors,

/s/Hugh C. O’Donnell

Hugh C. O’Donnell

Vice President, General Counsel & Secretary

March 19, 2018

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE MEETING, PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT IN THE ENCLOSED PREPAID ENVELOPE OR, IF YOU PREFER, SUBMIT YOUR PROXY BY TELEPHONE OR USING THE INTERNET, TO ASSURE THAT YOUR SHARES ARE REPRESENTED AT THE MEETING. IF YOU ATTEND THE MEETING, YOU MAY VOTE IN PERSON IF YOU WISH TO DO SO, EVEN IF YOU HAVE PREVIOUSLY SUBMITTED YOUR PROXY.

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MILACRON HOLDINGS CORP.

10200 Alliance Road, Suite 200

Cincinnati, Ohio 45242

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

April 24, 2018

INFORMATION CONCERNING SOLICITATION AND VOTING

This proxy statement will first be mailed on or about March 23, 2018 to stockholders of Milacron Holdings Corp., which is sometimes referred to in this proxy statement as "*Milacron*," "*we*," "*us*," "*our*," or the "*Company*," in connection w the solicitation by our board of directors (the "*Board of Directors*" or "*Board*") of proxies to be voted at the Annual Meeting of Stockholders to be held on Tuesday, April 24, 2018, at 8:30 a.m. local time, at Milacron's corporate headquarters at 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242, and any postponement or adjournment thereof.

Matters to be Considered

At the meeting, stockholders will be asked to vote to elect the three nominees named herein as Class III directors, to ratify the selection of the independent registered public accounting firm, to vote on an advisory, non-binding "say-on-pay" resolution to approve the compensation of our executive officers, and to approve the amendment of the Milacron Holdings Corp. 2015 Equity Incentive Plan. See "PROPOSAL 1 — ELECTION OF CLASS III DIRECTORS", "PROPOSAL 2 — RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM", "PROPOSAL 3 — ADVISORY VOTE ON EXECUTIVE COMPENSATION", "PROPOSAL 4 — APPROVAL O THE AMENDMENT OF THE MILACRON HOLDINGS CORP. 2015 EQUITY INCENTIVE PLAN, INCLUDING TO INCREASE THE AUTHORIZED SHARES", and "PROPOSAL 5 — APPROVAL OF THE MATERIAL TERMS OF AWARDS UNDER CODE SECTION 162(M)". The Board of Directors does not know of any matters to be brought before the meeting other than as set forth in the notice of meeting. If any other matters properly come before the meeting, the persons named in the enclosed form of proxy or their substitutes will vote in accordance with their best judgment on such matters.

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Record Date; Stock Outstanding and Entitled to Vote

Holders of common stock as of the record date are entitled to notice of, and to vote at, the annual meeting. As of the record date, there were 69,449,093 shares of common stock outstanding and entitled to vote at the annual meeting, with each share entitled to one vote.

If you are a stockholder of record, you will need to present the proxy card that you received, together with a form of personal photo identification, in order to be admitted into the meeting. If you are the beneficial owner of shares held in "street name," you will need to provide proof of ownership, such as a recent account statement or letter from your bank, broker or other nominee as of the close of business on March 7, 2018, along with a form of personal photo identification. Alternatively, you may contact the broker, bank or other nominee in whose name your shares of common stock are registered and obtain a legal proxy to bring to the meeting. No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted into the meeting or adjacent areas. All other items may be subject to search.

Information About This Proxy Statement

Why you received this proxy statement. You have received these proxy materials because our Board of Directors is soliciting your proxy to vote your shares at the annual meeting and any postponement or adjournment thereof. This proxy statement includes information that we are required to provide to you under the rules of the Securities and Exchange Commission ("SEC") and that is designed to assist you in voting your shares. If you own our common stock in more than one account, such as individually and also jointly with your spouse, you may receive more than one set of these proxy materials. To assist us in saving money and to serve you more efficiently, we encourage you to have all your accounts registered in the same name and address by contacting our transfer agent:

First Class, Registered or Certified Mail:

Computershare Investor Services
PO BOX 50500
Louisville, KY 40233-5000

Overnight Delivery or Courier Service:

Computershare Investor Services
462 South 4th Street, Suite 1600
Louisville, KY 40202

Telephone:

Shareholder Services Toll Free: (877) 373-6374
Shareholder Services Outside the US and Canada: (781) 575-3100 (Toll)

Householding. The SEC's rules permit us to deliver a single set of annual meeting materials to one address shared by two or more of our stockholders. This delivery method is referred to as "householding" and can result in significant cost savings. To take advantage of this opportunity, we have delivered only one proxy statement and annual report to multiple stockholders who share an address, unless we received contrary instructions from the impacted stockholders prior to the mailing date. We agree to deliver promptly, upon written or oral request, a separate copy of the proxy statement to any stockholder at the shared address to which a single copy of those documents was delivered. If you are a record holder and if you prefer to receive separate copies of the proxy materials, please contact Hugh O'Donnell, Vice President, General Counsel and Secretary, Milacron Holdings Corp., 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242.

If you are currently a stockholder sharing an address with another stockholder and wish to receive only one copy of future proxy statements and other communications for your household, please contact Hugh O'Donnell, Vice President, General Counsel and Secretary, at the above address.

Voting by and Revocation of Proxies

Stockholders of record are requested to vote by proxy in one of the following ways:

- By telephone—Use the toll-free telephone number shown on your proxy card;
- By Internet—Visit the Internet website indicated on your proxy card and follow the on-screen instructions;
- By mail—You can date, sign and promptly return your proxy card by mail in the postage prepaid envelope which accompanied that proxy card; or
- In person—You can deliver a completed proxy card at the meeting or vote in person.

Voting instructions (including instructions for both telephonic and Internet proxies) are provided on the proxy card. The Internet and telephone proxy procedures are designed to authenticate stockholder identities, to allow stockholders to give voting instructions and to confirm that stockholders' instructions have been recorded properly. A control number, located on the proxy card, will identify stockholders and allow them to submit their proxies and confirm that their voting instructions have been properly recorded. Costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, must be borne by the stockholder. If you submit your proxy by Internet or telephone, it will not be necessary to return a proxy card for your vote to be counted.

If a stockholder does not submit a proxy by the Internet or by telephone or return a signed proxy card, and does not attend the meeting and vote in person, his or her shares will not be voted. Shares of our common stock represented by properly executed proxies received by us or proxies submitted by telephone or via the Internet, which are not revoked, will be voted at the meeting in accordance with the instructions contained therein.

If instructions are not given and you do not indicate how your shares should be voted on a proposal, the shares represented by a properly completed proxy will be voted as the Board recommends. In addition, we reserve the right to exercise discretionary authority to vote proxies, in the manner determined by the Company in its sole discretion, on any matters brought before the 2018 annual meeting for which we did not receive adequate notice under the proxy rules promulgated by the SEC.

Any proxy signed and returned by a stockholder or submitted by telephone or via the Internet may be revoked at any time before it is exercised by giving written notice of revocation to the Company's Secretary at our address set forth herein, by executing and delivering a later-dated proxy (either in writing, by telephone or via the Internet) or by voting in person at the meeting. Attendance at the meeting will not, in and of itself, constitute revocation of a proxy.

If your shares are held in the name of a bank, broker, fiduciary or custodian, follow the voting instructions on the form you receive from your record holder. The availability of Internet and telephone proxies for these stockholders will depend on their voting procedures.

Quorum

The presence at the annual meeting, in person or by proxy, of the holders of record of a majority in voting power of the shares entitled to vote at a meeting of stockholders shall constitute a quorum to transact business at the annual meeting. Abstentions (shares present at the meeting in person or by proxy that are voted "ABSTAIN") and broker non-votes (explained below in "Shares Held by Brokers") will be counted as present for purposes of determining the establishment of a quorum.

Required Votes

Election of Nominees named herein as Directors. Proposal 1. Under our Amended and Restated Bylaws (the "*Bylaws*"), the affirmative vote of the holders of a plurality of shares of common stock voting on this matter at the annual meeting is required to elect each nominee named herein as a director. Consequently, only shares that are voted in favor of a particular nominee will be counted toward such nominee's achievement of a plurality. Abstentions and broker non-votes will have no effect on the outcome of the election of Directors.

Ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm. Proposal 2, relating to the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for 2018, will be approved if it receives the affirmative vote of the holders of a majority of the shares of common stock represented at the annual meeting and voting on this proposal. Abstentions will have the effect of a vote "against" approval of the resolution.

Advisory "Say-on-Pay" Vote Regarding Executive Compensation. Proposal 3, relating to the non-binding, advisory vote to approve our executive compensation, will be approved if it receives the affirmative vote of the holders of a majority of the shares of common stock represented at the annual meeting and voting on this proposal. Abstentions will have the effect of a vote "against" approval of the resolution and broker non-votes will have no effect on the approval of the resolution.

Approval of Amendment of the Milacron Holdings Corp. 2015 Equity Incentive Plan. Proposal 4 relates to the amendment of the Milacron Holdings Corp. 2015 Equity Incentive Plan, including to increase the authorized shares. Proposal 4 will be approved if it receives the affirmative vote of the holders of a majority of the shares of common stock represented at the annual meeting and voting on this proposal. Abstentions will have the effect of a vote "against" approval of the resolution and broker non-votes will have no effect on the approval of the resolution.

Approval of Material Terms of Awards Under Code Section 162(m). Proposal 5 relates to the approval of the material terms of certain awards for the purpose of qualifying the same as "performance-based compensation" under Section 162(m) of the Internal Revenue Code (the "Code"). Proposal 5 will be approved if it receives the affirmative vote of the holders of a majority of the shares of common stock represented at the annual meeting and voting on this proposal. Abstentions will have the effect of a vote "against" approval of the resolution and broker non-votes will have no effect on the approval of the resolution.

Other Matters. If any other matters are properly presented at the annual meeting for action, including a question of adjourning or postponing the meeting from time to time, the persons named in the proxies and acting thereunder will have discretion to vote on such matters in accordance with their best judgment.

Shares Held by Brokers

If you are the beneficial owner of shares held for you by a broker, your broker must vote those shares in accordance with your instructions. If you do not give voting instructions to your broker, your broker may vote your shares for you on any discretionary items of business to be voted upon at the annual meeting. If you do not provide voting instructions on a non-discretionary item, including the election of the nominees named herein as directors, the shares will be treated as "broker non-votes." We believe that the ratification of the appointment of Ernst & Young LLP (Proposal 2) is a routine matter on which brokers will be permitted to vote any unvoted shares in their discretion. We believe that election of the three nominees named herein as Class III directors (Proposal 1), the non-binding, advisory "Say-on-Pay" vote (Proposal 3), the approval of the amendment of the Milacron Holdings Corp. 2015 Equity Incentive Plan (Proposal 4) and the approval of material terms of awards under Code Section 162(m) (Proposal 5) are non-routine matters on which brokers will not be permitted to vote any unvoted shares. "Broker non-votes" will be counted as present for purposes of determining the establishment of a quorum at the annual meeting and will have no effect on the outcome of Proposal 1 (election of the three nominees named herein as Class III directors), Proposal 3 (non-binding, advisory "Say-on-Pay" resolution), Proposal 4 (approval of amendment of the Milacron Holdings Corp. 2015 Equity Incentive Plan) and Proposal 5 (approval of material terms of awards under Code Section 162(m)).

Proxy Solicitation

We will bear the costs of solicitation of proxies for the annual meeting, including preparation, assembly, printing and mailing of this proxy statement, the annual report, any proxy card and any additional information furnished to stockholders. Copies of our proxy statement will be furnished, upon request, to banks, brokerage houses, fiduciaries and custodians holding shares of common stock beneficially owned by others to forward to such beneficial owners. We may reimburse persons representing beneficial owners of common stock for their costs of forwarding solicitation material to such beneficial owners. In addition, under the terms of our engagement with Computershare Trust Company, N.A. ("*Computershare*") as transfer agent for the Company, Computershare provides services in connection with our annual meeting. The anticipated total cost of such engagement is $11,000, of which a small portion of such cost relates to services provided in connection with our annual meeting. Solicitation of proxies by mail may be supplemented by telephone, email or personal solicitation by Computershare or by directors, officers, or other regular employees of the Company. No additional compensation will be paid to directors, officers or other regular employees for such services.

Independent Registered Public Accounting Firm

We have been advised that a representative of Ernst & Young LLP, our independent registered public accounting firm for the year ended December 31, 2017, will attend the annual meeting, will have an opportunity to make a statement if such representative desires to do so, and will be available to respond to appropriate questions.

Annual Report and Company Information

Our Annual Report to Stockholders, which contains consolidated financial statements for the year ended December 31, 2017, is being furnished to stockholders concurrently herewith. You also may obtain a copy of our Annual Report on Form 10-K for the year ended December 31, 2017 that was filed with the SEC, without charge, by writing to Milacron Holdings Corp., Attn: Investor Relations, 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242. Our Annual Report on Form 10K and this Proxy Statement will also be available without charge at the "Investors" page on our website at www.investors.milacron.com.

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PROPOSAL 1 — ELECTION OF CLASS III DIRECTORS

Our Second Amended and Restated Certificate of Incorporation provides that our Board of Directors is divided into three classes, with each class consisting, as nearly as may be possible, of one-third of the total number of directors and with each class serving a consecutive three-year term. The term of the current Class III Directors will expire on the date of the 2018 annual meeting, subject to the election and qualification of their respective successors.

In selecting director candidates, the Nominating and Corporate Governance Committee considers whether the candidates possess the required skill sets and fulfill the qualification requirements of directors approved by the Board of Directors, including independence, integrity, objectivity, sound judgment, leadership and diversity of experience (for example, in relation to finance and accounting, strategy, risk, technical expertise, policy-making, etc.). The following biographies describe the business experience of each director. Following the biographical information for each director below, we have listed qualifications that, in addition to those discussed above, the Board of Directors considered in determining whether to recommend the director be nominated for reelection.

Mr. Greg Brenneman, formerly a Class II director of the Company, resigned from the Board of Directors on October 24, 2017. Mr. Brenneman's resignation was not a result of any disagreement with other Board members or with management. Messrs. Mark McFadden and James Ridout, both Class III directors of the Company, have decided not to stand for reelection to the Board of Directors. In the case of each of these two directors, this decision was not the result of any disagreement with other Board members or with management.

The nominees for election as Class III Directors at the 2018 annual meeting are described below and consist of all current Class III Directors except Messrs. McFadden and Ridout. The Board, upon the recommendation of the Nominating and Corporate Governance Committee of the Board of Directors, has nominated each of the candidates for election. If elected, each of the nominees is expected to serve for a three-year term expiring at the annual meeting of stockholders of the Company in 2021 and until their respective successors have been elected and qualified. The Board of Directors expects that each of the nominees will be available for election as a director. However, if by reason of an unexpected occurrence, one or more of the nominees is not available for election, the persons named in the form of proxy have advised that they will vote for such substitute nominees as the Board of Directors may nominate.

The Board of Directors recommends a vote "FOR" the Company's nominees for Class III Directors.

Nominees for Election

Name and present position, if any, with the Company	Age, period served as a director, other business experience
Class III Directors	
James M. Kratochvil	Mr. Kratochvil, 61, has served as a member of our Board of Directors since November 2014. Mr. Kratochvil is currently also serving as President of IRD Group Inc., a company he started in May 2015 to purchase the assets of the International Revolving Door Company. From March 2014 until May 2015 and since April 2017 Mr. Kratochvil has served as President of JPM Resources (formerly Jorgenson Petroleum Maintenance, Inc.). Prior thereto, Mr. Kratochvil served as Chief Financial Officer of Berry Plastics Group, Inc. from December 1990 until December 2013 and as Assistant Treasurer from October 2009 until November 2013. He served in various roles at Berry Plastics Corporation since joining its predecessor in 1985. Mr. Kratochvil holds a Bachelor of Science degree in Finance from the University of Illinois. Mr. Kratochvil was elected to serve on our Board due to his many years of experience in the plastics industry.
David W. Reeder	Mr. Reeder, 43, has served as a member of our Board of Directors since July 2017. Mr. Reeder is the Chief Executive Officer of the Tower Hill Insurance Group. Prior thereto, Mr. Reeder served as President and Chief Executive Officer of Lexmark International, Inc. from November 2016 to June 2017. Prior to that, he served as Chief Financial Officer of Lexmark International Inc. from January 2015 to November 2016. Prior thereto, Mr. Reeder served as Chief Financial Officer of Electronics for Imaging from January 2014 to January 2015 and as Vice President and Chief Financial Officer, Enterprise Networking Group of Cisco Systems Inc. from May 2012 to January 2014. Prior to that, Mr. Reeder served as Vice President and Managing Director, Asian Operations of Broadcom Corporation from October 2007 to May 2012. Mr. Reeder also previously held management level positions at Texas Instruments and Millipore Corporation. Mr. Reeder was elected to serve on our Board due to his years of experience as a senior executive at a number of companies.
Gregory J. Gluchowski, Jr.	Mr. Gluchowski, 52, has served as a member of our Board of Directors since July 2017. Mr. Gluchowski is President and Chief Executive Officer of The Hillman Companies, Inc., a position he has held since September 2015. Prior thereto, Mr. Gluchowski served as President of the Hardware & Home Improvement division of Spectrum Brands Holdings Inc. from January 2013 to September 2015. Prior thereto, Mr. Gluchowski served as President, Hardware & Home Improvement of Stanley Black & Decker from January 2010 to December 2014. Mr. Gluchowski previously held management positions at Stanley Black & Decker from January 2002 to January 2010 and began his career at Phelps & Dodge Wire & Cable in 1988. Mr. Gluchowski currently serves on the board of directors of American Outdoor Brands, Inc. Mr. Gluchowski was elected to serve on our Board due to his years of experience as a senior executive at a number of companies.

Other Members of the Board of Directors

Including the nominees, the Board of Directors at the time of the annual meeting will consist of ten (10) directors, each of whom, other than the nominees, is described below. The terms of the Class I Directors expire at the 2019 Annual Meeting of Stockholders, subject to the election and qualification of their respective successors. The terms of the Class II Directors expire at the 2020 Annual Meeting of Stockholders, subject to the election and qualification of their respective successors.

Name and present position, if any, with the Company	Age, period served as a director, other business experience
Class I Directors	
Waters S. Davis	Mr. Davis, 64, has served as a member of our Board of Directors since July 2013. Mr. Davis also served as Executive Vice President of NuDevco LLC from June 2012 to July 2013 and as Executive Vice President and Chief Strategy Officer of Spark Energy, LLC from December 2009 to May 2012. Mr. Davis served as an Executive Advisor to CCMP Capital Advisors, LLC ("CCMP") from October 2012 to September 2016. Mr. Davis currently serves on the board of directors of Targa Resources Corp., and Esol, LLC. He is also President of the National Christian Foundation, Houston. Mr. Davis holds a Bachelor of Science degree in Architectural Engineering from the University of Texas at Austin and a Masters of Business Administration degree from Harvard Business School. Mr. Davis was elected to serve on our Board due to his years of experience as a senior executive at a number of companies.
Thomas J. Goeke	Mr. Goeke, 59, has served as our Chief Executive Officer from September 2012 and as our President from September 2012 until April 2016 and from July 2017 until the present. He has served as a member of our Board of Directors since August 2012. Mr. Goeke has over 25 years of industry experience and prior to becoming our President and Chief Executive Officer he served as Chief Operating Officer of Seakeeper Inc. from October 2011 to June 2012 and as Chief Executive Officer of Klöckner Pentaplast Group from July 2005 to May 2011. Prior to that, Mr. Goeke served in a number of positions at Klöckner Pentaplast since 1989 and also gained experience at Hoechst Celanese Rigid Film Division. Mr. Goeke received his Bachelor of Science degree in Mechanical Engineering from Widener University and his Masters of Business Administration degree from the College of William and Mary. Mr. Goeke was elected to serve on our Board due to being a seasoned executive with experience in a variety of senior roles in the plastics industry.
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Rebecca Lee Steinfort	Ms. Steinfort, 48, has served as a member of our Board of Directors since July 2017. Ms. Steinfort is the Chief Operating Officer of Eating Recovery Center, a position she has held since March 2018. Ms. Steinfort also is a director of Nature's Sunshine Products having served in that capacity since February 2015. From July 2015 to December 2016 she served as Chief Executive Officer of Hero Practice Services, LLC. Prior thereto she was Chief Operating Officer of Paladina Health, a subsidiary of DaVita Healthcare Partners, Inc., from July 2010 to July 2015, Chief Marketing Officer of DaVita Inc. from July 2009 to June 2012, and Chief Strategy Officer of DaVita Inc. from July 2009 to June 2010. Ms. Steinfort also previously held executive positions at QCE Holdings LLC (Quiznos) from 2007 to 2009, including Chief Marketing Officer, and at Level 3 Communications from 2000 to 2006, and began her career as a consultant with Bain & Company. Ms. Steinfort was elected to serve on our Board due to her years of experience as a senior executive at a number of companies.
Timothy Walsh	Mr. Walsh, 54, has served as a member of our Board of Directors since April 2012. Mr. Walsh is President and Chief Executive Officer of CCMP and a member of the firm's Investment Committee. Prior to joining CCMP upon its formation in August 2006, Mr. Walsh was a Partner at J.P. Morgan Partners, LLC between 2000 and 2006. Before joining J.P. Morgan Partners in 1993, Mr. Walsh worked on various industry-focused client teams within The Chase Manhattan Corporation. Mr. Walsh currently serves on the board of directors of Hayward Group Inc., PQ Corporation and Volotea SL. Mr. Walsh holds a Bachelor of Science degree from Trinity College and a Master of Business Administration degree from the University of Chicago Graduate School of Business. Mr. Walsh was elected to serve on our Board due to his extensive experience in the industrials industry and his affiliation with CCMP.

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Class II Directors

Ira G. Boots	Mr. Boots, 64, has served as a member of our Board of Directors and as non-executive Chairman since April 2012. He was previously Chairman of the Board and Chief Executive Officer of Berry Plastics Corporation from 2001 to 2010, and a Director of Berry Plastics Corporation since April 1992. Prior to that, Mr. Boots served as Chief Operating Officer of Berry Plastics Corporation since August 2000 and Vice President of Operations, Engineering and Product Development of Berry Plastics Corporation since April 1992. Mr. Boots was elected to serve on our Board due to his deep knowledge and experience in the industry and his extensive leadership experience.
Timothy M. Crow	Mr. Crow, 62, has served as a member of our Board of Directors since July 2017. Mr. Crow served as Executive Vice President Human Resources of The Home Depot, Inc., from February 2007 to July 2017. Prior to that, Mr. Crow served as Vice President Organization, Talent and Performance Systems at The Home Depot, Inc. from February 2005 to February 2007, and Vice President Performance Systems at The Home Depot, Inc. from May 2002 to February 2005. Mr. Crow also previously held officer level positions at Kmart Holding Corporation and Sears, Roebuck & Co. Mr. Crow was elected to serve on our Board due to his years of experience as a senior executive at a number of companies.
--James F. Gentilcore	Mr. Gentilcore, 65, has served as a member of our Board of Directors since February 2014. Mr. Gentilcore is currently the Chairman and Chief Executive Officer of PQ Corporation, a Performance Chemicals and Services Company. From April 2014 until July 2016, Mr. Gentilcore served as an Executive Advisor to CCMP Capital, a global private equity firm. He served as the Chief Executive Officer of Edwards Group Limited, a global industrial technology company, from March 2013 until January 2014 when Edwards Group was acquired by Atlas Copco AB. Prior to March 2013, Mr. Gentilcore was on the Edward's board of directors since December 2007. From January 2009 until its sale in March 2011, Mr. Gentilcore was the President, Chief Executive Officer and a director of EPAC Technologies Inc., a leader in supply chain automation for the book publishing industry. Prior to that, he was the Chief Executive Officer of Helix Technology Corporation, and led its strategic merger with Brooks Automation Inc. in 2005. His global experience includes several Asian based joint ventures and acquisitions and many U.S. based technology acquisitions. He has significant experience in growing technology companies, mergers and acquisitions in the public and private sector and post-merger integration and brings 40 years of technology industry leadership to our board of directors. He has served as a director of KMG Chemicals, Inc., until December 2016, and continues to serve as a director of Entegris Inc. Mr. Gentilcore holds an M.B.A. from Lehigh University and a B.S. in Engineering from Drexel University. Mr. Gentilcore was elected to serve on our Board due to his years of experience as an executive officer of a number of companies.

CORPORATE GOVERNANCE

Board of Directors Independence Standards for Directors

Pursuant to our Corporate Governance Guidelines and Principles, a copy of which is available on our website at www.investors.milacron.com, the Board of Directors is required to affirmatively determine whether our directors are independent under the listing standards of the New York Stock Exchange ("*NYSE*"), the principal exchange on which our common stock is traded.

During its annual review of director independence, the Board of Directors considers all information it deems relevant, including without limitation, any transactions and relationships between each director or any member of his immediate family and the Company and its subsidiaries and affiliates. The Board of Directors also considers the recommendations of the Nominating and Corporate Governance Committee, which conducts a separate independence assessment of all directors as part of its nomination process for the Board of Directors and its respective committees. The purpose of this review is to determine whether any such relationship or transaction is considered a "material relationship" that would be inconsistent with a determination that a director is independent. The Board of Directors has not adopted any "categorical standards" for assessing independence, preferring instead to consider all relevant facts and circumstances in making an independence determination including, without limitation, applicable independence standards promulgated by the NYSE.

As a result of this review, our Board has affirmatively determined that Ira Boots, Timothy Crow, Waters Davis, Jim Gentilcore, Gregory Gluchowski, Jim Kratochvil, Mark McFadden, David Reeder, James Ridout, Rebecca Steinfort and Timothy Walsh (i) are independent directors under the applicable rules of the NYSE, and (ii) are independent directors, as such term is defined in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the "*Exchange Act*").

Because affiliates of CCMP no longer control a majority of our outstanding common stock, we ceased to be a "controlled company" in February 2017 within the meaning of the NYSE corporate governance standards. As a result, we no longer rely upon the exemption whereby a "controlled company" may elect not to comply with certain NYSE corporate governance standards.

Committees of the Board of Directors

Our Board of Directors has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Our Board of Directors has adopted charters for each of its standing committees. Copies of our committee charters are posted on our website at www.investors.milacron.com.

Audit Committee

The current members of the Audit Committee are Jim Kratochvil (Chair), Waters Davis, David Reeder and Rebecca Steinfort. The Board has determined that each of Ms. Steinfort and Messrs. Davis, Kratochvil and Reeder is an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K, and the Board is satisfied that all members of our Audit Committee have sufficient expertise and business and financial experience necessary to effectively perform their duties as members of the audit committee.

The Board of Directors has affirmatively determined that each of Ms. Steinfort and Messrs. Davis, Kratochvil and Reeder meets the definition of "independent director" for purposes of serving on an audit committee under applicable SEC and NYSE rules.

The Audit Committee, among other things, assists the Board of Directors in fulfilling its responsibility relating to (a) the integrity of our financial statements, (b) our systems of internal controls and disclosure controls and procedures, (c) our compliance with applicable law and ethics programs, (d) the annual independent audit of our financial statements and (e) the evaluation of financial and enterprise risks. In connection with its review of the Company's financial statements, the Audit Committee receives reports from the Company's Chief Financial Officer and the Company's independent registered public accounting firm regarding significant risks and exposures and assesses management's steps to minimize them. The Audit Committee also reviews material legal and regulatory matters and compliance with significant applicable legal, ethical and regulatory requirements, and receives reports from the Company's management relating to these matters.

In discharging its duties, the Audit Committee has the sole authority to select, retain, oversee and terminate, if necessary, the independent registered public accounting firm, review and approve the scope of the annual audit, review and pre-approve the engagement of our independent registered public accounting firm to perform audit and non-audit services, meet independently with our independent registered public accounting firm and senior management, review the integrity of our financial reporting process and review our financial statements and disclosures and certain SEC filings and financial press releases.

The Audit Committee formally met nine (9) times in 2017, and members of the Audit Committee also met informally amongst themselves, with management and with other members of the Board from time to time. Decisions regarding audit-related matters were approved by our Board after taking into account the recommendations of the Audit Committee and its members. The Audit Committee maintains a committee charter and meets with our independent registered public accounting firm without management present on a regular basis.

Compensation Committee

The members of the Compensation Committee are Timothy Walsh (Chair), Ira Boots, Timothy Crow and Waters Davis. All members of the Compensation Committee meet all applicable independence standards under the NYSE corporate governance standards.

The Compensation Committee plays an integral role in the Company’s processes and procedures for the consideration and determination of executive and director compensation. The Compensation Committee determines the compensation policies and individual compensation decisions for our executive officers, and ensures that these policies and decisions are consistent with overall corporate performance. The Compensation Committee, in conjunction with the Nominating and Corporate Governance Committee, reviews the form and amount of director compensation and makes recommendations to the Board related thereto. The Compensation Committee has the authority to approve all stock option grants and other equity awards to our employees, directors and executive officers. The Compensation Committee also reviews and recommends to the Board of Directors the target annual incentive pool, the annual performance objectives for participants, and actual payouts to participants, including the executive officers. In setting compensation, the Compensation Committee works with its independent compensation consultant and management to create incentives that encourage an appropriate level of risk-taking that is consistent with the Company’s business strategy and maximization of stockholder value.

The Compensation Committee has sole decision-making authority with respect to all compensation decisions for our executive officers, including annual incentive plan awards and grants of equity awards subject to further action of the Board as the Board shall determine. The Compensation

Committee is responsible for finalizing and approving the performance objectives relevant to the compensation of our CEO and other executive officers.

The Compensation Committee's recommendations are developed with input from our CEO and, where appropriate, other senior executives. The Compensation Committee reviews management recommendations and input from compensation consultants, along with other sources of data when formulating its independent recommendations to the Board of Directors. A discussion and analysis of the Company's compensation decisions regarding the executive officers named in the Summary Compensation Table appears in this proxy statement under the heading "COMPENSATION DISCUSSION AND ANALYSIS."

To assist it in performing its duties, the Compensation Committee has the authority to engage outside consulting firms. From time to time since 2012, the Compensation Committee has engaged Pearl Meyer & Partners ("Pearl Meyer") as its independent compensation consultant. In 2017, Pearl Meyer provided the Compensation Committee with compensation data with respect to similarly sized manufacturing companies which was used to make compensation decisions for 2017. In their capacity as outside and independent compensation consultants, Pearl Meyer reports directly to the Compensation Committee.

The Compensation Committee has sole authority to replace compensation consultants retained from time to time, and to hire additional compensation consultants at any time. Representatives from outside consulting firms engaged by the Compensation Committee attend meetings of the Compensation Committee, as requested, and communicate with the Chairman of the Compensation Committee between meetings.

The Compensation Committee assessed the independence of Pearl Meyer pursuant to the SEC and NYSE rules and concluded that no conflict of interest exists that would prevent Pearl Meyer from independently advising the Compensation Committee.

The Compensation Committee reviews and discusses with management proposed Compensation Discussion and Analysis disclosures and determines whether to recommend the Compensation Discussion and Analysis to the Board of Directors for inclusion in the Company's proxy statement and annual report. The recommendation is described in the Compensation Committee Report included in this proxy statement.

The Compensation Committee formally met six (6) times in 2017, and members of the Compensation Committee also met informally amongst themselves, with management and with other members of the Board and Pearl Meyer from time to time.

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are James Gentilcore (Chair), Ira Boots, Greg Gluchowski and James Ridout. All members of the Nominating and Corporate Governance Committee meet all applicable independence standards under the NYSE corporate governance standards. Mr. Ridout, whose current term expires at the time of the annual meeting, is not standing for re-election to the Board.

The Nominating and Corporate Governance Committee (a) identifies candidates to serve as directors and on committees of the Board of Directors, (b) develops, recommends and reviews our corporate governance guidelines on a regular basis, and (c) assists the Board of Directors in its annual

review of the Board of Directors' performance. The Nominating and Corporate Governance Committee also undertakes such other tasks delegated to the committee by the Board of Directors.

The Nominating and Corporate Governance Committee met two (2) times in 2017, and members of the Nominating and Corporate Governance Committee met informally amongst themselves, with management and other members of the Board from time to time. Decisions regarding board nominations and corporate governance-related matters were approved by our Board after taking into account the recommendations of the Nominating and Corporate Governance Committee and its members.

Criteria for Director Nominees

In selecting director candidates, the Nominating and Corporate Governance Committee considers whether the candidates possess the required skill sets and fulfill the qualification requirements of directors approved by the Board of Directors, including independence, integrity, objectivity, sound judgment, leadership and diversity of experience (for example, in relation to finance and accounting, international operations, strategy, risk, technical expertise, policy-making, etc.). Annually, the Nominating and Corporate Governance Committee assesses the composition of the Board of Directors, including the Committee's effectiveness in balancing the above considerations.

Other than the foregoing, there are no minimum criteria for director nominees, although the Nominating and Corporate Governance Committee may consider such other factors as it may deem are in the best interests of the Company and its stockholders. The Nominating and Corporate Governance Committee does not assign specific weights to, and a potential or incumbent director will not necessarily satisfy all of, the foregoing criteria and in evaluating a candidate does not distinguish on the basis of whether the candidate was recommended by a stockholder. Accordingly, the Nominating and Corporate Governance Committee does not have a formal diversity policy but considers diversity of experience, as noted above, as a component of evaluating the composition of the Board of Directors in connection with the annual nomination process.

Process for Identifying and Evaluating Director Nominees

The Nominating and Corporate Governance Committee identifies nominees by first evaluating the current members of the Board of Directors willing to continue in service. Current members of the Board of Directors with skills and experience that are relevant to the Company’s business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board of Directors with that of obtaining a new perspective. If any member of the Board of Directors does not wish to continue in service or if the Nominating and Corporate Governance Committee decides not to re-nominate a member for re-election, the Nominating and Corporate Governance Committee identifies the desired skills and experience of a new nominee based on the criteria listed above. Current members of the Nominating and Corporate Governance Committee and Board of Directors are polled for suggestions as to individuals meeting the criteria of the Nominating and Corporate Governance Committee. Executive search firms may also be retained to identify qualified individuals.

Stockholder Nominations

Our Bylaws contain provisions which address the process by which a stockholder may nominate an individual to stand for election to the Board of Directors at the Company’s annual meeting of stockholders. To make a nomination for election to the Board of Directors, a stockholder must submit his or her nomination by providing the person’s name and appropriate background and biographical information by writing to the Nominating and Corporate Governance Committee at Milacron Holdings

Corp., Attn: Hugh O'Donnell, Vice President, General Counsel and Secretary, 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242. A stockholder's nomination must be received by the Company's Secretary (i) no later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the first anniversary of the previous year's annual meeting of stockholders, (ii) in the event the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to the date of such annual meeting and not later than the close of business on the later of the 90th day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10th day following the day on which public announcement of the date of such meeting is first made by the Company, or (iii) in the case of a special meeting of stockholders called for the purpose of electing directors, not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the date on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs. A stockholder nomination must be accompanied by the information required by the Bylaws with respect to a stockholder director nominee.

We may require any proposed nominee to furnish other information as we may reasonably require to determine the eligibility of the proposed nominee to serve as a director of the Company. See "PROPOSALS BY STOCKHOLDERS" for the deadline for nominating persons for election as directors at our 2019 annual meeting of stockholders.

Board of Directors Role in Risk Oversight

Our Board and management continually monitor the material risks facing our Company, including financial risk, strategic risk, operational risk, and legal and compliance risk. Management regularly reports to the Board on its activities in monitoring and mitigating such risks. Overall responsibility for risk oversight rests with our Board. In addition, the Board may delegate risk oversight responsibility to a particular committee in situations in which the risk falls within the committee's area of focus or expertise. Our Board believes that for certain areas of risk, our Company is better served by having the initial risk evaluation and risk monitoring undertaken by a subset of the entire Board that is more focused on the issues pertaining to the particular risk. For instance, our Compensation Committee assists the Board in evaluating risks relating to our compensation policies and procedures. In reviewing and designing our compensation programs, the Compensation Committee intends that our compensation program rewards for performance, is aligned with the interests of our stockholders and does not involve risks that are reasonably likely to have a material adverse effect on the Company. Also, our Audit Committee assists the Board in fulfilling the Board's oversight responsibility relating to the evaluation of financial and enterprise risks. As it deems necessary, the respective committee to which oversight and monitoring of a particular risk has been assigned reports on risk exposures and mitigation strategies with respect to such risk to the entire Board. The Company has reviewed its compensation policies and practices and concluded that they are not reasonably likely to have a material adverse effect on the Company.

Board of Directors Leadership Structure

The Board elected Ira Boots as non-executive Chairman of the Board in April 2012. This position is independent from management. Mr. Boots has served as a director of the Company since 2012. The non-executive Chairman of the Board sets the agendas for and presides over the Board meetings as well as meetings of the independent directors. The Company's Chief Executive Officer, Thomas Goeke, also serves as a member of the Board. The Board believes that this leadership structure is appropriate because it helps to promote greater communication between management and the directors. It also increases the

directors' understanding of management decisions and Company operations and provides an additional layer of independent oversight of the Company.

Stockholders and other parties interested in communicating directly with Mr. Boots as non-executive Chairman of the Board may do so by writing to Mr. Boots, c/o Milacron Holdings Corp., 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242. Additionally, stockholders and other parties interested in communicating directly with any other independent members of the Board, whether individually or as a group, may do so by writing to that director(s) or the Board of Directors, respectively, c/o Milacron Holdings Corp., 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242.

Attendance at Meetings

It is our policy that each director is expected to dedicate sufficient time to the performance of his or her duties as a director, including by attending meetings of the stockholders, Board of Directors and committees of which he or she is a member.

In 2017, the Board of Directors held six (6) meetings (including regularly scheduled and special meetings) and took action by unanimous written consent from time to time. All incumbent directors attended at least 75% of (i) the total number of meetings of the Board of Directors (held during the period for which he or she has been a director); and (ii) the total number of meetings held by all committees on which he or she served (during the periods that he or she served).

Stockholder Communications with the Board of Directors

Stockholders and other parties interested in communicating directly with the Board of Directors as a group may do so by writing to the Board of Directors, c/o Milacron Holdings Corp., 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242. The Secretary will review all correspondence and regularly forward to the Board of Directors all such correspondence that, in the opinion of the Secretary, deals with the functions of the Board of Directors or committees thereof or that the Secretary otherwise determines requires attention. Concerns relating to accounting, internal controls or auditing matters will immediately be brought to the attention of the Chairman of the Audit Committee. We have adopted a Whistleblower Policy, which establishes procedures for submitting these types of concerns, either personally or anonymously through a toll free telephone "hotline" or web transmission operated by an independent party.

Stockholders and other parties interested in communicating directly with Jim Kratochvil, as Chairman of the Audit Committee, may do so by writing to Mr. Jim Kratochvil, Chairman, Audit Committee, c/o Milacron Holdings Corp., 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics (the "*Code*"), that applies to all of our directors, officers and employees, including our principal executive officer and principal financial accounting officer. The Code is posted on our website at www.investors.milacron.com. Any amendments to, or waivers under, our Code which are required to be disclosed by the rules promulgated by the SEC will be disclosed on the Company's website at www.investors.milacron.com.

Corporate Governance Guidelines and Principles

We have adopted Corporate Governance Guidelines and Principles. These guidelines outline the role of our Board of Directors, the composition and operating principles of our Board of Directors and its committees and our Board of Directors' working process. Our Corporate Governance Guidelines and Principles are posted on our website at www.investors.milacron.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company’s officers and directors, and persons who own more than ten percent of the common stock of the Company, to file with the Securities and Exchange Commission reports of ownership of company securities and changes in reported ownership. Officers, directors, and greater than ten percent stockholders, are required by SEC rules to furnish the Company with copies of all Section 16(a) reports they file. Based solely on a review of the copies of such forms furnished to the Company, or written representations from the reporting persons that no Form 5 was required, the Company believes that during 2017 all Section 16(a) filing requirements applicable to its officers, directors, and greater than ten percent beneficial owners were complied with.

Compensation Committee Interlocks and Insider Participation

During 2017 the members of our Compensation Committee were Messrs. Timothy Walsh, Ira Boots, Timothy Crow and Waters Davis. No member of the Compensation Committee was, during 2017 or previously, an officerin-top:0px;margin-bottom:0px">

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with instructions to Form 10-QSB and Item 10 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim period ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

The consolidated financial statements include the financial transactions and accounts of the Company and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation. For further information, refer to the financial statements and footnotes thereto included in the Company s annual report on Form 10-K for the year ended December 31, 2004.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Income Taxes

Deferred income taxes are provided under the liability method and reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. The Company establishes valuation allowances when the realization of specific deferred tax assets are subject to significant uncertainty. The Company recorded no tax benefits on its operating losses, as the losses will have to be carried forward and realization of any benefit is uncertain.

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Inventories

Inventories are stated at the lower of standard cost (which approximates first-in, first-out) or market (replacement cost or net realizable value) and include (in thousands):

	September 30, 2005
Raw materials	$ 151
Work-in-progress	38
Finished goods	115
	$ 304

Inventories are presented net of reserves for excess and obsolete inventories of $706,000.

Investments in Marketable Equity and Debt Securities

All investments are classified as held to maturity or available-for-sale securities under the provisions of Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities. Management determines the appropriate classification of its investments in equity and debt securities at the time of purchase and reevaluates such determinations at each balance sheet date.

Marketable equity securities are classified as available-for-sale and are carried at their fair value on the balance sheet, with unrealized gains and losses reported as a separate component of stockholders equity. Marketable equity securities are stated at market value, as determined by the most recently published trade price of the securities at the balance sheet date.

During the quarter ended June 30, 2005, the Company recorded a charge of $37,000 to reflect a decline in the fair value of securities that was deemed to be other-than-temporary.

The following table summarizes the Company s investment in securities (in thousands) at Sept. 30, 2005:

Marketable equity securities, at cost	$ 150
Unrealized net gains (losses) on marketable securities	55
	$ 205
Amount classified as current	
Amount classified as long-term	$ 205

Earnings per Share

Basic and diluted earnings per share are computed based on 6,335,965 shares outstanding, since the effect of including the impact of the assumed exercise of outstanding stock options is anti-dilutive.

Reclassifications

Certain reclassifications have been made in prior years financial statements to conform to classifications used in the current year.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Stock Options

The Company has a stock option plan that provides for the grant of options to key employees and directors of the Company. The term and vesting of each option is determined by the Board of Directors. The Company accounts for stock options using the intrinsic value based method prescribed by APB 25. Had the Company elected to account for stock options using the fair value method described in SFAS No. 123, the Company s reported net loss would have increased to the amounts shown below (in thousands, except share data):

	Nine months ended September 30		Three months ended September 30	
	2005	**2004**	**2005**	**2004**
Reported net loss	$ (2,992)	$ (3,879)	$ (717)	$ (1,662)
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	(43)	(103)	(3)	(22)
Pro forma net loss	$ (3,035)	$ (3,982)	$ (720)	$ (1,684)
Basic and Diluted loss per share, as reported:				
Continuing operations	$ (.47)	$ (.42)	$ (.12)	$ (.13)
Discontinued operations		(.19)	.01	(.13)
Net Loss	$ (.47)	$ (.61)	$ (.11)	$ (.26)
Pro forma net loss per share, as if the fair value method had been applied to all awards:				
Continuing operations	$ (.48)	$ (.44)	$ (.12)	$ (.14)
Discontinued operations		(.19)	.01	(.13)
Net Loss	$ (.48)	$ (.63)	$ (.11)	$ (.27)

The pro forma disclosures above are not necessarily indicative of the effects of applying SFAS 123 in future periods.

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2. LIQUIDITY

The Company s business is largely dependent on the capital equipment expenditures of integrated circuit manufacturers and the overall demand for products utilizing integrated circuits. Beginning in 2001, the entire semiconductor industry experienced a sharp downturn that resulted in a significant decrease in demand for the Company s products and services. As a result, revenues in the three-year period from 2002 through 2004 of $9.3 million were less than 2001 revenues of $12.1 million. Other factors contributing to this decline include overcapacity in the markets the Company serves, increased competition from foreign sources, reduced capital spending, significant reductions in burn-in times by some customers, a move away from conventional burn-in by a major customer, and the Company s inability to generate sales for its newer products and services.

During the period from 2002-2004, the Company made several workforce reductions and restructured its operations in order to reduce its fixed operating costs. Despite these cost reduction actions, the Company incurred operating losses of $21.5 million, pre-tax losses of $20.4 million and consumed approximately $15.4 million of its cash reserves during this period. As a result of these continuing operating losses and decline in the Company s cash position, substantial doubt is raised about the Company s ability to continue as a going concern.

In order to generate funds for continued operations, the Company is attempting to sell its Houston headquarters building. As an interim step, to allow for an orderly sale of the building, the Company obtained bridge financing in December 2004 from an asset-based lender. The financing facility will provide up to $2.9 million of liquidity, has an initial term of eighteen months, and may be renewed for an additional twelve-month period, subject to certain terms and conditions. At September 30, 2005, the Company had $1 million of remaining availability under this facility. Upon the sale of the Houston building, the Company must first repay the bridge loan, and any excess funds can be used to fund the Company s operations. The Company is also attempting to sell an idle manufacturing facility in North Carolina. All proceeds from the sale of this facility can be used to fund the Company s operations, since this facility is not pledged as collateral under the financing facility.

At its present cash burn rate, in mid-2006 the Company will exhaust its cash resources and have no remaining availability under its debt agreement. In order to continue operations beyond that point, the Company must generate cash proceeds from asset sales, the sale of a business line, the issuance of additional debt or equity instruments, or enter into a business combination. There can be no assurances that the Company can consummate any such transactions, or that the proceeds from such transactions will be sufficient to enable the Company to continue operations through the end of 2006. For further information, refer to the financial statements and footnotes thereto included in the Company s annual report on Form 10-K for the year ended December 31, 2004 and Note 8 to this Form 10-QSB.

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3. SEGMENT INFORMATION

The following table presents reportable segment information (in thousands) for the periods indicated:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2005	**2004**	**2005**	**2004**
Revenues from external customers:				
Testing Products	$ 491	$ 504	$ 187	$ 194
Services	1,127	1,228	432	475
Power Sources	520	713	142	252
Intersegment revenues:				
Testing Products	16	56	6	23
Services	6	4		
Power Sources				
Eliminations	(22)	(60)	(6)	(23)
	$ 2,138	$ 2,445	$ 761	$ 921
Operating loss:				
Testing Products	$ (1,757)	$ (1,359)	$ (350)	$ (404)
Services	(393)	(594)	(60)	(86)
Power Sources	(442)	(145)	(143)	(71)
General corporate expenses	(291)	(654)	(145)	(289)
Operating loss	$ (2,883)	$ (2,752)	$ (698)	$ (850)

Total assets by reportable segment as of the dates indicated are as follows (in thousands):

	September 30, 2005
Testing Products	$ 133

Services		975
Power Sources		305
General corporate assets		4,025
	$	5,438

To consistently present the allocation of corporate expenses to the operating divisions, an additional $90,000 and $270,000 of corporate overhead has been allocated to the Services segment for the three and nine-month periods ended September 30, 2004. This resulted in a corresponding decrease in general corporate expenses of like amounts in the respective periods.

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Other than as described above, there were no other changes in the accounting policies and procedures used to determine segment income or loss. It should also be noted that due to the closure of the Automotive segment in January 2005, corporate allocations to the remaining operating segments increased. In the 2004 period, $221,000 of corporate overhead was allocated to the Automotive segment.

In September 2005, the Company s headquarters building, with a net book value of $2.4 million, was reclassified to Assets Held for Sale in the accompanying balance sheet. As a result, the building, which has historically been reported in the Testing Products segment, is now being reported as a general corporate asset.

Sales to a major customer in the Services segment accounted for 38% and 41% of consolidated revenues in the nine month period ended September 30, 2005 and 2004, respectively. Loss of this major customer would have a material adverse affect on the company s results of operations and financial position.

4. COMPREHENSIVE LOSS

The only difference between the total comprehensive loss and the net loss reported on the Consolidated Statements of Operations arises from unrealized gains and losses on available-for-sale securities. The Company s total comprehensive loss (in thousands) for the periods indicated, is as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2005	**2004**	**2005**	**2004**
Net (loss)	$ (2,992)	$ (3,879)	$ (717)	$ (1,662)
Unrealized net gains (losses) on marketable equity securities	5	(33)	22	(23)
Add: reclassification adjustment for losses included in net loss	37			
Total comprehensive (loss)	$ (2,950)	$ (3,912)	$ (695)	$ (1,685)

5. OTHER INCOME

Other income consists of the following:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2005	2004	2005	2004
Rental income	$ 59	$ 37	$ 13	$ 12
Write-down of investment securities	(37)			
Gain on sale of assets	1		1	
	$ 23	$ 37	$ 14	$ 12

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RELIABILITY INCORPORATED

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6. DISCONTINUED OPERATIONS AUTOMOTIVE DIVISION

Effective January 29, 2005, the Company terminated the Asset Purchase Agreement between the Company and Futura International, Inc. (Futura) for the purchase of the Ezy-Load product line. The Company elected to terminate the agreement due to continued disappointing sales of the product and the amount of capital required to sustain the sales and marketing efforts. As a result of the termination, the Company ceased manufacturing and marketing the Ezy-Load product. With the exception of inventories, the Company reconveyed to Futura all assets previously acquired from Futura, consisting primarily of intellectual property rights. The Company is relieved of all payment liabilities to Futura, including $225,000 of contingent purchase price payments scheduled for 2005 and future royalties.

Results of operations for the former Ezy-Load segment are reported as discontinued operations in the accompanying Statement of Operations for each period presented. Net sales and the results from discontinued operations are as follows (in thousands):

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2005	**2004**	**2005**	**2004**
Product Sales	$ 37	$ 39	$	$ 17
Income (loss) from discontinued operations	$ 7	$ (1,181)	$ 28	$ (830)

Income from discontinued operations for the three-month period ended September 30, 2005 resulted from the sale of inventories that had been written off.

7. IMPAIRMENT REVIEW

During January 2005, the Company placed a Criteria 20 unit with a semiconductor manufacturer to enable the customer to evaluate the performance of the unit. Late in June 2005, the semiconductor manufacturer notified the Company that it would be returning the unit to the Company and that it no longer had plans to purchase a unit.

In light of this negative development in terms of potential future sales for the Testing Products Division, it was determined that a review of the recoverability of the assets of the Division should be performed. As a result of this review, an impairment charge of $81,000 was recorded to reduce the carrying value of the fixed assets of the Division to their estimated fair value. Additionally, a charge of $87,000 was recorded to reduce the carrying value of the Division s inventory. These charges were recorded in June 2005 and are reported as Cost of Product Sales in the accompanying financial statements.

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RELIABILITY INCORPORATED

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8. REDUCTION IN WORKFORCE

Due to the continued lack of demand for the Company s burn-in and test systems, with no existing prospects for a sale of a Criteria 20 in the foreseeable future, and in order to reduce cash expenditures, the Company decided to suspend research and development activities and to reduce resources in related sales, production and testing functions in its Testing Products Division. Effective August 5, 2005, the Company reduced its Houston-based workforce by 45%. Severance costs of $156,000 were incurred are reported in the results of operations for the period ended September 30, 2005. The estimated annual savings of this workforce reduction are $650,000, of which $320,000 is estimated to be in research and development costs, $230,000 in cost of sales and $100,000 in marketing, general and administrative expenses.

9. ASSETS HELD FOR SALE

Assets held for sale consists of the following (in thousands):

Land and building Houston	$ 2,437
Production equipment	51
Total current	2,488
Land and building North Carolina	1,000

As a result of the impairment review described in Note 7 above, the fair value of the non-current assets of the Testing Products Division was determined to be $51,000, representing the estimated value of production equipment. Whereas all of the employees of the production department were terminated as part of the reduction in workforce described in Note 8 above, the Company has placed this equipment for sale.

In 2003, the Company listed its Houston headquarters building for sale. In previous periods, it was determined that the building did not meet the criteria to be classified as held for sale , due to logistical requirements that might have required a potential sales contract to include terms that were not deemed to be usual and customary for the sales of such assets .

As a result of the cessation of research and development activities in the Testing Product Division (as discussed in Note 8) and the decision to sell the production equipment of the Division, it has been determined that the Houston headquarters building now meets the criteria to be classified as held for sale in the accompanying balance sheet.

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Item 2. Management s Discussion and Analysis or Plan of Operations

FORWARD-LOOKING STATEMENTS

This Management s Discussion and Analysis or Plan of Operations and other parts of this report contain forward-looking statements that involve risks and uncertainties, as well as current expectations and assumptions. From time to time, the Company may publish forward-looking statements, including those that are contained in this report, relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company s actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company s forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of the Company s business include, but are not limited to, its ability maintain sufficient working capital, adverse changes in the global economy, sudden decreases in the demand for electronic products and semiconductors, market acceptance of the Company s products and services, the impact of competition, delays in product development schedules, delays due to technical difficulties related to developing and implementing technology, delays in delivery schedules, the ability to attract and maintain sufficient levels of people with specific technical talents, future results related to investments and acquisitions, changes in demand for the Company s products and services and the Company s customers products and services. The Company s actual results could differ materially from those anticipated in these forward-looking statements, including those set forth elsewhere in this report. The Company assumes no obligation to update any such forward-looking statements.

CRITICAL ACCOUNTING POLICIES AND COMMENTS RELATED TO OPERATIONS

The Company has defined a critical accounting policy as one that is both important to the portrayal of the Company s financial condition and results of operations and requires the management of the Company to make difficult, subjective or complex judgments. Estimates and assumptions about future events and their effects cannot be perceived with certainty. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments. These estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as the Company s operating environment changes. There have been no material changes or developments in the Company s evaluation of the accounting estimates and the underlying assumptions or methodologies that it believes to be Critical Accounting Policies and Estimates as disclosed in its Form 10-K for the year ended December 31, 2004.

Management s Discussion included in the Form 10-K for the year ended December 31, 2004 includes discussion of various factors related to the decline in the Company s revenues and items related to the Company s results of operations, liquidity and markets. There have been no significant changes in most of the factors discussed in the Form 10-K and many of the items discussed in the Form 10-K are relevant to 2005 operations; thus the reader of this report should read Management s Discussion included in Form 10-K for the year ended December 31, 2004.

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LIQUIDITY AND CAPITAL RESOURCES

The Company s business is largely dependent on the capital equipment expenditures of integrated circuit manufacturers and the overall demand for products utilizing integrated circuits. Beginning in 2001, the entire semiconductor industry experienced a sharp downturn that resulted in a significant decrease in demand for the Company s products and services. As a result, revenues in the three-year period from 2002 through 2004 of $9.3 million were less than 2001 revenues of $12.1 million. Other factors contributing to this decline include overcapacity in the markets the Company serves, increased competition from foreign sources, reduced capital spending, significant reductions in burn-in times by some customers, a move away from conventional burn-in by a major customer, and the Company s inability to generate sales for its newer products and services.

During the period from 2002-2004, the Company made several workforce reductions and restructured its operations in order to reduce its fixed operating costs. Despite these cost reduction actions, the Company incurred operating losses of $21.5 million, pre-tax losses of $20.4 million and consumed approximately $15.4 million of its cash reserves during this period. As a result of these continuing operating losses and decline in the Company s cash position, substantial doubt is raised about the Company s ability to continue as a growing concern.

In order to generate funds for continued operations, the Company is attempting to sell its Houston headquarters building. As an interim step, to allow for an orderly sale of the building, the Company obtained bridge financing in December 2004 from an asset-based lender. The financing facility will provide up to $2.9 million of liquidity, has an initial term of eighteen months, and may be renewed for an additional twelve-month period, subject to certain terms and conditions. At September 30, 2005, the Company had $1 million of remaining availability under this facility. Upon the sale of the Houston building, the Company must first repay the bridge loan, and any excess funds can be used to fund the Company s operations. The Company is also attempting to sell an idle manufacturing facility in North Carolina. All proceeds from the sale of this facility can be used to fund the Company s operations, since this facility is not pledged as collateral under the financing facility. The Houston property has been on the market for over one year and the North Carolina property for in excess of five years.

At its present cash burn rate, in mid-2006 the Company will exhaust its cash resources and have no remaining availability under its debt agreement. In order to continue operations beyond that point, the Company must generate cash proceeds from asset sales, the sale of a business line, the issuance of additional debt or equity instruments, or enter into a business combination. There can be no assurances that the Company can consummate any such transactions, or that the proceeds from such transactions will be sufficient to enable the Company to continue operations through the end of 2006. See also Note 8 to the consolidated financial statements that discusses cash outflows associated with cost reduction measures taken in August 2005.

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Net cash used by operating activities for the nine months ended September 30, 2005 was $1,929,000, compared to $2,836,000 in the comparable 2004 period. The decrease in cash consumed by operations consists of $165,000 related to a lower net loss, net of non-cash items and $742,000 of changes in working capital accounts.

During the nine months ended September 30, 2005, investing activities generated $63,000 of cash through the sale of excess assets net of $2,000 in capital expenditures. In the prior year, investing activities consumed $84,000 of cash as a result of a $75,000 payment related to the Ezy-Load acquisition and $9,000 of capital expenditures.

Financing activities generated $866,000 of cash during the nine months ended September 30, 2005, as a result of borrowings of $1,025,000 and repayments of $159,000.

RESULTS OF OPERATIONS

Nine months ended September 30, 2005 compared to nine months ended September 30, 2004.

Revenues.

Revenues in the first nine months of 2005 were $2,138,000, compared to $2,445,000 in the first nine months of 2004. Revenues declined in each of the Company s three traditional business segments as follows: Testing Products (3)%, Services (8)% and Power Sources (27)%.

Revenues in the Testing Products segment decreased by $13,000 from the comparable 2004 period. An increase in system refurbishment/upgrade revenue of $92,000 was offset by a decrease in spare parts sales in Asian markets.

Revenues in the Services segment decreased by $101,000 from the 2004 period. Burn-in and test revenues decreased by $88,000 as a result of a 31% decrease in units processed, offset by a 34% increase in average selling prices due to changes in product mix and increased processing times. Additionally, sales of burn-in boards decreased by $13,000.

Revenues in the Power Sources segment decreased by $193,000, as a 31% decrease in units sold was partially offset by a 5% increase in average sales prices. The increase in average selling prices is due to a change in product mix, as sales in 2005 included more higher output devices.

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Gross Profit

Gross margin decreased from $20,000 for the nine months ended September 30, 2004 to ($99,000) in the 2005 period. Gross margin by industry segment for the periods is presented below (in thousands):

	Nine Months Ended September 30	
	2005	**2004**
Testing Products	$ (213)	$ (85)
Services	87	(112)
Power Sources	27	217
Total	$ (99)	$ 20

The decrease in margin in the Testing Products segment resulted primarily from $168,000 in impairment charges (see Note 8 to the Consolidated Financial Statements) and changes in product mix, offset by a $54,000 reduction in engineering charges for the modification of developed products. The engineering resources were devoted to research and development projects in 2005. The increase in the Services segment resulted primarily from a $161,000 decrease in depreciation, as many of the Division s assets are reaching the end of their assigned depreciable lives, a decrease in repairs and maintenance charges of $133,000, resulting from charges incurred in the prior year for the repair of test equipment and costs associated with relocating equipment from leased space that was vacated, offset by a $30,000 increase in rent allocated to production departments and the impact of the $101,000 decrease in revenues. The decrease in margin in the Power Sources segment is attributable to lower sales volume and production activity, $20,000 in re-work costs for a job for which the Company received a sub-assembly that was not in accordance with specifications and a quantity discount allowed for the order and $38,000 of charges for slow-moving and potentially obsolete inventory.

Marketing, General and Administrative

Marketing, general and administrative expenses decreased from $2,275,000; on the first nine months of 2004 to $1,975,000 in the first nine months of 2005. Of this decrease, $73,000 is attributable to engineering charges supporting specific sales efforts, $80,000 is due to lower corporate compliance costs and professional fees, $52,000 is due to lower amortization charges for demonstration equipment, $53,000 relates to lower headcount, $18,000 is attributable to lower liability and casualty insurance expense and $17,000 is due to lower property tax expense.

Research and Development

Research and development costs were $653,000 in the first nine months of 2005, compared to $497,000 in the first nine months of 2004. Of the increase, $48,000 relates to engineering activities in 2004 that were charged to cost of sales rather than research and development, as they related to enhancements to existing products. The remainder of the increase relates to increases in engineering labor, contract labor, shop labor and materials purchased for further development of the Criteria 20 that was under evaluation by a potential customer, offset by the impact of headcount reductions to the engineering staff made in August 2005.

Interest Expense

Interest expense consisted of $115,000 for borrowings under the Company s loan agreement, along with $36,000 amortization charges for deferred loan costs.

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Other Income - Net

Other income net decreased by $14,000, as a $37,000 charge to write down the value of investment securities was offset by a $22,000 increase in rental income and $1,000 of gains on the sale of miscellaneous assets.

Three months ended September 30, 2005 compared to three months ended September 30, 2004.

Revenues

Revenues in the third quarter of 2005 were $761,000, compared to $921,000 in the comparable period in 2004. Revenues declined in each of the Company s business segments as follows: Testing Products (4%), Services (9%) and Power Sources (44%).

Revenues in the Testing Products segment were $187,000 in the third quarter of 2005, compared to $194,000 in the 2004 period. The decrease is attributable to a decrease in spare parts sales.

Revenues in the Services segment were $432,000, compared to $475,000 in the prior year. The decrease is due to a reduction in burn-in and test revenues that resulted from a 29% decrease in units processed, partially offset by a 29% increase in average selling prices.

Revenues in the Power Sources segment were $142,000, compared to $252,000 in the prior year. The decrease is the result of a 40% decrease in units shipped and a 6% decrease in average selling prices. The decrease in average selling prices is due to a change in product mix, as sales in 2005 included fewer higher output devices.

Gross Profit

Gross margin increased from $92,000 for the quarter ended September 30, 2004 to $ 122,000 in the quarter ended September 30, 2005. Gross margin by industry segment for the periods is presented below (in thousands):

	Three Months Ended September 30	
	2005	**2004**
Testing Products	$ 28	$ 1
Services	91	45
Power Sources	3	46
Total	$ 122	$ 92

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The increase in margin in the Testing Products division is due to differences in product mix. The increase in gross margin in the Services segment is primarily due to a decrease in depreciation expense of $54,000 and a decrease in repairs and maintenance expense of $57,000, offset by an increase in utilities of $16,000, an increase in rent allocated to production departments of $13,000 and the impact of lower revenues. The decrease in gross margin in the Power Sources segment is due to lower revenues, product mix, as fewer high output devices, which carry higher margins, were sold, and a lower activity level, which resulted in less overhead costs being allocated to production costs, and ultimately inventory.

Marketing, General and Administrative

Marketing, general and administrative expenses decreased from $776,000 in the third quarter of 2004 to $584,000 in the comparable period in 2005. The primary causes of the decrease were a $76,000 decrease in corporate compliance costs and professional fees, a $38,000 decrease in amortization charges for demonstration equipment, a $28,000 decrease in engineering charges supporting specific sales efforts, a $29,000 decrease due to lower headcount and a $12,000 decrease in liability and casualty insurance.

Research and Development

Research and development costs were $80,000 in the quarter ended September 30, 2005, compared to $166,000 in the comparable period in 2004. The decrease is due to staff reductions in August 2005 in the Engineering department.

Interest Expense

Interest expense consisted of $53,000 for borrowings under the Company s loan agreement, along with $12,000 of amortization charges for deferred loan costs.

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Item 3. Controls and Procedures.

Within 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures pursuant to Rule 13a-5 under the Securities Exchange Act. Based on that evaluation, the Company s Chief Executive Officer and Chief Financial Officer had concluded that the Company s disclosure controls and procedures are effective.

There have been no significant changes in the Company s internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation described in the preceding paragraph.

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OTHER INFORMATION

PART II - OTHER INFORMATION

September 30, 2005

Items 1 through 5 are not applicable and have been omitted.

Item 6. Exhibits and Reports on Form 8-K:

(a) The following exhibits are filed as part of this report:

31.1 Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as Amended

31.2 Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as Amended

32. Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on form 8-K.

Not applicable

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SIGNATURES

September 30, 2005

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

RELIABILITY INCORPORATED
(Registrant)

November 14, 2005	/s/ LARRY EDWARDS **Larry Edwards** **President and Chief Executive Officer**
November 14, 2005	/s/ CARL V. SCHMIDT **Carl V. Schmidt** **Chief Financial Officer**

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