

FLOTEK INDUSTRIES INC/CN/  
Form DEF 14A  
April 24, 2019  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)  
of the Securities Exchange Act of 1934  
Filed by the Registrant   
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Check the appropriate box:

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

FLOTEK INDUSTRIES, INC.  
(Name of Registrant as Specified in Its Charter)

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-

FLOTEK INDUSTRIES, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON FRIDAY, MAY 24, 2019

10:00 a.m. Local Time

Flotek Industries, Inc.

Corporate Office

10603 W. Sam Houston Parkway N., Suite 300

Houston, Texas 77064

To the Stockholders of Flotek Industries, Inc.:

At the direction of the Board of Directors of Flotek Industries, Inc. (“Flotek” or the “Company”), a Delaware corporation, NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of the Company will be held at the Flotek Corporate Office, 10603 W. Sam Houston Parkway N., Suite 300, Houston, Texas 77064, on Friday, May 24, 2019, at 10:00 a.m. (local time), for the purpose of considering and voting upon the following matters:

1. The election of seven directors to serve until the next annual meeting of stockholders of the Company or until their successors are duly elected and qualified, or until their earlier resignation or removal.
  2. The approval of the Flotek Industries, Inc. 2019 Non-Employee Director Incentive Plan.
  3. The approval of an amendment to the Flotek Industries, Inc. 2012 Employee Stock Purchase Plan.
  4. The approval of an amendment to the Flotek Industries, Inc. 2018 Long-Term Incentive Plan.
  5. The approval of a non-binding advisory vote on executive compensation.
  6. The approval of a non-binding advisory vote on the frequency of future advisory votes on executive compensation.
  7. The ratification of the selection of the independent registered public accounting firm for the year ending December 31, 2019.
  8. Any other business which may be properly brought before the meeting or any adjournment thereof.
- Stockholders of record at the close of business on March 29, 2019 are entitled to vote at the meeting.

By order of the Board of Directors

Casey Doherty

Corporate Secretary

April 24, 2019

**YOUR VOTE IS IMPORTANT**

**TO ASSURE YOUR REPRESENTATION AT THE MEETING, PLEASE SIGN, DATE AND RETURN YOUR PROXY AS PROMPTLY AS POSSIBLE. AN ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES, IS ENCLOSED FOR THIS PURPOSE.**

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FLOTEK INDUSTRIES, INC.

10603 W. Sam Houston Parkway N., Suite 300  
Houston, Texas 77064

PROXY STATEMENT

This Proxy Statement and the accompanying form of proxy are being sent to the stockholders of Flotek Industries, Inc. (“Flotek” or the “Company”), a Delaware corporation, in connection with the solicitation by the Board of Directors of the Company (the “Board”) of proxies to be voted at the Annual Meeting of Stockholders of the Company (the “Meeting”) to be held at 10:00 a.m. (local time) on Friday, May 24, 2019, at the Company’s Corporate Office at 10603 W. Sam Houston Parkway N., Suite 300, Houston, Texas 77064 and at any adjournment thereof.

The Notice of Meeting, this Proxy Statement, and the accompanying form of proxy are first being mailed to the stockholders on or about April 24, 2019. The 2018 Annual Report of the Company has been furnished to the stockholders with this Proxy Statement.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on May 24, 2019. The proxy statement and annual report to security holders are available at [www.flotekind.com/proxymaterials](http://www.flotekind.com/proxymaterials). You may obtain directions to attend the Meeting and vote in person by contacting our investor relations department at (713) 849-9911.

At the Meeting, stockholders will be asked (i) to consider and vote upon the election of seven nominees to serve on the Board; (ii) to consider and vote upon the Flotek Industries, Inc. 2019 Non-Employee Director Incentive Plan; (iii) to consider and vote upon an amendment to the Flotek Industries, Inc. 2012 Employee Stock Purchase Plan; (iv) to consider and vote upon an amendment to the Flotek Industries, Inc. 2018 Long-Term Incentive Plan; (v) to consider and provide an advisory vote upon our executive compensation; (vi) to consider and provide an advisory vote on the frequency of future advisory votes on our executive compensation; (vii) to consider and vote upon the ratification of the selection of the independent registered public accounting firm; and (viii) to consider and take action upon such other matters as may properly come before the Meeting.

VOTING SECURITIES

The Board has fixed the close of business on March 29, 2019, as the record date for the determination of stockholders entitled to notice of, and to vote at, the Meeting. At the close of business on such date, there were outstanding and entitled to vote 58,353,739 shares of common stock, \$0.0001 par value per share (“Common Stock”) of the Company, which is the Company’s only authorized and outstanding class of stock entitled to vote at the Meeting.

Holders of a majority of the outstanding shares of Common Stock are required to be represented at the Meeting, in person or by proxy, to constitute a quorum. Abstentions and broker non-votes represented by submitted proxies will be included in the calculation of the number of the shares present at the Meeting for the purposes of determining a quorum. “Broker non-votes” means shares held of record by a broker that are not voted on a matter because the broker has not received voting instructions from the beneficial owner of the shares and either lacks or declines to exercise the authority to vote the shares in its discretion.

Each outstanding share of Common Stock as of the record date is entitled to one vote. There will be no cumulative voting of shares for any matter voted upon at the Meeting.

Proposal 1: Election of Directors

Directors are elected by a majority of the votes cast at the Meeting. A director will be elected if the number of shares voted “FOR” the director’s election exceeds the number of shares voted “AGAINST” that director’s election, excluding abstentions. If an incumbent director who is nominated for re-election does not receive sufficient “FOR” votes to be elected, the director is required to promptly tender his or her resignation to the Board following certification of the vote. The Corporate Governance and Nominating Committee shall then make a recommendation to the Board on whether to accept or reject the resignation. The Board will act on the tendered resignation, taking into account the recommendation of the Corporate Governance and Nominating Committee, and publicly disclose its decision on whether to accept or reject the resignation. Under New York Stock Exchange (“NYSE”) rules, your brokerage firm or other nominee may not vote your shares with respect to Proposal 1 without specific instructions from you as to how



to vote with respect to the election of each of the seven nominees for director, because the election of directors is considered a “non-routine” matter under the NYSE rules. Abstentions and broker non-votes represented by submitted proxies will not be taken into account in determining the outcome of the election of directors.

**Proposal 2: Approval of the Flotek Industries, Inc. 2019 Non-Employee Director Incentive Plan**

To be approved, this proposal regarding the Company’s 2019 Non-Employee Director Incentive Plan must receive an affirmative vote of a majority of the total votes cast with respect to this proposal at the Meeting. This means that the votes that our stockholders cast “FOR” this proposal must exceed the votes that our stockholders cast “AGAINST” this proposal at the Meeting. Proposal 2 is considered a “non-routine” matter under the NYSE rules and, therefore, brokerage firms and nominees that are members of the NYSE do not have the authority under those rules to vote their customers’ unvoted shares on Proposal 2 if their customers have not furnished voting instructions within a specified period of time prior to the Meeting. Accordingly, broker non-votes represented by submitted proxies will not be taken into account in determining the outcome of this proposal; abstentions will be counted as a vote against this proposal.

**Proposal 3: Approval of an Amendment to the Flotek Industries, Inc. 2012 Employee Stock Purchase Plan**

To be approved, this proposal regarding an amendment to the Company’s 2012 Employee Stock Purchase Plan must receive an affirmative vote of a majority of the total votes cast with respect to this proposal at the Meeting. This means that the votes that our stockholders cast “FOR” this proposal must exceed the votes that our stockholders cast “AGAINST” this proposal at the Meeting. Proposal 3 is considered a “non-routine” matter under the NYSE rules and, therefore, brokerage firms and nominees that are members of the NYSE do not have the authority under those rules to vote their customers’ unvoted shares on Proposal 3 if their customers have not furnished voting instructions within a specified period of time prior to the Meeting. Accordingly, broker non-votes represented by submitted proxies will not be taken into account in determining the outcome of this proposal; abstentions will be counted as a vote against this proposal.

**Proposal 4: Approval of an Amendment to the Flotek Industries, Inc. 2018 Long-Term Incentive Plan**

To be approved, this proposal regarding an amendment to the Company’s 2018 Long-Term Incentive Plan must receive an affirmative vote of a majority of the total votes cast with respect to this proposal at the Meeting. This means that the votes that our stockholders cast “FOR” this proposal must exceed the votes that our stockholders cast “AGAINST” this proposal at the Meeting. Proposal 4 is considered a “non-routine” matter under the NYSE rules and, therefore, brokerage firms and nominees that are members of the NYSE do not have the authority under those rules to vote their

customers’ unvoted shares on Proposal 4 if their customers have not furnished voting instructions within a specified period of time prior to the Meeting. Accordingly, broker non-votes represented by submitted proxies will not be taken into account in determining the outcome of this proposal; abstentions will be counted as a vote against this proposal.

**Proposal 5: Advisory Vote to Approve Executive Compensation**

The affirmative vote of a majority of the shares present in person or by proxy and entitled to vote on the matter is required for the advisory approval of the Company’s executive compensation. In determining whether the proposal has received the requisite number of affirmative votes, abstentions will not be counted and will have the same effect as a vote against the proposal. Broker non-votes will have no effect for the purpose of determining whether the proposal has been approved. This proposal is advisory in nature, which means that it is not binding on the Board or the Compensation Committee. However, the Board and the Compensation Committee will review the voting results and take them into consideration when making future decisions regarding executive compensation.

**Proposal 6: Advisory Vote on the Frequency of the Advisory Vote on Executive Compensation**

You may vote either “every year,” “every two years,” or “every three years” for the frequency of the advisory vote on executive compensation, or you may “abstain” from voting. Because stockholders are given the option to vote on a number of choices, no voting standard is applicable to this advisory vote and it is possible that no single choice will receive a majority vote. Moreover, because this vote is non-binding, the Board may determine the frequency of future advisory votes on executive compensation in its discretion. The Board has taken into account the expense, time, and results which other companies have received relating to frequency votes and determined no meaningful savings would be obtained by having a vote occur less often than every year. Therefore, the Board recommends that you vote “every



year” for the frequency of the advisory vote on executive compensation. Abstentions on this proposal have the same effect as not expressing a preference. Broker non-votes will have no effect for the purpose of determining whether the proposal has been approved.

**Proposal 7: Ratification of Selection of Independent Registered Public Accounting Firm**

To be approved, the proposal regarding ratification of the selection of our independent registered public accounting firm must receive an affirmative vote of a majority of the total votes cast with respect to this proposal at the Meeting. This means that the votes that our stockholders cast “FOR” this proposal must exceed the votes that our stockholders cast “AGAINST” this proposal at the Meeting. However, your vote will not be binding on the Board or the Company. Proposal 7 is considered a “routine” matter under the NYSE

rules and, therefore, brokerage firms and nominees that are members of the NYSE have the authority under those rules to vote their customers' unvoted shares on Proposal 7 if their customers have not furnished voting instructions within a specified period of time prior to the Meeting. Accordingly, broker non-votes represented by submitted proxies will be taken into account in determining the outcome of this proposal; abstentions will be counted as a vote against this proposal.

If the enclosed form of proxy is properly executed and returned to the Company prior to or at the Meeting and is not revoked prior to its exercise, all shares of Common Stock represented thereby will be voted at the Meeting and, where instructions have been given by a stockholder, will be voted in accordance with such instructions.

Any stockholder executing a proxy which is solicited hereby has the power to revoke it prior to its exercise.

#### Revocation

may be made by attending the Meeting and voting the shares of Common Stock in person or by delivering to the Secretary of the Company at the principal executive offices of the Company located at 10603 W. Sam Houston Parkway N., Suite 300, Houston, Texas 77064, prior to exercise of the proxy, a written notice of revocation or a later-dated, properly executed proxy.

The solicitation of proxies will be by mail, but proxies also may be solicited by telephone or in person by directors, officers, and other employees of the Company. The Company will bear all costs of soliciting proxies. In order to solicit proxies, the Company will also request financial institutions, brokerage houses, custodians, nominees, and fiduciaries to forward proxy materials to the beneficial owners of shares of Common Stock as of the record date and will reimburse such persons for their reasonable expenses of forwarding the proxy materials in accordance with customary practice.

## PROPOSAL 1: ELECTION OF DIRECTORS

### Board of Directors

The members of the Board serve one-year terms. Directors are elected by a majority of the votes cast. A director will be elected if the number of shares voted “FOR” the director’s election exceeds the number of shares voted “AGAINST” that director’s election, excluding abstentions. If an incumbent director who is nominated for re-election does not receive sufficient “FOR” votes to be elected, the director is required to promptly tender his or her resignation to the Board following certification of the vote. The Corporate Governance and Nominating Committee shall then make a recommendation to the Board on whether to accept or reject the resignation. The Board will act on the tendered resignation, taking into account the recommendation of the Corporate Governance and Nominating Committee, and publicly disclose its decision on whether to accept or reject the resignation. Abstentions and broker non-votes will be disregarded and have no effect on the outcome of the election of directors.

### Recommendation; Proxies

The Board recommends a vote “FOR” each of the nominees named below. The persons named in the enclosed proxy card will vote all shares over which they have discretionary authority “FOR” the election of the nominees named below. Although our Board does not anticipate that any of the nominees will be unable to serve, if such a situation should arise prior to the Meeting, the appointed persons will use their discretionary authority pursuant to the proxy and vote in accordance with their best judgment.

### Number of Directors

The Board has nominated seven directors for election to the Board at the Meeting.

The Board believes that it is necessary for each of the Company’s directors to possess many qualities and skills that enable him or her to understand the complexities of the Company’s business and effectively guide the management and direction of the Company. When searching for new candidates, the Corporate Governance and Nominating Committee considers the evolving needs of the Board and searches for candidates that fill current or anticipated future vacancies. The Board also believes that all directors must possess a considerable amount of business management and educational experience. The Corporate Governance and Nominating Committee first considers a candidate’s management experience and then considers issues of judgment, background, stature, conflicts of interest, integrity, ethics, and commitment to the goal of maximizing stockholder value when considering director candidates. The Corporate Governance and Nominating Committee also focuses on issues of diversity, such as diversity of gender,

race, and national origin, education, professional experience, and differences in viewpoints and skills. The Corporate Governance and Nominating Committee does not have a formal policy with respect to diversity; however, the Board and the Corporate Governance and Nominating Committee believe that it is essential that the Board members represent diverse viewpoints. In considering candidates for the Board, the Corporate Governance and Nominating Committee considers the entirety of each candidate’s credentials in the context of these standards. With respect to the nomination of continuing directors for re-election, the individual’s contributions to the Board are also considered.

All of our directors bring to our Board a wealth of executive leadership experience derived from their service as corporate executives. They also bring extensive board of director experience. Certain individual qualifications and skills of our directors that contribute to the Board’s effectiveness as a whole are described in the following paragraphs.

### Nominees

The following sets forth information regarding each nominee. Each nominee has consented to be named in this proxy statement and to serve as a director, if elected.

Name: Michelle M. Adams

Age: 48

Director Since: 2017

Principal Occupation: Ms. Adams joined the Board as a Director in January 2017 and became a member of the Corporate Governance and Nominating Committee in January 2017, a member of the Compensation Committee in October 2017, and became Chairman of this Committee in April 2018. Ms. Adams has served as Vice President of Sales America, for Dropbox since March 1, 2017. Previously, she was World Wide Vice President, Watson Platform for IBM. Ms. Adams was Vice President, Customer Engagement at IBM Watson. She assumed this role in 2013 and was responsible for all Go to Market Operations for North and South America. She previously ran software teams

across IBM for over 10 years. Prior to joining IBM in 2005, Ms. Adams had various sales leadership roles at Tivoli Systems, StorageNetworks, and Digex, Inc. Ms. Adams received her Bachelors degree from Villanova University and resides in Austin, Texas with her husband and children. Ms. Adams' experience as a technology executive brings significant technology knowledge and innovative thought leadership to the Board.

Name: Ted D. Brown

Age: 63

Director Since: 2013

Principal Occupation: Mr. Brown joined the Board as a Director in November 2013, became a member of the Corporate Governance and Nominating Committee in

January 2014, became Chairman of this Committee in April 2018, became a member of the Compensation Committee in May 2014, and became a member of the Audit Committee in May 2018. Currently, Mr. Brown is President and CEO of Confluence Resources LP, a private oil and gas exploration and production company formed in 2016 and based in Denver, Colorado. Prior to forming Confluence, Mr. Brown was Senior Vice President and Advisor to the CEO and President of Noble Energy, Inc. (NYSE: NBL) until his retirement on January 31, 2015. Mr. Brown joined Noble Energy in 2005 in Noble Energy's merger with Patina Oil and Gas. A lifelong oilman, he joined Amoco Production Company upon completion of his degree in mechanical engineering from the University of Wyoming. He has also worked in various capacities for Union Pacific Resources, Barrett Resources, and Williams Companies. Under Mr. Brown's leadership, Noble Energy nearly tripled its production in Northern Colorado in nine years while drilling more than 3,300 new wells. During Mr. Brown's tenure, he was responsible for annual capital budgets approaching \$2 billion during which Noble Energy became the largest oil producer in Colorado. Mr. Brown participated in numerous industry activities including serving as Chairman of and serving on the Executive Committee of the Colorado Oil & Gas Association and the Board of the Western Energy Alliance where he has served as the organization's Colorado Vice President. He was also Chairman of Coloradans for Responsible Energy Development and former board member of Colorado Concern. In recognition of Mr. Brown's service to both the industry and his community, he was named the Western Energy Alliance 2013 Wildcatter of the Year, one of the highest honors available to oil and gas professionals. In 2014, Mr. Brown was also inducted into the Rocky Mountain Oil and Gas Hall of Fame. Mr. Brown's extensive experience across all phases of oil and gas exploration and production, as well as his understanding, execution, and leadership of large capital programs, contributes to the effectiveness of the Board.

Name: John W. Chisholm

Age: 64

Director Since: 1999

Principal Occupation: Mr. Chisholm was appointed Chief Executive Officer in March 2012 and has served as Flotek's President since August 2010, and previously served as Flotek's Interim President from August 2009 through August 2010.

Mr. Chisholm has been a Director of the Company since November 1999, and has acted as Chairman of the Board since July 2010. Mr. Chisholm founded Wellogix, Inc., a software development firm for the oil and gas industry that streamlines workflow, improves collaboration, expedites the inter-company exchange of enterprise data, and communicates complex engineered services. Mr. Chisholm also co-founded and served as President of ProTechnics, a service company dedicated to providing state-of-the-art completion diagnostic services to the energy industry, from

1985 until its sale to Core Laboratories in December of 1996. After leaving Core Laboratories as Senior Vice President of Global Sales and Marketing in 1998, he started Chisholm Energy Partners, a now inactive investment fund that, while it operated, targeted mid-size energy service companies. Mr. Chisholm has served on the board of directors of NGSG, Inc. (NYSE:NGS), a company specializing in compression technology for the oil and gas industry, since December 2006. He serves on both the Compensation and Governance Committees of NGSG, Inc. In November 2016, Mr. Chisholm was appointed as a non-executive director of Anton Oilfield Services Group (HKEx stock code: 3337), a leading independent integrated oilfield services provider in China. Mr. Chisholm holds a Business Administration degree from Fort Lewis College. Mr. Chisholm's experience related to two start-up companies brings operating and financial expertise to the Board as well as innovative views of leadership.

Name: L. Melvin Cooper

Age: 65

Director Since: 2010

Principal Occupation: Mr. Cooper has been a Director and a member of the Audit Committee since October 2010, and has been a member of the Compensation Committee since 2011. Mr. Cooper served as a member of the Corporate Governance and Nominating Committee from October 2010 through April 2018. In April 2018, Mr. Cooper became the Chairman of the Audit Committee. Currently, Mr. Cooper serves as the Senior Vice President and Chief Financial Officer of Forbes Energy Services Ltd. (OTC: FLSS) ("Forbes"), a public company in the energy services industry. Forbes filed for financial reorganization under Chapter 11 of the U.S. Bankruptcy Code in January 2017. In addition to his time as CFO, Forbes has provided adequate time for his outside board duties for Flotek, as the industry

knowledge and experience he attains during this time is beneficial to his role at Forbes. Prior to joining Forbes in 2007, Mr. Cooper served as the Chief Financial Officer or President of companies involved in site preparation for oil and gas exploration companies, supplying products and services to new home builders, and supply chain management. Since August 2012, Mr. Cooper has been a member of the board of directors for Par Pacific Holdings, Inc. (NYSE:PARR). In July 2016, Mr. Cooper joined the board of directors of SA Exploration Holdings, Inc. (NASDAQ: SAEX). As these companies are both in the energy services sector, this allows Mr. Cooper to bring a mix of market intelligence and customer commentary valuable to our Board. Further, Mr. Cooper's experience serving as a member of the audit committees of these boards and as CFO of a public company brings a level of experience and knowledge that significantly benefits Flotek's Board as he serves as our Audit Committee Chairman. Mr. Cooper also serves on the board of the National Association of Corporate Directors Houston area Tri-City Chapter. Mr. Cooper earned a degree in accounting from Texas A&M University-Kingsville (formerly Texas A&I) in 1975. Mr. Cooper has been a Certified Public

Accountant since May 1977. Mr. Cooper's extensive experience in the energy industry and in corporate governance, as well as his financial background, brings significant additional operating, financial, and management experience to the Board.

Name: Paul W. Hobby

Age: 58

Director Since: 2019

Principal Occupation: Mr. Hobby joined the Board as a Director in March 2019 and became a member of the Corporate Governance and Nominating Committee in March 2019. Mr. Hobby is the Founding Chairman and Managing Partner of Genesis Park LP (together with its successor entity Genesis Park II LP, "Genesis Park"), a Houston-based private equity business specializing in technology and communications investments. Mr. Hobby routinely provides management and governance services to Genesis Park portfolio companies and is currently serving as Chairman of Texas Monthly, a Genesis Park-owned media brand. Mr. Hobby has served as a director of NRG Energy, Inc. (NYSE: NRG), a leading integrated power company, since March 2006. He previously served as a director of Stewart Information Services Corporation (NYSE: STC), a global real estate services company, from 1989 to May 2014, and as an advisory director from May 2014 to October 2016. Mr. Hobby served as the CFO of Alpheus Communications, L.P., a Texas wholesale telecommunications provider, from 2004 to 2011 and as Chairman of CapRock Services, Inc., the largest provider of satellite services to the global energy business from 2002 to 2006. He served as Chairman and CEO of Hobby Media Services from 1992 to 2001 and was Chairman of Columbine JDS Systems, Inc. from 1995 to 1997. Mr. Hobby is former Chairman of the Houston Branch of the Federal Reserve Bank of Dallas and the Greater Houston Partnership and is former Chairman of the Texas Ethics Commission. He was an Assistant U.S. Attorney for the Southern District of Texas from 1989 to 1992, Chief of Staff to the Lieutenant Governor of Texas, Bob Bullock, and an Associate at Fulbright & Jaworski from 1986 to 1989. Mr. Hobby earned his B.A. from the University of Virginia and his J.D. from the University of Texas Law School. Mr. Hobby's entrepreneurial, financial and M&A expertise, together with his significant involvement in the Houston and greater Texas community, makes him a valuable addition to the Board.

Name: L.V. "Bud" McGuire

Age: 76

Director Since: 2010

Principal Occupation: Mr. McGuire has been a Director since August 2010, a member of the Corporate Governance and Nominating Committee since October 2010, a member of the Audit Committee since April 2018, and was appointed

Lead Director in May 2018. Mr. McGuire served as the Chairman of the Compensation Committee from December 2010 until May 2014, and as a member of the committee from October 2010 until May 2018. Mr. McGuire is a co-founder of Alpha Petroleum Services, a provider of management-related consulting services to the energy industry. Prior to co-founding Alpha Petroleum Services, Mr. McGuire served as a director of the board and Senior Vice President of Mariner Energy Inc. from 1998 to 2001. Prior to joining Mariner Energy, from 1997 to 1998, Mr. McGuire served as the Vice President-Operations for Enron Oil & Gas International, Inc. Mr. McGuire served, from 1991 to 1996, as the Senior Vice President responsible for worldwide production operations of the Kerr-McGee Corporation ("Kerr-McGee"). Prior to his position with Kerr-McGee, from 1981 to 1991, Mr. McGuire served as Vice President of Operations and as Vice-President of Production for Hamilton Brothers Oil & Gas Ltd. Mr. McGuire began his career with Conoco in 1966. Mr. McGuire received a Bachelor of Science degree in Industrial Engineering from LeTourneau University and has served on the Board of Trustees of LeTourneau University since 2002. Mr. McGuire's extensive experience in the energy industry, as well as his experience in founding a successful company, brings significant additional operating and management experience to the Board.

Name: David Nierenberg

Age: 65

Director Since: 2018

Principal Occupation: Mr. Nierenberg joined the Board as a Director in June 2018. Mr. Nierenberg has been a member of the Compensation Committee and Corporate Governance and Nominating Committee since June 2018. Since

January 1996, Mr. Nierenberg has served as the President of Nierenberg Investment Management Company, Inc. (“NIMCO”), which manages the D3 Family Funds. Several of the D3 Family Funds are stockholders of the Company. Before founding NIMCO in 1996, Mr. Nierenberg was a General Partner at Trinity Ventures, a venture capital fund. Mr. Nierenberg began his career at Bain & Company Inc., where he was a Partner, managing strategy, acquisition, and cost reduction projects. He serves as Chair for the Advisory Board of the Ira M. Millstein Center for Global Markets and Corporate Ownership at Columbia Law School. Mr. Nierenberg chairs the Research Advisory Council of Glass, Lewis & Co. He is also a member of the board of the Washington State Investment Board, Riverview Bancorp (NYSE: RVSB), Rosetta Stone (NYSE: RST), The National WWII Museum, STAND for Children, and IRAP. Mr. Nierenberg previously served as a director for Electro Scientific Industries, Inc. (NASDAQ: ESIO) and Radisys Corporation (NASDAQ: RSYS). Mr. Nierenberg received his Juris Doctor from Yale Law School and his B.A. in History, summa cum laude, from Yale College.



Resignation from the Board

Name: Kenneth T. Hern

Age: 81

Director Since: 2009

On May 24, 2018, Mr. Hern resigned from the Board. Mr. Hern's resignation did not result from a disagreement by Mr. Hern with the Company on any matter relating to the Company's operations, policies or practices. Mr. Hern was the Lead Director and served on the Corporate Governance and Nominating Committee and the Audit Committee of the Board.

Completion of Board Terms

Name: Katherine T. Richard

Age: 36

Director Since: 2018

Ms. Richard will conclude her tenure on the Board effective as of our May 24, 2019 annual meeting.

Name: Carla S. Hardy

Age: 53

Director Since: 2013

Ms. Hardy retired from the Board effective as of our April 27, 2018 annual meeting.

Name: John S. Reiland

Age: 68

Director Since: 2009

Mr. Reiland concluded his tenure on the Board effective as of our April 27, 2018 annual meeting.

Board Approval of Reduction in Members

The Board has approved a decrease in its size from eight directors to seven directors, which will be effective upon the close of the 2019 Annual Meeting.

SECURITY OWNERSHIP OF EXECUTIVE OFFICERS AND DIRECTORS  
AND CERTAIN BENEFICIAL OWNERS

The following table provides the beneficial ownership of Common Stock as of March 29, 2019, for (i) each named executive officer set forth in the Summary Compensation Table, (ii) each of the Company's directors (including each nominee), (iii) all of the Company's executive officers and directors as a group, and (iv) each other person known by the Company to be a beneficial owner of more than 5% of our outstanding Common Stock.

Name	Shares Owned (a)	Percent of Class (b)
Named Executive Officers and Directors		
John W. Chisholm	1,133,761	1.94%
Joshua A. Snively, Sr. (c) (d)	438,493	*
H. Richard Walton (e)	244,671	*
Matthew B. Marietta (f)	31,315	*
Elizabeth T. Wilkinson	60,000	*
Michelle M. Adams	56,512	*
Ted D. Brown	76,649	*
L. Melvin Cooper	137,868	*
Paul W. Hobby	36,037	*
L.V. "Bud" McGuire	158,216	*
David Nierenberg (g)	1,665,913	2.85%
Katherine T. Richard	40,850	*
All executive officers and directors as a group (14 persons) (h)	4,235,989	7.26%
5% Beneficial Owners		
BlackRock, Inc. (i)	3,770,085	6.46%
Dimensional Fund Advisors LP (j)	3,142,950	5.39%

\* Less than 1%.

Except as otherwise disclosed, the persons named in the table have sole voting and investment power of all shares of Common Stock which are beneficially owned by them. Includes the following number of unvested shares of (a) restricted stock for the persons indicated: Mr. Chisholm - 64,500; Ms. Wilkinson - 60,000; Ms. Adams - 33,423; Mr. Brown - 33,423; Mr. Cooper - 33,423; Mr. Hobby - 36,037; Mr. McGuire - 33,423; Mr. Nierenberg - 40,323; and Ms. Richard - 40,850. None of the named executive officers or directors have pledged shares.

(b) Based on an aggregate of 58,353,739 shares of Common Stock outstanding and entitled to vote as of March 29, 2019.

Mr. Snively's holdings include 133,366 shares of Common Stock held in trust, for which Mr. Snively is a trustee (c) and beneficiary, and 138,269 shares of Common Stock held in trust, for which Mr. Snively's spouse is a trustee and beneficiary.

Mr. Snively ceased to be an officer effective February 28, 2019. Ownership information originated from the Form (d) 4 filed with the Securities and Exchange Commission by Mr. Snively on January 3, 2019, where 438,493 shares were reported.

Mr. Walton ceased to be an officer effective December 31, 2018. Ownership information originated from the Form (e) 4 filed with the Securities and Exchange Commission by Mr. Walton on January 3, 2019, where 244,671 shares were reported.

Mr. Marietta ceased to be an officer effective December 20, 2018 and remained an employee through December 31, (f) 2018. Ownership information originated from the Form 4 filed with the Securities and Exchange Commission by Mr. Marietta on January 3, 2019, where 31,315 shares were reported.

(g) Includes 1,625,590 shares of Common Stock owned by The D3 Family Fund, LP, The D3 Family Bulldog Fund, LP, and The DIII Offshore Fund LP. Mr. Nierenberg is the sole owner of Nierenberg Investment Management

Company, Inc. Nierenberg Investment Management Company, Inc. is the investment manager with respect to the shares held by each of The D3 Family Fund, LP, The D3 Family Bulldog Fund, LP, and The DIII Offshore Fund LP. Mr. Nierenberg has disclaimed ownership of these securities except to the extent of his pecuniary interest therein.

- (h) Includes William H. York and James A. Silas who were appointed executive officers effective March 19, 2019. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055. Spencer Fleming exercises voting and dispositive power over the securities held by BlackRock, Inc. Ownership information originated from the Schedule 13G/A filed with the Securities and Exchange Commission by BlackRock, Inc. on February 4, 2019.
- (i) The address of Dimensional Fund Advisors LP is Building One, 6300 Bee Cave Road, Austin, TX 78746.
- (j) Ownership information originated from the Schedule 13G filed with the Securities and Exchange Commission by Dimensional Fund Advisors LP on February 8, 2019.

## EXECUTIVE OFFICERS

The following table provides certain information with respect to the named executive officers of the Company for 2018.

Name and Age	Positions	Position Held Since
John W. Chisholm (64)	Chief Executive Officer	2012
	President and Chairman of the Board	2010
	Interim President	2009
Joshua A. Snively, Sr. (54) *	Executive Vice President, Operations	2017
	Executive Vice President, Research and Innovation	2013
	President of Florida Chemical Company, Inc., a wholly-owned subsidiary of the Company	2013
Elizabeth T. Wilkinson (61)	Chief Financial Officer	2018
H. Richard Walton (70) **	Chief Accounting Officer	2018
	Executive Vice President and Chief Financial Officer	2017
	Chief Financial Officer Emeritus	2015
	Executive Vice President and Chief Financial Officer	2013
	Chief Financial Officer (Interim)	2013
Matthew B. Marietta (32) ***	Executive Vice President of Finance and Corporate Development (Principal Financial Officer)	2018

\* Mr. Snively ceased to be an officer and employee effective February 28, 2019.

\*\* Mr. Walton ceased to be an officer and employee effective December 31, 2018.

\*\*\* Mr. Marietta ceased to be an officer effective December 20, 2018, and ceased to be an employee on December 31, 2018.

The following are biographies of each of our executive officers for 2019.

Joshua A. Snively, Sr. serves as Executive Vice President, Operations for Flotek Industries, Inc. beginning in October 2017 and as President of Florida Chemical Company, Inc., a wholly-owned subsidiary of the Company, beginning in May 2013. Previously, Mr. Snively served as Executive Vice President of Research and Innovation for Flotek Industries, Inc. from November 2013 to July 2017. Florida Chemical is a leading manufacturer and supplier of citrus oils to global markets and was acquired by Flotek in May 2013. Mr. Snively joined Florida Chemical in 1995. Prior to his position as President, he was VP and General Manager, as well as VP of Procurement and Business Development, with Florida Chemical. Before joining Florida Chemical, Mr. Snively was Vice President of Commercial Agriculture Finance at SunTrust Bank. He graduated with a degree in Finance and Citrus Management from Florida Southern College. Mr. Snively currently serves on the board of CenterState Bank and is co-chairman of the Bank's loan committee and is a member of the Bank's compensation committee.

Elizabeth T. Wilkinson serves as Chief Financial Officer beginning in December 2018. From January 2012 through December 2018, Ms. Wilkinson served as a managing consultant at RGP, a publicly traded, global consulting firm, leading financial advisory projects for Fortune 100, Fortune 500, and private-equity-controlled clients. In this capacity, she served as interim CFO, interim treasurer, and in key financial reporting roles, leading companies through

significant accounting and finance transitions. Prior to her role at RGP, from March 2009 through March 2011, Ms. Wilkinson was CFO of Xtreme Drilling and Coil Services, where she raised capital and managed debt and liquidity and directed all accounting, financial reporting, and investor relations functions. Ms. Wilkinson is a Certified Public Accountant and received a Bachelor of Science in Business Administration, as well as a Master of Business Administration, from the University of Florida.

William H. York serves as the Chief Administrative Officer beginning in January 2018. In this role, he is responsible for Human Resources, Information Technology, Health, Safety & Environmental, and Legal for the Company. Mr. York became an executive officer in this role in 2019. Prior to joining Flotek, Mr. York served as the VP, Human Resources for a start-up Laser Development company in Austin, TX from August 2014 through December 2017. Mr. York founded Tudor Lewis Executive Search in 2003, after spending two years as a partner with Highland Partners (later merged with Heidrick & Struggles). He worked as the SVP Staffing for Bank of America from 1996 through 2001. He began his corporate human resources career with Compaq Computers from 1987 through 1996. Mr. York saw the company grow from \$625 million to over \$25 billion in sales. He has a MS Human Resources Management from Houston Baptist University. He served in the Army on active duty in 1981, was awarded multiple commendation awards, and was Airborne and Ranger qualified. Mr. York has a Bachelor of Science in Engineering from the United States Military

Academy and a Masters in Human Resources Management from Houston Baptist University.

James A. Silas serves as the Senior Vice President of Research and Innovation beginning in May 2016. Dr. Silas became an executive officer in this role in 2019. Previously, he served as the Vice President of Research and Innovation beginning in May 2015 and as a research scientist beginning in June 2013. Dr. Silas was an assistant professor of Chemical Engineering at Texas A&M University prior to joining the Company. He has over 15 years of research experience investigating the physics and chemistry of surfactants and polymers in the areas of personal care products, bioengineering, and the oil industry. He earned a B.S.E in Chemical Engineering from Princeton University, a Ph.D. in Chemical Engineering from the University of Delaware, and was a NIH Ruth L Kirschstein Postdoctoral Fellow at the University of Pennsylvania in Bioengineering.

The following are no longer executive officers for 2019.

H. Richard Walton ceased to be an officer effective December 31, 2018. See the “Employment Agreements” section within “Compensation Discussion and Analysis” for further details regarding Mr. Walton’s separation from the Company.

Matthew B. Marietta ceased to be an officer effective December 20, 2018. See the “Employment Agreements” section within “Compensation Discussion and Analysis” for further details regarding Mr. Marietta’s separation from the Company.

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#### AUDIT COMMITTEE REPORT

The Audit Committee of the Board consists of three directors who are independent, as defined by the standards of the New York Stock Exchange and the rules of the Securities and Exchange Commission. Under the charter approved by the Board, the Committee assists the Board in overseeing matters relating to the accounting and financial reporting practices of the Company, the adequacy of its internal controls, and the quality and integrity of its financial statements and is responsible for selecting and retaining the independent auditors. The Company’s management is responsible for preparing the financial statements of the Company, and the independent auditors are responsible for auditing those financial statements. The Audit Committee’s role under the charter is to oversee management. The Committee is not providing any expert or special assurance as to the Company’s financial statements or any professional certification as to the independent auditors’ work. The Committee met 6 times during the year ended December 31, 2018.

The independent auditors provided the Committee with a written statement describing all the relationships between the auditors and the Company that might bear on the auditors’ independence consistent with Public Company Accounting Oversight Board (“PCAOB”) Auditing Standard No. 1. The Committee also discussed with the auditors any relationships that may impact the independence of the auditors.

The Committee reviewed and discussed with the independent auditors all communications required to be discussed by Standards of the PCAOB, including those described in Auditing Standard No. 1301.

The Committee reviewed the Company’s audited financial statements as of and for the year ended December 31, 2018, and discussed them with management and the independent auditors. Based on such review and discussions, the Committee recommended to the Board that the Company’s audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2018, for filing with the Securities and Exchange Commission.

L. Melvin Cooper, Chairman

Ted D. Brown

L.V. “Bud” McGuire

April 24, 2019

This report of the Audit Committee shall not be deemed “soliciting material,” or to be “filed” with the Securities and Exchange Commission or subject to Regulation 14A or 14C or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), except to the extent that we specifically request that the information be treated as soliciting material or specifically incorporate it by reference into a document filed under the Securities Act of 1933 (the “Securities Act”) or the Exchange Act. Further, this report will not be deemed to be

incorporated by reference into any filing under the Securities Act or the Exchange Act except to the extent that we specifically incorporate this information by reference.

## COMPENSATION DISCUSSION AND ANALYSIS

The following discussion of executive compensation contains descriptions of various employment-related agreements and employee benefit plans. These descriptions are qualified in their entirety by reference to the full text of the referenced agreements and plans, which have been filed by us as exhibits to our reports on Forms 10-K, 10-Q, and 8-K filed with the U.S. Securities and Exchange Commission.

### Introduction

Flotek is an international energy chemistry technology-driven company that develops and supplies chemistry and services to the oil and gas industry. Through February 28, 2019, Flotek also provided high value compounds to companies that make cleaning products, cosmetics, food and beverages, and other products that are sold in consumer and industrial markets.

The Company's focus on its product offerings, in particular its patented chemistries business, led to significant and increasing success in 2011 through 2014. Beginning in the second half of 2014 and continuing throughout 2015, the price of crude oil and the North American rig count declined dramatically, ending 2015 at levels not seen since 2009. The market began to gradually recover in the second quarter of 2016. Although oil and gas markets have improved, the level of drilling and completion activity remains lower than previous levels experienced before the downturn in 2014.

Crude oil prices peaked at approximately \$106/barrel in June 2014, descended to approximately \$30/barrel in February 2016, and rose to the current levels ranging between \$55 to \$65 per barrel. As a result, total U.S. rig count decreased from 1,929 rigs on November 21, 2014 to 404 rigs as of May 27, 2016 and rose to 1,083 rigs as of December 31, 2018.

As a result of this cyclical downturn, North American exploration and production companies - many of which are Flotek clients - significantly reduced their exploration and drilling activity. The reduction in activity led to declining financial results for the Company in 2015 and 2016, as the downturn in the oil and gas industry continued. As the recovery continued, the Company saw increased financial results during 2017, as compared to 2016. However, as a result of the downturn, there has been a notable shift in purchasing behaviors in the industry which has created significant changes in our customer base, product portfolio, and sales efforts during 2018.

During the fourth quarter of 2018, the Company initiated a strategic plan to sell its Consumer and Industrial Chemistry Technologies segment, which was completed in the first quarter of 2019. Effective December 31, 2018, the Company

classified the assets, liabilities, and results of operations for this segment as "Discontinued Operations" for all periods presented.

During the fourth quarter of 2016, the Company initiated a strategic restructuring of its business to enable a greater focus on its core businesses in energy chemistry and consumer and industrial chemistry. The Company executed a plan to sell or otherwise dispose of its Drilling Technologies and Production Technologies segments. Effective December 31, 2016, the Company classified the assets, liabilities, and results of operations for these two segments as "Discontinued Operations" for all periods presented. The sale or disposal of the assets and transfer or liquidation of liabilities and obligations of these segments was completed in 2017. The Company has no continuing involvement with the discontinued operations.

The following discussion relates to continuing operations as presented in our 2018 Annual Report. Continuing operations include our single business segment, Energy Chemistry Technologies.

The Company reported revenue for the year ended December 31, 2018 of \$177.8 million, a decrease of \$65.3 million, or 26.9%, compared to \$243.1 million for the year ended December 31, 2017.

The Company reported net loss for the year ended December 31, 2018 of \$73.1 million, or \$(1.26) per share (fully diluted), compared to net loss of \$17.5 million, or \$(0.30) per share (fully diluted), for the year ended December 31, 2017.

The Company is successfully expanding into foreign markets. Revenue from services and products used in foreign countries increased to 17.6% of consolidated revenue in 2018 compared to 9.7% of consolidated revenue in 2017.

The Company continues to emphasize its research and innovation activities. These activities focus on improvement of existing products and services, the design of reservoir specific, customized chemistries, and the development of new products, processes, and services. Completed in 2016, the Company's Global Research & Innovation Center in



Houston houses scientists, chemists, geologists, and reservoir, petroleum and geomechanical engineers who advance the development of next-generation innovative energy chemistries, as well as expanded collaboration among clients, leaders from academia, and Company scientists. Research and innovation expense decreased to \$10.4 million in 2018 compared to \$13.1 million in 2017.

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The charts below illustrate the magnitude of the Company's success in 2014, the decline experienced in 2015 and 2016, the recovery that began in 2017, and the shift in purchasing behaviors by E&P companies in 2018, excluding discontinued operations.

(1) Amounts exclude impact of discontinued operations.

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#### Compensation Consultants

Korn Ferry Hay Group served as an independent advisor to management on executive compensation throughout 2018. The Compensation Committee engaged Willis Towers Watson to provide independent advice to the Committee through June 2018. Since 2014, these consultants have provided advice on matters including:

• An extensive review of compensation strategies and objectives;

• A review of and recommended changes to the Chief Executive Officer's employment agreement and other executive employment agreements, including adoption of "double-trigger" cash severance and equity acceleration following a change-in-control;

• Adoption of a claw-back policy;

• A review of policies and recommended changes relating to prohibited hedging transactions and the prohibition of pledging Company securities;

• Adoption of stock ownership guidelines for executives and directors;

• Adoption of a minimum vesting requirement of one year from the date an award is granted;

• A review and update of the Peer Group composition;

• A restructuring and refinement of executive annual incentive compensation opportunities making amounts earned under the program primarily contingent on financial measures that drive shareholder returns;

• Expanding the performance criteria of executive annual incentive compensation opportunities from a single financial measure to two financial measures and a

measurement of performance against individual goals established for each participant;  
 Adoption of a performance-based equity-based long-term incentive component to total compensation with annual modifications to performance measures that reflect Peer Group practices; and  
 Extension of the performance period to two years for the equity-based long-term incentive component, with an

additional one-year service requirement from the end of the performance period to the vesting date.

In April 2019, and as part of the Compensation Committee performing an annual reassessment of its outside service providers, the Compensation Committee engaged Meridian Compensation Partners, LLC as the new independent compensation consultant.

The following discussion provides an overview of the Compensation Committee, the background and objectives of our compensation programs for current senior management, and the material elements of the compensation of each of the executive officers identified in the following table, to which we refer as our named executive officers.

Name	Title
John W. Chisholm	Chairman of the Board, President and Chief Executive Officer
Joshua A. Snively, Sr. (1)	Executive Vice President, Operations
Elizabeth T. Wilkinson	Chief Financial Officer
H. Richard Walton (2)	Chief Accounting Officer
Matthew B. Marietta (3)	Executive Vice President of Finance and Corporate Development

(1) Mr. Snively ceased to be an officer and employee effective February 28, 2019.

(2) Mr. Walton ceased to be an officer and employee effective December 31, 2018.

(3) Mr. Marietta ceased to be an officer effective December 20, 2018, and ceased to be an employee on December 31, 2018.

#### Compensation Committee

The Compensation Committee has overall responsibility for the approval, evaluation, and oversight of the Company's compensation and benefit plans, policies, and programs. The primary function of the Compensation Committee is to assist the Board in fulfilling its responsibilities relating to the compensation of the Company's named executive officers and outside directors. The primary responsibilities of the Compensation Committee include (i) annually reviewing the Company's general compensation policies with respect to named executive officers, (ii) annually reviewing and approving the corporate goals and objectives relevant to the compensation of our executive officers, evaluating our officers' performance in light of these goals, and approving or recommending to the Board compensation levels based on these evaluations, (iii) producing a committee report on executive compensation as required by the SEC to be included or incorporated by reference in our proxy statement or other applicable SEC filings, and (iv) recommending, on a biennial basis, the compensation program applicable to the Company's outside directors. The Committee met 10 times during the year ended December 31, 2018.

The Company's Board appoints Compensation Committee members and the Chairman annually, and these appointees continue to be members until their successors are elected and qualified or until their earlier resignation or removal. Any member of the Compensation Committee may be removed, with or without cause, by our Board. The Board appoints members to the Compensation Committee considering criteria such as experience in compensation matters, familiarity with our management and other key personnel,

understanding of public company compensation issues, time availability necessary to fulfill committee responsibilities, and independence and other regulatory requirements.

Each member of the Compensation Committee is considered to be (1) "independent" under the currently applicable listing standards of the NYSE; (2) a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act; and (3) an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") for 2018.

The Compensation Committee's function is more fully described in its charter. The Compensation Committee will continue to annually review and assess the adequacy of the charter and recommend any proposed changes to the Board for approval on an annual basis.

The Compensation Committee establishes an agenda for each Committee meeting and prepares meeting materials. The Committee may request assistance or information that will be provided by management and may share and confirm information with the Chief Executive Officer. The Compensation Committee on occasion meets with the Company's Chief Executive Officer and other executives to obtain recommendations with respect to the Company's compensation programs, practices, and packages for executives, other employees, and directors. Although management makes recommendations to the Compensation Committee on executive compensation, the Compensation Committee is not bound by and does not always accept

management's recommendations. The Compensation Committee has historically sought input from an independent compensation consultant prior to making any final determinations. Our Chief Executive Officer attends some of the Compensation Committee meetings, but the Compensation Committee also regularly holds executive sessions not attended by members of management or non-independent directors. The Chief Executive Officer is not present during discussions, deliberations, or voting of the Compensation Committee regarding compensation of the Chief Executive Officer.

Outside corporate counsel, and other members of our management and outside advisors, may be invited to attend all or a portion of a Compensation Committee meeting depending on the nature of the matters to be discussed. Only members of the Compensation Committee may vote on items before the Compensation Committee.

Our Compensation Committee may retain, at our expense, independent compensation consultants to consider executive compensation matters. The Compensation Committee meets with the compensation consultants, both in and outside of the presence of our management, to review findings and recommendations regarding executive compensation and considers those findings and recommendations, as well as the results of the most recent shareholder advisory vote on executive compensation, in determining and making adjustments to our executive compensation program. The Compensation Committee has used a compensation consultant since 2011 to assist in fulfilling its responsibilities as assigned by the Chairman of the Compensation Committee. In July 2014, the Compensation Committee engaged Willis Towers Watson to serve as its compensation consultant. During its selection process, the Compensation Committee analyzed factors specified by the Securities and Exchange Commission and the NYSE that affect the independence of compensation advisers. Based on this analysis, the Compensation Committee concluded that there were no independence concerns related to Willis Towers Watson in its role as an independent adviser to the Compensation Committee, and utilized Willis Towers Watson from their appointment in July 2014 through June 2018. In April 2019, the Compensation Committee engaged Meridian Compensation Consultants, LLC to serve as its compensation consultant.

Under the direction of the Chairman of the Compensation Committee, the compensation consultant supports the Committee in fulfilling its responsibilities as outlined in the Compensation Committee Charter which can include preparing information regarding compensation trends in the energy services industry, relative compensation for similarly-situated executive officers in the industry, and the structure of our cash and equity incentive awards. At the Compensation Committee's request, the compensation consultants worked with management to prepare materials for review by the Compensation Committee, made recommendations regarding the Compensation Committee's calendar, and has

provided assistance in the composition of this Compensation Discussion and Analysis.

#### Compensation Risk Assessment and Controls

The Compensation Committee strives to create an effective environment for its risk assessment of the Company's overall compensation policies, practices, and programs through the following practices:

- Compensation Committee chaired by an independent non-employee director. All Compensation Committee members are independent;

- Representation from the Audit Committee on the Compensation Committee;

- Review of executive compensation programs by the Compensation Committee's independent compensation consultant;

- Robust and independent committee review of compensation program elements and key performance drivers; and

- Detailed measurement of short- and long-term compensation elements to ensure balance.

The role of the Compensation Committee in risk oversight includes review of risks arising from our compensation policies, practices, and programs, as well as the mitigating controls, to determine whether any such risks are material to the Company. The Compensation Committee has reviewed these matters and believes the mix of compensation elements and the design of those elements, along with sound governance practices, do not encourage employees to take excessive risks that might have a material adverse effect on the Company. These matters include the following:

- The Company has strong internal financial controls that are assessed annually by the Company's independent public accountants, in addition to their audits of the Company's financial statements.

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Base salaries are generally consistent with market practice and the employees' responsibilities, so employees are not motivated to take excessive risks to attain a reasonable level of financial security.

The determination of incentive awards is based on well-defined financial measures. There is a maximum incentive opportunity for each named executive officer, and the Committee retains discretion to adjust bonuses to eliminate anomalous or inappropriate outcomes.

Long-term incentives are designed to provide appropriate awards for successful outcomes, and effectively align realized compensation with returns realized by investors.

Since December 31, 2012, the Company has had a claw-back policy that covers executive officers and other officers who participate in the Company's incentive plans. This policy permits the Company to recover incentive compensation awarded or paid if there is a subsequent change to a performance measure and in instances where an officer engaged in intentional misconduct.

All officers and directors are prohibited from purchasing or selling Company securities while in possession of material, non-public information. All officers and directors must pre-clear any transactions involving Flotek common stock with the Company's Compliance Officer.

In 2014, the Company clarified its Insider Trading Policy with respect to its hedging policy and its pledging policy. Hedging transactions are prohibited, and the pledging of Company securities to secure indebtedness is prohibited. The Company has established formal stock ownership guidelines. These guidelines, based on a multiple of base salary for executive officers and on the annual cash retainer for directors, help ensure that their interests are aligned with those of our stockholders.

The Company has a Code of Business Conduct and Ethics. This Code requires each employee and director to sign a Compliance Certification. In addition, employees are required to complete annual anti-bribery training.

#### Compensation Philosophy

We operate in a very competitive environment. Our principal competitors are larger, more established providers of services in our industry and, because of their size, generally have significantly more resources than we do. In order to successfully compete in this environment, we must be able to attract and retain highly skilled employees with well-developed management, operational, and marketing skills. The Company has been successful in developing and retaining a highly-qualified management team by offering compensation that is equitable, reasonably competitive with what we believe they might earn elsewhere based on our understanding of market practices, and closely tied to performance through our annual salary review process, our annual cash bonus plan, and grants of equity-based opportunities from our long-term incentive plans.

In general, our executive compensation programs are designed to achieve the following objectives:

• Attract and retain talented and experienced executives with the skills necessary to run and grow our existing business;

• Align the interests of our executive officers with those of stockholders to increase the value of our enterprise;

• Motivate and reward executives whose knowledge, skills, and performance are critical to our success;

• Demonstrate fairness among the executive management team by recognizing the contributions each individual executive makes to our success;

• Provide that executives are accountable to the Board and our stakeholders for their performance; and

• Encourage a shared commitment among executives by coordinating Company and individual business unit targets, goals, and objectives.

As we endeavor to evaluate the adequacy of our overall executive compensation program, our Compensation Committee works with the compensation consultants to evaluate and compare certain elements of total compensation against a group of similar publicly-traded energy services companies and chemical companies (the "Peer Group"). We evaluate each element of compensation (base salary, annual incentive compensation, and long-term equity compensation), as well as the total of all compensation elements. While the compensation consultant's information on peer practices is used to assess the competitiveness of the Company's total compensation opportunities, the Compensation Committee does not target any percentile level of the peer data as a benchmark for setting pay opportunities.

In determining the peer group, we would prefer to define the market for our executive talent using a sizable group of companies that are comparable to us in both size and line of business. However, there are not a sufficient number of companies that compare to us in size and line of business to comprise such a peer group. Therefore, as we evaluate the adequacy of our compensation programs, the Compensation Committee considers data from our Peer Group, data from published survey sources, and information from our directors, management, and compensation consultant based on their collective understanding of industry practices.

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The companies that comprised our Peer Group in 2018 were as follows:

CARBO Ceramics, Inc.	Newpark Resources, Inc.
FutureFuel Corporation	Parker Drilling Company
Helix Energy Solutions Group, Inc.	RigNet, Inc.
KMG Chemicals, Inc.	RPC, Inc.
Layne Christensen Company	TETRA Technologies, Inc.

Matrix Service Company

The Peer Group was reviewed in December 2017 and again in January and June 2018 to ensure it was appropriate for purposes of supporting 2019 compensation decisions. The Compensation Committee adjusted the Peer Group for 2019 to reflect the current environment in both size and line of business.



The companies that comprise our Peer Group for 2019 are as follows:

CARBO Ceramics, Inc.	NCS Multistage Holdings, Inc.
Dawson Geophysical Company	Nuverra Environmental Solutions, Inc.
Era Group Inc.	Pioneer Energy Services Corp.
Gulf Island Fabrication, Inc.	Quintana Energy Services, Inc.
Hornbeck Offshore Services, Inc.	Ranger Energy Services, Inc.
ION Geophysical Corporation	RigNet, Inc.
Key Energy Services, Inc.	

The Compensation Committee intends to continually monitor the composition of the Peer Group to assure that it provides a useful representation of the market for leadership talent in which the Company competes.

## Policies, Guidelines and Practices Related to Executive Compensation

### Stock Ownership Guidelines

To further promote sustained shareholder return and to ensure that the Company's executives and directors remain focused on both short- and long-term objectives, the Company has established stock ownership guidelines. Each executive and director has five years from the date appointed or elected to his or her position (or, if later, within five years of the adoption of the guidelines) to achieve the level associated with the position.

Role	Guideline
Chief Executive Officer	6 times base salary
Other executive officers	2 times base salary
Directors	5 times annual retainer

Executives and directors that are not in compliance with the stock ownership guidelines must hold the lesser of 25% of the net shares acquired from exercising stock options or vesting of shares, or the number of shares necessary to reach the applicable stock ownership guidelines.

At December 31, 2018, all current executives and directors have met or substantially exceed the guidelines.

### Minimum Vesting Requirement

The Company has implemented a minimum vesting requirement for equity awards. All awards under the 2018 Plan are subject to a minimum vesting requirement of at least one year from the date the award was granted. Therefore, no portion of any award may vest or become exercisable earlier than the first anniversary of the date such award was granted. This minimum vesting requirement is subject to a "carve-out exception" and will not apply to 5% of the shares made available for issuance under the 2018 Plan.

### Hedging and Pledging of Company Stock

None of the Company's executive officers or directors have pledged any Flotek Common Stock. In addition, all of the Company's officers and directors must pre-clear any

transactions involving Flotek Common Stock with the Company's Compliance Officer.

During 2014, the Company updated its Insider Trading Policy with respect to its hedging policy and its pledging policy. Pursuant to the Policy, Company directors, officers, and employees may not engage in hedging transactions with respect to Company securities. Prohibited hedging transactions include, but are not limited to: short-selling, options, puts or calls, as well as derivatives such as swaps, forwards, or futures. Company directors and executive officers are prohibited from pledging Company securities to secure indebtedness, including, but not limited to, engaging in margin transactions with Company securities.

### Claw-back Policy

The Company has had a claw-back policy since 2012 that covers executive officers and other officers designated as participants in the Company's incentive plans. The Company is entitled to recover, at the direction of the Compensation Committee, incentive compensation awarded or paid to an officer if the result of the performance measure upon which the award was made or paid is subsequently restated or otherwise adjusted in a manner that would reduce the award or payment. In addition, if an officer engaged in intentional misconduct that resulted in additional compensation, the Company may take remedial and recovery action.

### Tax Gross-Ups on Severance

There are no tax gross-ups on any payments to executives, including severance payments.

Stockholder Engagement and Results of Prior Advisory Vote on Executive Compensation

The Compensation Committee is very interested in the ideas and feedback of our stockholders regarding executive compensation. At the 2018 Annual Meeting of Stockholders, 94.9% of voting stockholders approved the compensation of our named executive officers.

Management routinely engages with investors and has engaged in dialogue with many of our largest stockholders to solicit their feedback and gather information on their views

and opinions on various operations and governance issues, including executive compensation practices.

The Compensation Committee considers the annual stockholders advisory vote, as well as other stockholder input, when reviewing executive compensation programs, principles, and policies.

#### Equity Compensation Plan Information

Each of the Company's equity compensation plans has been approved by our stockholders. At December 31, 2018, there were 1,492,737 shares of our Common Stock available for future issuance under our Long-Term Incentive Plans.

#### 2018 Executive Officer Compensation

##### Principal Elements of Compensation of Our Named Executive Officers

The principal elements of the compensation package offered to our executive officers consist of:

- Base salary;
- Annual incentive opportunity; and
- Equity compensation under the long-term incentive plans.

Some, but not all, of the named executive officers participate in certain limited perquisite programs, as described later in this discussion. Group insurance programs, the Company's 401(k) Plan, and the Employee Stock Purchase Plan are available to all named executive officers on the same basis as all other employees of the Company.

##### Allocation of Compensation among the Principal Components

The Compensation Committee has not established formulas for allocating compensation between compensation elements at this time. Rather, the Compensation Committee reviews compensation structures of companies in our Peer Group, historical compensation for the participant, the participant's responsibilities, the performance of the participant and the Company on goals approved by the Committee, and the individual circumstances of senior executives when determining the mix of base salary, cash bonus percentages, and annual equity award opportunities. As a result, the Compensation Committee may apply a different mix of base salary, annual incentive compensation, and long-term equity compensation to different executive officer positions. The Company's historical objectives have been to make executives' overall compensation opportunity significantly contingent on operational and financial performance.

The following table provides the percentage allocation of 2018 compensation elements at target levels for the Company's named executive officers.

Name	Base Salary	Annual Incentive at Target Amount	Long-Term Incentive at Target Value	Total
John W. Chisholm	23.0%	25.3%	51.7%	100%
Joshua A. Snively, Sr. (1)	25.3%	24.1%	50.6%	100%
Elizabeth T. Wilkinson (2)	100.0%	—%	—%	100%
H. Richard Walton (3)	32.3%	24.2%	43.5%	100%
Matthew B. Marietta (4)	30.3%	24.2%	45.5%	100%

(1) Mr. Snively ceased to be an officer and employee effective February 28, 2019.

(2) Ms. Wilkinson joined the Company as Chief Financial Officer effective December 28, 2018, and was not included in the Annual Incentive Plan or Long-Term Incentive Plan for 2018.

(3) Mr. Walton ceased to be an officer and employee effective December 31, 2018.

(4) Mr. Marietta ceased to be an officer effective December 20, 2018, and ceased to be an employee on December 31, 2018.

For 2018, 77.0% of the Chief Executive Officer's compensation at target levels and 67.7% - 74.7% of compensation at target levels for other named executive officers, excluding Ms. Wilkinson, was at-risk. Under the long-term incentive opportunity, 60% of the equity that may be awarded is performance-based and 40% is time-based.

### 2018 Base Salary

The Company reviews base salaries annually for the named executive officers to determine if changes are appropriate. In reviewing base salaries, several factors are considered, including a comparison to base salaries paid for comparable positions in the Peer Group, published survey data, the relationship among base salaries paid within the Company, and individual experience and performance. The Company's intent is to set base salaries at levels consistent with comparable industry positions, Company performance, and remunerative objectives, including the ability to attract, motivate, and retain highly talented individuals in a competitive environment while retaining an appropriate balance between fixed and performance-contingent compensation elements.

### President, Chief Executive Officer and Chairman of the Board

Mr. Chisholm is compensated under a Service Agreement that pays two entities controlled by Mr. Chisholm (the "Chisholm Companies") as an independent contractor. In addition, Mr. Chisholm has a Letter Agreement with the Company under which he is also an employee of the Company. Effective January 1, 2018, the Compensation Committee of the Board approved Mr. Chisholm's annual salary of \$50,000 and approved the amount paid annually pursuant to the Service Agreement with the Chisholm Companies at \$810,000. Mr. Chisholm did not receive an increase in base salary for 2018.

### Other Named Executive Officers

After a review of responsibilities, performance, and the Company's understanding of salary levels typically available to officers filling comparable positions in other public energy services companies and chemical companies, the salary adjustments in the table below were approved during 2018.

Name	Title	Beginning Salary	New Salary	Percent Increase
Joshua A. Snively, Sr. (1)	EVP, Operations	\$446,670	\$490,000	9.7%
Elizabeth T. Wilkinson	Chief Financial Officer	*	\$300,000	*
H. Richard Walton (2)	Chief Accounting Officer	\$375,000	\$375,000	—%
Matthew B. Marietta (3)	EVP of Finance and Corporate Development	*	\$335,000	*

(1) Mr. Snively ceased to be an officer and employee effective February 28, 2019.

(2) Mr. Walton ceased to be an officer and employee effective December 31, 2018.

(3) Mr. Marietta ceased to be an officer effective December 20, 2018, and ceased to be an employee on December 31, 2018.

Ms. Wilkinson was appointed Chief Financial Officer effective December 28, 2018, and Mr. Marietta was appointed \*EVP of Finance and Corporate Development effective March 16, 2018. All individuals are now considered named executive officers.

Mr. Snively's base salary was adjusted to reflect a change in title and responsibilities.

### 2018 Annual Incentive Compensation

Under the terms of the annual incentive program available to named executive officers and other leadership employees, participants had the opportunity to earn annual cash incentives based on the achievement of Company performance. The performance criteria were expanded from a single financial measure to two financial measures and a measurement of performance against individual goals established for each participant. Allocation of the total target payment is as follows:

• 45% based on an Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") target (the EBITDA Bonus);

• 35% based on a Revenue target (the Revenue Bonus); and

• 20% based on performance against individual goals (the Goal Bonus).

EBITDA Bonus. If a defined minimum level of Adjusted EBITDA is achieved, 50% of the target EBITDA Bonus payment amount is earned, if the target level of Adjusted

EBITDA is achieved, 100% of the target payment amount is earned, and if a defined maximum level of Adjusted EBITDA is achieved, 200% of the target payment amount is earned. The bonus percentage earned for Adjusted EBITDA between defined levels is determined by linear interpolation; however, the Compensation Committee reserves discretion to equitably adjust the amount of the bonus to reflect developments, events, or actions which were not anticipated by the Compensation Committee when the bonus objective was established. No EBITDA Bonus is earned if performance is below the defined minimum Adjusted EBITDA level.

Adjusted EBITDA is a Non-GAAP measure under which EBITDA results may be adjusted to recognize incentive compensation, including stock compensation, financing transaction costs (whether paid in cash or not), and other noncash or nonrecurring charges not directly related to the ongoing operations of the Company. Determination of Adjusted EBITDA is based solely on the judgment of the

Compensation Committee of the Board of Directors upon recommendations received from the CFO.

For 2018, the EBITDA Bonus applied to results of the Company's continuing operations and excluded operations and results of the segment reported as held for sale at December 31, 2018. The Adjusted EBITDA target amount for 2018 was \$28.0 million compared to \$27.8 million achieved in 2017 for the Company's continuing operations.

Revenue Bonus. If a defined minimum level of revenue for the Company's continuing operations is achieved, 50% of the target Revenue Bonus payment amount is earned, if the target level of revenue is achieved, 100% of the target payment amount is earned, and if a defined maximum level of revenue is achieved, 200% of the target payment amount is earned. The bonus percentage earned for revenue for the Company's continuing operations between defined levels is determined by linear interpolation. No Revenue Bonus is earned if performance is below the defined minimum revenue level.

The revenue target amount for 2018 was \$355.0 million compared to \$317.1 million achieved in 2017 for the Company's continuing operations.

Goal Bonus. Individual performance goals are established by the Compensation Committee for each participant and become the goals against which actual performance is measured. The Compensation Committee, in its discretion, analyzes each participant's performance to determine whether performance met or exceeded the goals established by the Committee. The achieved Goal Bonus may be 0% or range between 50% and 200%, depending on the level of achievement by the individual participant.

2018 Annual Cash Bonus Performance Measures

Minimum (50%) Target (100%) Maximum (200%)

EBITDA Bonus:

\$25.0 million      \$28.0 million      \$31.0 million

Revenue Bonus:

\$330.0 million      \$355.0 million      \$380.0 million

Goal Bonus:

Individual performance goals were established.

Performance achievement is assessed for each participant.

The Compensation Committee established 2018 target bonuses for each named executive officer, expressed as a percentage of base salary, as follows:

Percent of Base Salary

John W. Chisholm              110%

Joshua A. Snively, Sr. (1)    95%

H. Richard Walton (2)        75%

Matthew B. Marietta (3)      80%

(1) Mr. Snively ceased to be an officer and employee effective February 28, 2019.

(2) Mr. Walton ceased to be an officer and employee effective December 31, 2018.

(3) Mr. Marietta ceased to be an officer effective December 20, 2018, and ceased to be an employee on December 31, 2018.

2018 Annual Cash Bonus Achievements

Actual Adjusted EBITDA for 2018 was \$(14.5) million, resulting in no earned bonus percentage which has a 45% weighting for the cash payout.

Actual revenue for 2018 was \$250.1 million, resulting in no earned bonus percentage which has a 35% weighting for the cash payout.

Individual goals for Mr. Chisholm were to increase market share, development and implementation of a strategic vision for the Company, and oversee the strategic and financial plan for 2018. While the Company made some strides in acquiring new customers, overall, the Company saw a decline in its market share during the year. The strategic vision of the Company expanded in 2017 with the roll-out of the Company's new Prescriptive Chemistry Management® (PCM®) program. While the PCM program continued to evolve in 2018, the costs associated with the expansion have decreased the bottom line profitability of the Company. Further, the plan for 2018 was not executed to the level expected by the Board of Directors. Individual goals for Mr. Snively were to engage with investors and top clients throughout the year, grow sales faster than the rate of completions, and develop and implement pay for performance compensation plans and KPI accountability. The targeted investors and clients were not all engaged throughout the year, sales decreased 26.9% in 2018 as compared to 2017, and KPI accountability was not fully established in 2018.

The Compensation Committee assessed achievement of goals for each participant and awarded performance below target for Mr. Chisholm and Mr. Snively. This resulted in no earned goal bonus percentage which has a 20% weighting for the cash payout.

The table below shows the range of bonus opportunities, available on a combined basis, based on various Adjusted EBITDA and Revenue results and the achievement of individual goals for 2018, and the actual annual incentive compensation earned, as determined in January 2019.

	Minimum Target 50%	100%	Maximum 200%	Earned 0.00%	Discretionary Award
John W. Chisholm	\$ 473,000	\$ 946,000	\$ 1,892,000	\$ —	—
Joshua A. Snively, Sr.	\$ 232,750	\$ 465,500	\$ 931,000	\$ —	—
H. Richard Walton	\$ 140,625	\$ 281,250	\$ 562,500	\$ —	—
Matthew B. Marietta	\$ 134,000	\$ 268,000	\$ 536,000	\$ —	—

In connection with the execution of her employment agreement in December 2018, Ms. Wilkinson received a one-time cash bonus of \$25,000.

#### 2018 Equity Compensation (Long-Term Incentive)

In order to address the Company's objectives of retaining critical talent and increasing the amount of the long-term incentive opportunity that is contingent on the performance of the Company, the Compensation Committee established 2018 target grant values for each named executive officer, expressed as a percentage of base salary, as follows:

#### Percent of Base Salary

John W. Chisholm	225%
Joshua A. Snively, Sr. (1)	200%
H. Richard Walton (2)	135%
Matthew B. Marietta (3)	150%

(1) Mr. Snively ceased to be an officer and employee effective February 28, 2019.

(2) Mr. Walton ceased to be an officer and employee effective December 31, 2018.

(3) Mr. Marietta ceased to be an officer effective December 20, 2018, and ceased to be an employee on December 31, 2018.

Each named executive officer received performance units with respect to the target grant value. The target value is equal to each executive's base annual salary multiplied by the percentage disclosed in the previous table. The target value was converted to Target Units for 2018 by dividing the target value by \$8.00. The Compensation Committee modified the conversion formula for 2018 from its historical use of the fair market value of the Company's Common Stock on the date of grant. This increased the divisor in the formula to \$8.00 from \$6.13, the fair market value of the Company's Common Stock on March 16, 2018, the date of the adoption of the 2018 long-term incentive opportunity. Increasing the divisor had the effect of reducing the number of Target Units that could be earned by approximately 23% and was a way to conserve share usage from the shares available under the long-term incentive plan.

The Company analyzed the long-term incentive programs of each of the companies in its Peer Group. Based on this review, the Company discontinued having the long-term incentive opportunity based entirely on the Company's relative total

shareholder return among the peer companies. A portion of the 2018 opportunity, 40%, was allocated to restricted stock and 60% was allocated to Performance Units. Only the Performance Units continue to have a possible payout between 0% and 200% based on performance. These changes to the long-term incentive program for 2018 mirror the current long-term incentive programs of the Peer Group.

Under the 2018 long-term incentive opportunity, allocation of the total target value is as follows:

40% Restricted Stock;

30% Performance Units based on Total Shareholder Return ("TSR"); and

30% Performance Units based on Return on Tangible Assets ("ROTA").

Restricted Stock. Each executive is granted the number of shares of Restricted Stock equal to 40% of the target value for the executive divided by \$8.00. These shares will vest ratably on March 16, 2019, and December 31, 2019 and 2020.



TSR. Each executive is granted the number of TSR target units equal to 30% of the target value for the executive divided by \$8.00. The performance period for the 2018 opportunity will be calendar years 2018 and 2019.

Vesting of equity awards under the TSR portion of the long-term incentive opportunity will be based solely on the total shareholder return of the Company compared to the total shareholder return of the Russell 2000 Index for the performance period.

Total Shareholder Return is calculated using the average closing price of common stock of the respective company for the last 20 trading days before the end of the applicable Performance Period, adjusted for the amount of any dividends paid (the "Ending Value"), and the average closing price of common stock for the 20 trading days immediately preceding the first day of the Performance Period (the "Beginning Price"). Total Shareholder Return is measured by subtracting the Beginning Price from the Ending Value to determine the "Value Increase," and then dividing the Value Increase by the Beginning Price.

Achieving the 100% target requires the Company's actual performance to equal that of the Russell 2000 Index plus 5 percentage points. If the TSR of the Company is less than

that of the Russell 2000 Index, the TSR performance percentage shall be zero. The 2018 program contains a provision that limits the actual Performance Percentage (and number of Earned Shares) to a cap of 100% if the Company's total shareholder return is a loss of greater than 5%.

At the end of the two-year performance period on December 31, 2019, the earned performance percentage will be determined and multiplied by the number of target units held by a participant to determine the number of shares earned. Any shares earned will vest on December 31, 2020.

ROTA. Each executive is granted the number of ROTA target units equal to 30% of the target value for the executive divided by \$8.00. The performance period for the 2018 opportunity will be calendar years 2018 and 2019.

Return on tangible assets is calculated by (i) dividing the consolidated income of the Company before taxes by (ii) the total consolidated assets of the Company, minus goodwill,

other intangible assets, and deferred tax assets, adjusted, in the discretion of the Compensation Committee, to reflect the effect of any acquisition or disposition of any assets and/or lines of business, and other extraordinary, nonrecurring items.

Vesting of equity awards under the ROTA portion of the long-term incentive opportunity will be based solely on the level of the Company's return on tangible assets for the performance period. Achieving the 100% target requires a ROTA equal to 3.6%. If the ROTA of the Company is less than 1.5%, the ROTA performance percentage shall be zero.

At the end of the two-year performance period on December 31, 2019, the earned performance percentage will be determined and multiplied by the number of target units held by a participant to determine the number of shares earned. Any shares earned will vest on December 31, 2020.

#### Restricted Stock Awarded under the 2018 Equity Compensation Plan

The following table shows the Restricted Stock award program available under the 2018 equity grant and the number of shares granted to each of the named executive officers under this 40% portion of the 2018 Equity Compensation Plan.

John W. Chisholm	96,750
Joshua A. Snively, Sr. (1)	49,000
H. Richard Walton (2)	25,313
Matthew B. Marietta (3)	25,125

(1) Mr. Snively ceased to be an officer and employee effective February 28, 2019. Upon his termination, Mr. Snively's 2018 Restricted Stock award fully vested.

(2) Mr. Walton ceased to be an officer and employee effective December 31, 2018. Upon his termination, 8,437 shares of Mr. Walton's Restricted Stock award vested. Mr. Walton forfeited the remaining rights to his 2018 Restricted Stock award.

(3) Mr. Marietta ceased to be an officer effective December 20, 2018, and ceased to be an employee on December 31, 2018. Upon his termination, 8,375 shares of Mr. Marietta's Restricted Stock award vested. Mr. Marietta forfeited the remaining rights to his 2018 Restricted Stock award.

## Performance Goal and Potential Payouts for 2018 - 2019 TSR Performance-Based Restricted Share Units

The following table shows the TSR award program available under the 2018 equity grant and the number of units available to be earned based on the Company's performance versus the Russell 2000 Index in Total Shareholder Return.

	Minimum	Target	Maximum
Performance Percentage	50%	100%	200%
Performance compared to Russell 2000 Index <sup>(1)</sup>	Russell 2000	Russell 2000 plus 5%	Russell 2000 plus 10%
Amounts in Shares			
John W. Chisholm	36,282	72,563	145,126
Joshua A. Snively, Sr. (2)	18,375	36,750	73,500
H. Richard Walton (3)	9,493	18,985	37,970
Matthew B. Marietta (4)	9,422	18,844	37,688

The Performance Percentage will be the Company's total shareholder return in comparison to the Russell 2000 Index. The Performance Percentage earned between minimum and target and between target and maximum is determined on a linear basis. If the Company fails to perform at the Russell 2000 Index level, the bonus percentage is zero.

(1) Mr. Snively ceased to be an officer and employee effective February 28, 2019. Upon his termination, Mr. Snively forfeited all rights to the 2018 - 2019 TSR Performance-Based Restricted Share Units.

(2) Mr. Walton ceased to be an officer and employee effective December 31, 2018. Upon his termination, Mr. Walton forfeited all rights to the 2018 - 2019 TSR Performance-Based Restricted Share Units.

(3) Mr. Marietta ceased to be an officer effective December 20, 2018, and ceased to be an employee on December 31, 2018. Upon his termination, Mr. Marietta forfeited all rights to the 2018 - 2019 TSR Performance-Based Restricted Share Units.

The two-year performance period for the 2018 TSR equity grant ends on December 31, 2019. Any shares earned will vest on December 31, 2020.

## Performance Goal and Potential Payouts for 2018 - 2019 ROTA Performance-Based Restricted Share Units

The following table shows the ROTA award program available under the 2018 equity grant and the number of units available to be earned based on the Company's Return on Tangible Assets.

	Minimum	Target	Maximum
Performance Percentage	50%	100%	200%
Return on Tangible Assets <sup>(1)</sup>	1.5%	3.6%	5.7%
Amounts in Shares			
John W. Chisholm	36,282	72,563	145,126
Joshua A. Snively, Sr. (2)	18,375	36,750	73,500
H. Richard Walton (3)	9,493	18,985	37,970
Matthew B. Marietta (4)	9,422	18,844	37,688

The Performance Percentage will be the Company's return on tangible assets. The Performance Percentage earned (1) between minimum and target and between target and maximum is determined on a linear basis. If the Company fails to return 1.5% on tangible assets, the bonus percentage is zero.

The two-year performance period for the 2018 ROTA equity grant ends on December 31, 2019. Any shares earned will vest on December 31, 2020.

At December 31, 2018, the TSR and ROTA performance-based restricted share units granted in 2018 were on pace to achieve below the minimum target level, resulting in no payout. Company performance over the remaining year of the performance period will determine the number of shares earned, if any.



## Performance Goal and Payouts for 2017 - 2018 Performance-Based Restricted Share Units

For the two-year performance period ended December 31, 2018, the Company failed to perform at the 25<sup>th</sup> percentile among companies in its Peer Group in total shareholder return. The following table shows the award program available under the 2017 equity grant and the number of shares earned as a result of the Company's performance versus the Peer Group in total shareholder return.

	Minimum	Target	Maximum	Actual <sup>(2)</sup>
Performance Percentage	50%	100%	200%	—%
Achievement of percentile rank among peer companies <sup>(1)</sup>	25 <sup>th</sup> percentile	50 <sup>th</sup> percentile	75 <sup>th</sup> percentile	less than 25 <sup>th</sup> percentile
Amounts in Shares				
John W. Chisholm	124,039	248,077	496,154	—
Joshua A. Snively, Sr.	34,360	68,719	137,438	—
H. Richard Walton	28,847	57,693	115,386	—

The Performance Percentage will be the Company's total shareholder return percentile ranking among the peer (1) companies. The Performance Percentage earned between minimum and target and between target and maximum is determined on a linear basis. If the Company fails to perform at the 25<sup>th</sup> percentile, the bonus percentage is zero. The two-year performance period for the 2017 equity grant ended on December 31, 2018. Determination of shares awarded was made in January 2019. No shares were earned.

## Employment Agreements

## John W. Chisholm - Service Agreement and Letter Agreement

On April 15, 2014, effective March 30, 2014, Flotek and two companies controlled by John W. Chisholm, Chief Executive Officer, President and Chairman of the Board of Directors (the "Chisholm Companies"), entered into the Fifth Amended and Restated Service Agreement (the "Service Agreement"), pursuant to which the Chisholm Companies agreed to continue to provide the services of Mr. Chisholm to Flotek. The Service Agreement provides that Flotek will pay the Chisholm Companies a monthly amount as consideration for the provision of Mr. Chisholm's services. The term of the Service Agreement expired on April 30, 2017, but such term is extended on a monthly basis on the last day of each month so that the term of the Agreement is never less than 36 months, unless either party gives prior written notice of non-renewal. Flotek may terminate the Service Agreement at any time and for any reason with or without Cause (as defined in the Service Agreement) and the Chisholm Companies may terminate the Service Agreement for Good Reason (as defined in the Service Agreement). Upon termination of the Service Agreement by Flotek without Cause or by the Chisholm Companies for Good Reason, the Chisholm Companies will be entitled to receive severance compensation equal to 200% of the base compensation and target bonus in effect for the year in which the termination occurs.

If Mr. Chisholm is entitled to payments and benefits described in the Service Agreement that, together with any other payments which Chisholm and/or his affiliates has the right to receive from the Company and its affiliates, would

constitute a "parachute payment" (as defined in Section 280G of the Internal Revenue Code of 1986), the payments and benefits under the Agreement will be either (i) reduced (but not below zero) so that the aggregate present value of all such payments and benefits received by Chisholm and his affiliates from the Company and its affiliates for purpose of Section 280G shall be \$1.00 less than three times Chisholm's "base amount" (as defined in Section 280G of the Code) and so that no portion of such payments received by Chisholm and his affiliates for purposes of Section 280G shall be subject to the excise tax imposed by Section 4999 of the Code, or (ii) paid in full, whichever produces the better net after-tax result for Chisholm, the Chisholm Companies, and his other affiliates (taking into account any applicable excise tax under Section 4999 of the Code and any applicable income tax).

If the Service Agreement is terminated by Flotek with Cause, or due to the death or disability of Mr. Chisholm, the Chisholm Companies will be entitled to receive the base compensation earned and payable through the date of termination. The Service Agreement also contains certain non-solicitation restrictions for a period of 24 months following the date of termination of the Service Agreement.

On April 15, 2014, Flotek and Mr. Chisholm entered into a Letter Agreement (the “Letter Agreement”), pursuant to which Flotek agreed to employ Mr. Chisholm for a term equal to the term provided for in the Service Agreement. Pursuant to the terms of the Letter Agreement, Flotek will pay Mr. Chisholm an annual salary of \$50,000. Mr. Chisholm is subject to certain confidentiality obligations and non-solicitation restrictions for a period of 24 months following the date of termination of the Letter Agreement.

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Joshua A. Snively, Sr. - Employment Agreement

Effective March 16, 2018, the Company and Mr. Snively entered into an Employment Agreement to continue in his position as Executive Vice President, Operations of the Company and President of Florida Chemical Company, Inc., a subsidiary of the Company.

The Employment Agreement with Mr. Snively (i) provides for a term of employment until the earlier of (1) December 31, 2020, (2) Mr. Snively's resignation with or without Good Reason (as defined in the Employment Agreement) or Mr. Snively's death or disability, or (3) termination by the Company with or without Cause (as defined in the Employment Agreement); (ii) provides that, upon termination of Mr. Snively's employment by the Company without Cause or by Mr. Snively for Good Reason (1)(a) prior to March 16, 2019, and subject to the satisfaction of certain other specified conditions, including the execution of a confidential severance and release agreement, Mr. Snively will be entitled to receive severance compensation equal to 150% of the sum of his annual base salary and target bonus for purposes of the MIP; or (1)(b) after March 16, 2019, but prior to December 31, 2020, and subject to the satisfaction of certain other specified conditions, including the execution of a release agreement, Mr. Snively will be entitled to receive severance compensation equal to 100% of the sum of his annual base salary and target bonus for purposes of the MIP; payable in nine monthly installments equal to one-ninth of such severance compensation, payable at the end of each full calendar month following the first full calendar month after execution of a confidential severance and release agreement and (2) coverage at the Company's expense under the employee health insurance plan for a period of twelve months, the date he is no longer eligible to receive COBRA, or the maximum period permitted by COBRA, whichever is less; and (iii) contains certain non-solicitation and non-compete restrictions for a period of 24 months following the date of termination of employment with the Company. In addition, Mr. Snively was granted 75,000 shares of common stock as of March 16, 2018, which will vest ratably on December 31, 2018, 2019, and 2020. Pursuant to the Employment Agreement, Mr. Snively's initial annualized base salary was \$490,000. In addition to the foregoing, Mr. Snively will be entitled to certain other perquisites, annual bonuses in accordance with the Company's management incentive plan and performance unit plan, and reimbursement for reasonable expenses.

Mr. Snively's employment as Executive Vice President, Operations was terminated on February 28, 2019 in connection with the sale of Florida Chemical Company, Inc., a subsidiary of the Company. As outlined in his Employment Agreement above, upon his termination from the Company and signing of the release agreement, Mr. Snively will receive severance equal to nine monthly installments of \$159,250 beginning in April 2019. In connection with Mr. Snively's departure, 50,000 shares of common stock previously granted under his employment agreement and 49,000 shares of

common stock granted under the 2018 Long-Term Incentive Plan became fully vested on February 28, 2019. All unvested restricted stock units were forfeited as of February 28, 2019.

Elizabeth T. Wilkinson - Employment Agreement

On December 20, 2018, effective December 28, 2018, the Company and Ms. Wilkinson entered into an Employment Agreement for Ms. Wilkinson to serve as the Chief Financial Officer of the Company.

The Employment Agreement with Ms. Wilkinson (i) provides for a term of employment until the earlier of (1) December 31, 2020, (2) Ms. Wilkinson's resignation with or without Good Reason (as defined in the Employment Agreement) or Ms. Wilkinson's death or disability, or (3) termination by the Company with or without Cause (as defined in the Employment Agreement); (ii) provides that, upon termination of Ms. Wilkinson's employment by the Company without Cause or by Ms. Wilkinson for Good Reason prior to December 31, 2020, and subject to the satisfaction of certain other specified conditions, including the execution of a release agreement, Ms. Wilkinson will be entitled to receive (1) severance compensation equal to 150% of the sum of her annual base salary, payable in nine monthly installments equal to one-ninth of such severance compensation, payable at the end of each full calendar month following the first full calendar month after execution of a confidential severance and release agreement and (2) coverage at the Company's expense under the employee health insurance plan for a period of twelve months, the date she is no longer eligible to receive COBRA, or the maximum period permitted by COBRA, whichever is less; and (iii) contains certain non-solicitation and non-compete restrictions for a period of 24 months following the date of termination of employment with the Company. In addition, Ms. Wilkinson received a one-time cash bonus of \$25,000 payable with the first payroll cycle of the Company following her commencement of employment and was granted

60,000 shares of common stock as of December 28, 2018, which will vest ratably on December 31, 2019 and 2020. Pursuant to the Employment Agreement, Ms. Wilkinson's initial annualized base salary was \$300,000. In addition to the foregoing, Ms. Wilkinson will be entitled to certain other perquisites, annual bonuses in accordance with the Company's management incentive plan and performance unit plan, and reimbursement for reasonable expenses.

H. Richard Walton - Employment Agreement

Effective March 16, 2018, the Company and Mr. Walton entered into an Employment Agreement for Mr. Walton to serve as Chief Accounting Officer of the Company.

The Employment Agreement with Mr. Walton (i) provides for a term of employment until the earlier of (1) December 31, 2019, (2) Mr. Walton's resignation with or without Good Reason (as defined in the Employment Agreement) or Mr. Walton's death or disability, or



(3) termination by the Company with or without Cause (as defined in the Employment Agreement); (ii) provides that, upon termination of Mr. Walton's employment by the Company without Cause or by Mr. Walton for Good Reason (1)(a) prior to March 16, 2019, and subject to the satisfaction of certain other specified conditions, including the execution of a confidential severance and release agreement, Mr. Walton will be entitled to receive severance compensation equal to 100% of the sum of his annual base salary and target bonus for purposes of the MIP; or (1)(b) after March 16, 2019, but prior to December 31, 2019, and subject to the satisfaction of certain other specified conditions, including the execution of a release agreement, Mr. Walton will be entitled to receive severance compensation equal to 75% of the sum of his annual base salary and target bonus for purposes of the MIP; payable in nine monthly installments equal to one-ninth of such severance compensation, payable at the end of each full calendar month following the first full calendar month after execution of a confidential severance and release agreement and (2) coverage at the Company's expense under the employee health insurance plan for a period of twelve months, the date he is no longer eligible to receive COBRA, or the maximum period permitted by COBRA, whichever is less; and (iii) contains certain non-solicitation and non-compete restrictions for a period of 24 months following the date of termination of employment with the Company. In addition, Mr. Walton was granted 30,000 shares of common stock as of March 16, 2018, which will vest ratably on December 31, 2018 and 2019.

Pursuant to the Employment Agreement, Mr. Walton's initial annualized base salary was \$375,000. In addition to the foregoing, Mr. Walton will be entitled to certain other perquisites, annual bonuses in accordance with the Company's management incentive plan and performance unit plan, and reimbursement for reasonable expenses.

Mr. Walton's employment as Chief Accounting Officer was terminated on December 31, 2018. As outlined in his Employment Agreement above, upon his termination from the Company and signing of the release agreement, Mr. Walton will receive severance equal to nine monthly installments of \$72,917 beginning in February 2019. Pursuant to the Employment Agreement and respective restricted stock agreements, 15,000 shares of common stock previously granted under his employment agreement, 36,667 shares of common stock granted under the 2016 Long-Term Incentive Plan, and 8,437 shares of common stock granted under the 2018 Long-Term Incentive Plan became fully vested on December 31, 2018. All remaining unvested restricted stock and restricted stock units were forfeited as of December 31, 2018.

#### Matthew B. Marietta - Employment Agreement

Effective March 16, 2018, the Company and Mr. Marietta entered into an Employment Agreement to continue in his position as Executive Vice President, Operations of the Company and President of Florida Chemical Company, Inc., a subsidiary of the Company.

The Employment Agreement with Mr. Marietta (i) provides for a term of employment until the earlier of (1) December 31, 2020, (2) Mr. Marietta's resignation with or without Good Reason (as defined in the Employment Agreement) or Mr. Marietta's death or disability, or (3) termination by the Company with or without Cause (as defined in the Employment Agreement); (ii) provides that, upon termination of Mr. Marietta's employment by the Company without Cause or by Mr. Marietta for Good Reason (1)(a) prior to March 16, 2019, and subject to the satisfaction of certain other specified conditions, including the execution of a release agreement, Mr. Marietta will be entitled to receive severance compensation equal to 150% of the sum of his annual base salary and target bonus for purposes of the MIP; or (1)(b) after March 16, 2019, but prior to December 31, 2020, and subject to the satisfaction of certain other specified conditions, including the execution of a confidential severance and release agreement, Mr. Marietta will be entitled to receive severance compensation equal to 100% of the sum of his annual base salary and target bonus for purposes of the MIP; payable in nine monthly installments equal to one-ninth of such severance compensation, payable at the end of each full calendar month following the first full calendar month after execution of a confidential severance and release agreement and (2) coverage at the Company's expense under the employee health insurance plan for a period of twelve months, the date he is no longer eligible to receive COBRA, or the maximum period permitted by COBRA, whichever is less; and (iii) contains certain non-solicitation and non-compete restrictions for a period of 24 months following the date of termination of employment with the Company. In addition, Mr. Marietta was granted 60,000 shares of common stock as of March 16, 2018, which will vest ratably on December 31, 2018, 2019, and 2020.

Pursuant to the Employment Agreement, Mr. Marietta's initial annualized base salary was \$335,000. In addition to the foregoing, Mr. Marietta will be entitled to certain other perquisites, annual bonuses in accordance with the Company's management incentive plan and performance unit plan, and reimbursement for reasonable expenses.

Mr. Marietta's employment as Executive Vice President of Finance and Corporate Development was terminated on December 20, 2018 and his employment with the Company terminated on December 31, 2018. As outlined in his Employment Agreement above, upon his termination from the Company and signing of the release agreement, Mr. Marietta will receive severance equal to nine monthly installments of \$100,500 beginning in February 2019. In addition, pursuant to the Employment Agreement, Mr. Marietta will be provided health insurance coverage through December 31, 2019, and pursuant to the respective restricted stock agreements, 20,000 shares of common stock previously granted under his employment agreement and 8,375 shares of common stock granted under the 2018 Long-Term Incentive Plan became fully vested on December 31, 2018. All remaining unvested restricted stock and restricted stock units were forfeited as of December 31, 2018.

#### Other Benefits

The Company believes establishing a competitive benefit package for employees is an important factor in attracting and retaining highly qualified personnel. Named executive officers are eligible to participate in all of our employee benefit plans, including medical, dental, and vision care programs, Company-paid accidental death, dismemberment, and life insurance, and Flotek's 401(k) plan, on the same basis as other employees. The Company matches contributions at 100% of up to 2% of an employee's compensation and, if greater, the Company matches contributions at 50% from 5% to 8% of an employee's compensation. The Company does not offer pension or retirement benefits other than the 401(k) plan. The Company's international employees may have slightly different employee benefit plans than those offered to domestic employees, typically as a result of legal requirements of the specific country.

#### Perquisites

Mr. Snively was provided the use of a Company rented house.

#### Tax and Accounting Implications

##### Deductibility of Executive Compensation

The Compensation Committee is aware of the provisions of Section 162(m) of the Internal Revenue Code which provided that the Company may not deduct for federal income tax purposes annual compensation in excess of \$1 million paid to certain employees. Performance-based compensation paid pursuant to stockholder-approved plans during 2018 was not subject to the deduction limit as long as such compensation is approved by "outside directors" within the meaning of Section 162(m) of the Code.

In the past, the Compensation Committee made every reasonable effort to structure and administer executive compensation opportunities so that compensation will not be subject to the Section 162(m) deduction limit. Due to the recent changes in U.S. tax law, as part of the Tax Cuts and

Jobs Act enacted in December 2017, the opportunity to design plans that are fully tax-deductible for our named executive officers has effectively been eliminated. Therefore, tax-deductibility will likely have less of an impact on the Company's executive compensation program design in the future.

##### Accounting for Stock-Based Compensation

The Company accounts for stock-based payments in accordance with the requirements of Accounting Standards Codification (ASC) Topic 718, "Stock Compensation." Equity based compensation is expensed over the requisite service period pursuant to the grant award terms. The Company considers the expense associated with stock-based incentive awards when granting such awards.

##### Section 409A

To the extent we permit executives to defer compensation or we commit to deliver compensation at a later date than when earned and vested, we make every attempt to meet the requirements of Section 409A of the Internal Revenue Code. Failure to satisfy the Section 409A requirements could subject the executives receiving deferred compensation to a 20% excise tax.

##### Compensation Committee Report

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussion, has recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Michelle M. Adams, Chair

Ted D. Brown

L. Melvin Cooper

David Nierenberg

April 24, 2019

## Summary Compensation Table

The following table provides information concerning compensation earned in our fiscal years 2018, 2017, and 2016 by our named executive officers.

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Award	All Other Compensation	Total	
John W. Chisholm – President, Chief Executive Officer and Chairman of the Board	2018	\$50,000	\$—	(1) \$934,367	(2)	\$ —	\$810,000	\$1,794,367
	2017	\$50,000	\$631,455	\$4,584,463	(2)	\$ —	\$810,000	\$6,075,918
	2016	\$50,000	\$496,100	\$4,106,837	(2)	\$ —	\$770,000	\$5,422,937
Joshua A. Snively, Sr.– Executive Vice President, Operations	2018	\$499,166	\$—	(1) \$932,968	(2)(3)	\$ —	\$30,771	\$1,462,905
	2017	\$446,671	\$253,429	\$1,269,927	(2)	\$ —	\$11,565	\$1,981,592
	2016	\$424,832	\$175,478	\$1,079,480	(2)	\$ —	\$3,904	\$1,683,694
Elizabeth T. Wilkinson – Chief Financial Officer	2018	\$—	\$—	\$63,600	(4)	\$ —	\$—	\$63,600
H. Richard Walton – Executive Vice President and Chief Financial Officer	2018	\$375,000	\$—	(1) \$428,363	(2)(3)(5)	\$ —	\$667,250	\$1,470,613
	2017	\$375,000	\$187,734	\$1,066,167	(2)	\$ —	\$12,000	\$1,640,901
Matthew B. Marietta – Executive Vice President of Finance and Corporate Development	2018	\$332,731	\$—	(1) \$610,448	(2)(3)(6)	\$ —	\$928,580	\$1,871,759

(1) Mr. Chisholm and Mr. Snively did not receive a bonus as part of the 2018 Annual Bonus Plan (MIP) as the Revenue targets, Adjusted EBITDA targets, and personal goals were not met during 2018.

(2) Represents the aggregate grant date fair value of performance-based restricted stock unit awards made in 2018, 2017, and 2016 based upon the probable outcome of the performance condition to become achieved. These performance-based awards have market and service conditions and the aggregate grant date fair value was calculated using the Monte Carlo simulation model.

(3) The amount also reflects the grant date fair value, calculated in accordance with ASC Topic 718, of 75,000, 30,000, and 60,000 shares of restricted stock awards granted on March 16, 2018, to Mr. Snively, Mr. Walton, and Mr. Marietta, respectively.

(4) The amount reflects the grant date fair value, calculated in accordance with ASC Topic 718, of 60,000 shares of restricted stock awards granted on December 28, 2018.

(5) Per the respective restricted stock agreement, 8,437 shares of Mr. Walton’s restricted stock awards vested on December 31, 2018. All remaining rights to unvested restricted stock and restricted stock units previously granted were forfeited.

(6) Per the respective restricted stock agreement, 8,375 shares of Mr. Marietta’s restricted stock awards vested on December 31, 2018. All remaining rights to unvested restricted stock and restricted stock units previously granted were forfeited.

The following table provides detail of “All Other Compensation” in the Summary Compensation Table.

Name	Year	Company	Company Services and	All Other
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		Provided Housing	Match 401 (k)	Consulting Contracts (1)	Separation and Severance	Compensation
John W. Chisholm	2018	\$—	\$—	\$ 810,000	\$—	\$ 810,000
	2017	\$—	\$—	\$ 810,000	\$—	\$ 810,000
	2016	\$—	\$—	\$ 770,000	\$—	\$ 770,000
Joshua A. Snively, Sr.	2018	\$ 20,833	\$ 9,938	\$—	\$—	\$ 30,771
	2017	\$ 4,693	\$ 6,872	\$—	\$—	\$ 11,565
	2016	\$—	\$ 3,904	\$—	\$—	\$ 3,904
Elizabeth T. Wilkinson	2018	\$—	\$—	\$—	\$—	\$—
H. Richard Walton	2018	\$—	\$ 11,000	\$—	\$ 656,250 (2)	\$ 667,250
	2017	\$—	\$ 12,000	\$—	\$—	\$ 12,000
Matthew B. Marietta	2018	\$—	\$ 5,624	\$—	\$ 922,956 (3)	\$ 928,580

(1) Amounts received by Mr. Chisholm are related to the Service Agreement of companies affiliated with Mr. Chisholm with the Company.

Per Mr. Walton's Employment Agreement, Mr. Walton will receive nine monthly installments of \$72,917 (2) beginning in February 2019. All required performance necessary to receive these payments was completed upon his separation from the Company effective December 31, 2018.

Per Mr. Marietta's Employment Agreement, Mr. Marietta will receive nine monthly installments of \$100,500 (3) beginning in February 2019, and will be provided health insurance coverage through December 31, 2019. All required performance necessary to receive these payments was completed upon his separation from the Company effective December 31, 2018.

Grants of Plan-Based Awards

The following table provides information regarding grants of plan-based awards during our fiscal year 2018 to our named executive officers.

2018 Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts		All Other Stock Awards: Number of Shares of	All Other Option Awards: Number of Securities Underlying Options	Exercise Price of Option	Fair Value for Stock and Option Awards
		Under Non-Equity Incentive Plan Awards (1)	Under Equity Incentive Plan Awards				
John W. Chisholm		Target Threshold	Maximum Threshold (Shares)	Target Maximum (Shares)			