

FLOTEK INDUSTRIES INC/CN/
Form DEF 14A
March 30, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
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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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(4) Date Filed:

FLOTEK INDUSTRIES, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON FRIDAY, APRIL 27, 2018

2:30 p.m. Local Time

Flotek Industries, Inc.

Global Research and Innovation Center

8846 N. Sam Houston Parkway W., Suite 150

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 Global Research and Innovation Center, 8846 N. Sam Houston Parkway W., Suite 150, Houston, Texas 77064, on Friday, April 27, 2018, at 2:30 p.m. (local time), for the purpose of considering and voting upon the following matters:

1. The election of six 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. 2018 Long-Term Incentive Plan.

3. The approval of a non-binding advisory vote on executive compensation.

4. The ratification of the selection of the independent registered public accounting firm for the year ending December 31, 2018.

5. 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 8, 2018 are entitled to vote at the meeting.

By order of the Board of Directors

Casey Doherty

Corporate Secretary

March 30, 2018

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 2:30 p.m. (local time) on Friday, April 27, 2018, at the Company’s Global Research and Innovation Center at 8846 N. Sam Houston Parkway W., Suite 150, 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 March 30, 2018. The 2017 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 April 27, 2018. The proxy statement and annual report to security holders are available at 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 six nominees to serve on the Board; (ii) to consider and vote upon the Flotek Industries, Inc. 2018 Long-Term Incentive Plan; (iii) to consider and provide an advisory vote upon our executive compensation; (iv) to consider and vote upon the ratification of the selection of the independent registered public accounting firm; and (v) 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 8, 2018, 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 57,248,810 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 six 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. 2018 Long-Term Incentive Plan

To be approved, this proposal regarding 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 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: 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 4: 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 4 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 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 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, telegram, 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 six 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: 47

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 and a member of the Compensation Committee in October 2017. Ms. Adams is Vice President of Sales America, for Dropbox as of 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: 62

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, and became a member of the Compensation

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Committee in May 2014. 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, Noble Energy became the largest oil producer in Colorado. Mr. Brown participated in numerous industry activities including Chairman 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 inducted into the Rocky Mountain Oil and Gas Hall of Fame. Mr. Brown's extensive experience in the energy industry brings significant additional operating and management experience to the Board.

Name: John W. Chisholm

Age: 63

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 NGS

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 NGS, 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: 64

Director Since: 2010

Principal Occupation: Mr. Cooper has been a Director, a member of the Audit Committee, and a member of the Corporate Governance and Nominating Committee since October 2010, and has been a member of the Compensation Committee since 2011. Currently, Mr. Cooper serves as the Senior Vice President and Chief Financial Officer of Forbes Energy Services Ltd. (NASDAQ Global Market: FES) ("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. 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). 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: Kenneth T. Hern

Age: 80

Director Since: 2009

Principal Occupation: Mr. Hern has been a Director, a member of the Compensation Committee, a member of the Audit Committee, and the Chairman of the Corporate Governance and Nominating Committee since November 2009. Furthermore, Mr. Hern has served as the Lead Director of the Board since January 2011. Mr. Hern served as the Chairman and CEO of Nova Biosource Fuels, Inc. ("Nova"), an energy company that refined and marketed ASTM standard biodiesel and related co-products through the deployment of proprietary, patented process technology

which enabled broader range use of lower cost feedstock from March 2006 until April 2010. Nova filed for financial reorganization under Chapter 11 of the United States Bankruptcy Code in March 2009. Upon the sale of substantially all of Nova's assets under Chapter 11 of the U.S. Bankruptcy Code, the case was resolved by a controlled and structured dismissal ordered by the Delaware Bankruptcy Court in April 2009. Mr. Hern retired from Texaco, Inc. ("Texaco") in 1994 after 25 years of service. During his tenure with Texaco, Mr. Hern served as President of Texaco Brazil, President of Texaco Saudi Inc., and Vice Chairman and Managing Director of Texaco Nigeria Limited. Mr. Hern's experience as a public company Chairman and CEO, as well as his associated management skills attributable to the aforementioned positions, contributes positively to the effectiveness of the Board.

Name: L.V. "Bud" McGuire

Age: 75

Director Since: 2010

Principal Occupation: Mr. McGuire has been a Director since August 2010, and a member of the Compensation Committee and a member of the Corporate Governance and Nominating Committee since October 2010. Mr. McGuire served as the Chairman of the Compensation Committee from December 2010 until May 2014. 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.

Completion of Board Terms

The following directors will conclude their terms on the Board effective as of our 2018 Annual Meeting of Stockholders.

Name: Carla S. Hardy

Age: 52

Director Since: 2013

Ms. Hardy will retire from the Board effective as of our April 27, 2018 annual meeting. Ms. Hardy was first appointed to the Board in May 2013 following the Company's acquisition of Florida Chemical Company, Inc. where Ms. Hardy served as non-executive Chairman of the Board. Ms. Hardy has served as Chair of the Company's Compensation Committee since May 2014. The Company has benefited greatly from her wisdom, experience, and attention to detail. The Company thanks Ms. Hardy for her five years of dedicated service to the Company.

Name: John S. Reiland

Age: 68

Director Since: 2009

Mr. Reiland will conclude his tenure on the Board effective as of our April 27, 2018 annual meeting. Mr. Reiland was first appointed to the Board in November 2009 and has served as Chair of the Company's Audit Committee since that date. The Company has benefited greatly from his experience. The Company thanks Mr. Reiland for his eight years of dedicated service to the Company.

Board Approval of Reduction in Members

The Board has approved a temporary decrease in its size from eight directors to six directors, which will be effective upon Ms. Hardy's and Mr. Reiland's departures from the Board. The Board has begun a process to evaluate the addition of a new director or directors to the Board, and may increase its size and appoint additional directors as qualified candidates are identified.

SECURITY OWNERSHIP OF EXECUTIVE OFFICERS AND DIRECTORS
AND CERTAIN BENEFICIAL OWNERS

The following table provides the beneficial ownership of Common Stock as of March 8, 2018, 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	1,048,346	1.83%
Steven A. Reeves (c) (d) (e)	295,095	*
Joshua A. Snively, Sr. (f)	321,300	*
Robert M. Schmitz (g)	52,617	*
Robert C. Bodnar (h)	76,955	*
H. Richard Walton	201,234	*
Kenneth T. Hern	89,457	*
John S. Reiland	51,165	*
L.V. "Bud" McGuire	124,793	*
L. Melvin Cooper	104,445	*
Carla S. Hardy (i)	349,959	*
Ted D. Brown	43,226	*
Michelle M. Adams	23,089	*
All executive officers and directors as a group (13 persons)	2,781,681	4.86%
5% Beneficial Owners		
Gates Capital Management, Inc. (j)	5,696,416	9.95%
BlackRock, Inc. (k)	7,241,765	12.65%

* 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 - 170,834; Mr. Snively, Sr. - 44,904; Mr. Walton - 36,667; Mr. Hern - 10,639; Mr. Reiland - 10,639; Mr. McGuire - 10,639; Mr. Cooper - 10,639; Ms. Hardy - 10,639; Mr. Brown - 10,639; and Ms. Adams - 10,639. None of the named executive officers or directors have pledged shares.

(b) Based on an aggregate of 57,248,810 shares of Common Stock outstanding and entitled to vote as of March 8, 2018.

(c) Includes shares previously acquired through the Company's 401(k) Plan.

(d) Mr. Reeves' holdings include 120,992 shares of Common Stock held in trust, for which Mr. Reeves is a trustee and beneficiary.

Mr. Reeves retired as Executive Vice President, Operations effective June 30, 2017. Ownership information (e) originated from the Form 4 filed with the Securities and Exchange Commission by Mr. Reeves on July 5, 2017, where 295,095 shares were reported.

Mr. Snively's holdings include 132,503 shares of Common Stock held in trust, for which Mr. Snively is a trustee (f) and beneficiary, and 128,916 shares of Common Stock held in trust, for which Mr. Snively's spouse is a trustee and beneficiary.

Mr. Schmitz retired as Executive Vice President and Chief Financial Officer effective February 13, 2017. (g) Ownership information originated from the Form 4 filed with the Securities and Exchange Commission by Mr. Schmitz on March 28, 2017, where 52,617 shares were reported.

Mr. Bodnar ceased to be an officer effective October 4, 2017 and resigned from the Company. Ownership (h) information originated from the Form 4 filed with the Securities and Exchange Commission by Mr. Bodnar on October 3, 2017, where 76,955 shares were reported.

(i)

Ms. Hardy's holdings include 192,160 shares of Common Stock held in trust, for which Ms. Hardy is a trustee and beneficiary, and 133,347 shares of Common Stock held in trusts for which members of Ms. Hardy's immediate family are beneficiaries.

The address of Gates Capital Management, Inc. ("Gates") is 1177 Avenue of Americas, 46th Floor, New York, NY 10036. Gates Capital Management, Inc., which is controlled by Jeffrey L. Gates, is the managing member of Gates Capital Management GP, LLC, which is the general partner of Gates Capital Management, LP., which is the investment manager of certain Gates Capital Funds. Jeffrey L. Gates exercises voting and dispositive power over (j) the securities held by each of the funds listed above (collectively, the "Funds"). Gates may be deemed to be the beneficial owner of the securities held by the Funds, although all reported securities are owned by the Funds. Ownership information originated from the Schedule 13G/A filed with the Securities and Exchange Commission by Gates on February 14, 2018.

The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055. Spencer Fleming exercises voting (k) 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 January 19, 2018.

EXECUTIVE OFFICERS

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

Name and Age	Positions	Position Held Since
John W. Chisholm (63)	Chief Executive Officer	2012
	President and Chairman of the Board	2010
	Interim President	2009
Joshua A. Snively, Sr. (53)	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
H. Richard Walton (69)	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
Steven A. Reeves (67) *	Executive Vice President, Operations	2011
	Executive Vice President, Operations, Business Development and Special Projects	2010
	Executive Vice President, Business Development and Special Projects	2009
	Executive Vice President and Chief Operating Officer	2008
	President Downhole Tool Division	2007
Robert M. Schmitz (63) **	Executive Vice President and Chief Financial Officer	2015
Robert C. Bodnar (51) ***	Executive Vice President, Performance and Transformation Officer	2016

*Mr. Reeves retired as Executive Vice President, Operations effective June 30, 2017.

**Mr. Schmitz retired as Executive Vice President and CFO effective February 13, 2017.

***Mr. Bodnar ceased to be an officer effective October 4, 2017 and resigned from the Company.

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 and was instrumental in transforming the company from its origin as a family run business to a multinational citrus-based specialty chemical company with manufacturing facilities in metropolitan Orlando and Houston. In addition to his role in developing growth and execution strategies, Mr. Snively is responsible for Florida Chemical's commodity supply chain strategy, a task for which he is uniquely qualified given his background growing up in a prominent Florida citrus family. Combined with his formal training and financial experience, Mr. Snively has become known globally as an expert in citrus commodity markets. 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.

H. Richard Walton serves as Chief Accounting Officer beginning in March 2018. Previously, he served as Chief Financial Officer from February 2017 through March 2018, Chief Financial Officer Emeritus from May 2015 through February 2017, Executive Vice President and Chief Financial Officer from March 2013 through May 2015, and Interim Chief Financial Officer from January 2013 through March 2013. Prior to joining Flotek, Mr. Walton spent his entire 30 year career in public accounting, including 20 years as an audit partner at KPMG. His experience includes financial statement audits and registration of securities with the SEC. Following his retirement from KPMG, LLP in 2003, Mr. Walton served as a consultant to public companies, including Flotek since 2010. Mr. Walton is a certified public accountant and has served as an officer in the United States Army. He holds a Bachelor's degree from Westminster College in Economics and Business Administration. He currently serves as a member of the board of directors of Houston Hospice, DePelchin Children's Center and Pennies for Education and Health, and as a member of the board of trustees of the Retina Research Foundation.

Steven A. Reeves retired as Executive Vice President, Operations effective June 30, 2017. See the “Employment, Retirement, and Severance Agreements” section within “Compensation Discussion and Analysis” for further details regarding Mr. Reeves’ retirement.

Robert M. Schmitz retired as Executive Vice President and Chief Financial Officer effective February 13, 2017. See the “Employment, Retirement, and Severance Agreements”

section within “Compensation Discussion and Analysis” for further details regarding Mr. Schmitz’s retirement.

Robert C. Bodnar ceased to be an officer effective October 4, 2017 and resigned from the Company. See the “Employment, Retirement, and Severance Agreements” section within “Compensation Discussion and Analysis” for further details regarding Mr. Bodnar’s severance.

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 7 times during the year ended December 31, 2017.

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 Independence Standards Board Standard No. 1, “Independence Discussions with Audit Committees.” 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 Public Company Accounting Oversight Board, including those described in Auditing Standard No. 16, “Communications with Audit Committees.”

The Committee reviewed the Company’s audited financial statements as of and for the year ended December 31, 2017, 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, 2017, for filing with the Securities and Exchange Commission.

John S. Reiland, Chairman

Kenneth T. Hern

L. Melvin Cooper

March 30, 2018

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 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 a global diversified, technology-driven company that develops and supplies chemistry and services to the oil and gas industries and 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 and has continued to do so through the end of 2017. Although a continuing recovery appears to be underway, 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 \$60 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 929 rigs as of December 31, 2017.

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. However, as the recovery has continued, the Company has seen increased financial results during 2017, as compared to 2016. 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 2017 Annual Report. Continuing operations include the Energy Chemistry Technologies and Consumer and Industrial Chemistry Technologies business segments.

The Company reported revenue for the year ended December 31, 2017 of \$317.1 million, an increase of \$54.3 million, or 20.6%, compared to \$262.8 million for the year ended December 31, 2016.

The Company reported net loss for the year ended December 31, 2017 of \$13.1 million, or \$0.23 per share (fully diluted), compared to net income of \$1.9 million, or \$0.03 per share (fully diluted), for the year ended December 31, 2016.

The Company is successfully expanding into foreign markets. Revenue from services and products used in foreign countries increased to 18.1% of consolidated revenue in 2017 compared to 15.9% of consolidated revenue in 2015. The Company continues to emphasize and expand 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. During the third quarter of 2016, the Company completed its new Global Research & Innovation Center in Houston. This state-of-the-art facility allows for the development of next-generation innovative energy chemistries, as well as expanded collaboration between clients, leaders from academia, and Company scientists. Research and innovation expense increased to \$13.6 million in 2017 compared to \$6.7 million in 2015.

The charts below illustrate the magnitude of the Company's success in 2013 through 2014, the decline experienced in 2015 and 2016, and the recovery that began in 2017, excluding discontinued operations.

(1) Amounts exclude impact of discontinued operations.

Compensation Consultants

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

• A thorough 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.

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.	Executive Vice President, Operations
H. Richard Walton	Executive Vice President and Chief Financial Officer
Steven A. Reeves (1)	Executive Vice President, Operations
Robert M. Schmitz (2)	Executive Vice President and Chief Financial Officer
Robert C. Bodnar (3)	Executive Vice President, Performance and Transformation Officer

(1) Mr. Reeves retired as Executive Vice President, Operations effective June 30, 2017.

(2) Mr. Schmitz retired as Executive Vice President and Chief Financial Officer effective February 13, 2017.

(3) Mr. Bodnar ceased to be an officer effective October 4, 2017 and resigned from the Company.

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 9 times during the year ended December 31, 2017.

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 2017.

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.

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 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.

• 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 segments;

• 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 executive makes to our success;

• Provide that executives are accountable to the Board 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.

The companies that comprised our Peer Group in 2017 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	Tesco Corporation
Matrix Service Company	TETRA Technologies, Inc.

The Peer Group was reviewed in June 2017 and again in December 2017 and January 2018 to ensure it was appropriate for purposes of supporting 2018 compensation decisions. Following the acquisition of Tesco Corporation by Nabors International Ltd. in December 2017, Tesco Corporation was removed from the Peer Group for 2018. No additional companies were added to the Peer Group. The Compensation

Committee concluded the Peer Group, as configured for 2018, was appropriate and reflective of the current environment in both size and line of business.

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, 2017, 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. Upon stockholder approval of the 2018 Long-Term Incentive Plan, all awards under the 2018 Plan will be 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 share reserve of 3,000,000 shares 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 2017 Advisory Vote on Executive Compensation

The Compensation Committee is very interested in the ideas and feedback of our stockholders regarding executive compensation. At the 2017 Annual Meeting of Stockholders, 97.8% of voting stockholders approved the compensation of our named executive officers. The Company considers this vote a positive endorsement of its executive compensation practices and decisions.

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.

Management leads the effort and is proactive in establishing lines of communication, and shareholder interest is demonstrated by a share voting percentage of over 89% in both 2017 and 2016. The Company hired a Senior Vice

President of Corporate Development and Investor Relations in March 2017, which has permitted the Company to communicate with more stockholders on a regular basis.

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, 2017, there were 303,248 shares of our Common Stock available for future issuance under our Long-Term Incentive Plans. We are asking stockholders to approve a 2018 Long-Term Incentive Plan to make available 3,000,000 shares of our Common Stock for granting of awards under our equity compensation plans.

2017 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 2017 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	17.1%	18.8%	64.1%	100%
Joshua A. Snively, Sr.	26.0%	22.1%	51.9%	100%
H. Richard Walton	26.7%	20.0%	53.3%	100%
Steven A. Reeves (1)	100.0%	—	—	100%
Robert M. Schmitz (1)	100.0%	—	—	100%
Robert C. Bodnar (2)	26.7%	20.0%	53.3%	100%

Mr. Reeves and Mr. Schmitz notified the Company of their plan to retire from the Company during 2017 on (1) February 16, 2017 and November 2, 2016, respectively. Due to this notification, Mr. Reeves and Mr. Schmitz were not included in the Annual Incentive Plan or Long-Term Incentive Plan for 2017.

(2) Mr. Bodnar ceased to be an officer effective October 4, 2017 and resigned from the Company.

For 2017, 82.9% of the Chief Executive Officer's compensation at target levels and 73% - 74% of compensation at target levels for other named executive officers, excluding Mr. Reeves and Mr. Schmitz, was at-risk. All equity that may be awarded under the long-term incentive opportunity is performance-based.

2017 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, 2017, the Compensation Committee of the Board approved Mr. Chisholm’s annual salary of \$50,000 and approved an increase in the amount paid annually pursuant to the Service Agreement with the Chisholm Companies from \$770,000 to \$810,000. This represents a 4.9% increase in base salary.

Other 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 2017.

Name	Title	Beginning Salary	New Salary	Percent Increase
Joshua A. Snively, Sr.	EVP, Operations	\$425,400	\$446,670	5.0%
H. Richard Walton	EVP and Chief Financial Officer	\$350,000	\$375,000	7.1%
Steven A. Reeves (1)	EVP, Operations	\$435,000	\$435,000	—
Robert M. Schmitz (2)	EVP and Chief Financial Officer	\$350,000	\$350,000	—
Robert C. Bodnar (3)	EVP, Performance and Transformation Officer	\$310,000	\$425,900	37.4%

(1) Mr. Reeves retired as Executive Vice President, Operations effective June 30, 2017.

(2) Mr. Schmitz retired as Executive Vice President and CFO effective February 13, 2017.

(3) Mr. Bodnar ceased to be an officer effective October 4, 2017 and resigned from the Company.

Mr. Snively received an increase in base salary to recognize the increase in Research and Innovation activity. Mr. Walton received an increase in base salary to reflect the additional responsibilities assumed upon the retirement of Mr. Schmitz. Mr. Bodnar's base salary was adjusted to reflect a change in title and responsibilities, some of which occurred upon the retirement of Mr. Reeves.

2017 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:

• 60% based on an Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") target (the EBITDA Bonus);

• 20% 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 Audit Committee of the Board of Directors.

For 2017, the EBITDA Bonus applied to results of the Company's continuing operations and excluded operations and results of the segments reported as held for sale at December 31, 2016. The Adjusted EBITDA target amount for 2017 was \$32.0 million compared to \$21.9 million achieved in 2016 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 2017 was \$335.0 million compared to \$262.8 million achieved in 2016 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.

2017 Annual Cash Bonus Performance Measures

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

EBITDA Bonus:

\$27.5 million \$32.0 million \$38.0 million

Revenue Bonus:

\$300.0 million \$335.0 million \$370.0 million

Goal Bonus:

Individual performance goals were established. Performance achievement is assessed for each participant.

The Compensation Committee established 2017 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.	85%
H. Richard Walton	75%
Robert C. Bodnar (1)	75%

(1) Mr. Bodnar ceased to be an officer effective October 4, 2017 and resigned from the Company.

As Mr. Reeves and Mr. Schmitz notified the Company of their plan to retire from the Company during 2017 on *February 16, 2017 and November 2, 2016, respectively, they were not included in the Annual Incentive Plan for 2017.

2017 Annual Cash Bonus Achievements

Actual Adjusted EBITDA for 2017 was \$27.8 million, resulting in an earned bonus percentage of 53.1% which has a 60% weighting for the cash payout.

Actual revenue for 2017 was \$317.1 million, resulting in an earned bonus percentage of 74.4% which has a 20% weighting for the cash payout.

Individual goals for Mr. Chisholm were succession planning, successful management and improvement in Selling General and Administrative ("SG&A") costs, and development and implementation of a strategic vision for the Company. Succession planning is in progress and there were significant reductions in SG&A costs during the last half of 2017. The strategic vision of the Company expanded with the roll-out of the Company's new Prescriptive Chemistry Management[®] program. Individual goals for Mr. Snively were to expand the image of Florida Chemical Company in the food industry, including adding an Asian presence, and to design new and modified chemistries to enhance performance of our clients' reservoirs. The Company opened a sales office in Japan in July 2017 that has been successful in marketing products to the Asian beverage industry. In addition, the Company successfully developed new Complex nano-Fluid[®] formulations that achieved significant success in the marketplace. Individual goals for Mr. Walton were to streamline and reorganize the accounting department, lead a team effort to address and reduce SG&A costs and organize, document, and clearly present the Company's discontinued operations in the financial statements. The accounting department was reorganized and a new Vice President and Corporate Controller was added and

significant reductions were achieved in SG&A costs during the last half of 2017. Discontinued operations were sold in the second and third quarters of 2017.

The Compensation Committee assessed achievement of goals for each participant and awarded performance at target for Mr. Chisholm, Mr. Snively, and Mr. Walton. This resulted in an earned goal bonus percentage of 100% 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 2017, and the actual annual incentive compensation earned, as determined in January 2018.

	Minimum	Target	Maximum	Earned
	50%	100%	200%	66.75%
John W. Chisholm	\$ 473,000	\$ 946,000	\$ 1,892,000	\$ 631,455
Joshua A. Snively, Sr.	\$ 189,835	\$ 379,670	\$ 759,340	\$ 253,429
H. Richard Walton	\$ 140,625	\$ 281,250	\$ 562,500	\$ 187,734
Robert C. Bodnar (1)	\$ 159,713	\$ 319,425	\$ 638,850	\$—

(1) Mr. Bodnar ceased to be an officer effective October 4, 2017 and resigned from the Company. Upon his resignation, Mr. Bodnar forfeited all rights to annual incentive compensation.

2017 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 2017 target grant values for each named executive officer, expressed as a percentage of base salary, as follows:

Percent of Base Salary

John W. Chisholm	375%
Joshua A. Snively, Sr.	200%
H. Richard Walton	200%
Robert C. Bodnar (1)	200%

(1) Mr. Bodnar ceased to be an officer effective October 4, 2017 and resigned from the Company.

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 2017 by dividing the target value by \$13.00. The Compensation Committee changed the conversion formula for 2017 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 \$13.00 from \$12.50, the fair market value of the Company's Common Stock on February 13, 2017, the date of the adoption of the 2017 long-term incentive opportunity. Increasing the divisor had the effect of reducing the number of Target Units that could be earned by approximately 4% and was a way to conserve share usage from the shares available under the long-term incentive plan.

Vesting of equity awards under the long-term incentive opportunity will be based solely on the total shareholder return of the Company compared to total shareholder return of each member of the Peer Group companies.

For 2017, the performance period will be calendar years 2017 and 2018. The Compensation Committee concluded that using a two-year performance period was closely aligned

with the long-term investment horizon of many stockholders and was desirable even though the Company operates in a volatile environment. The Peer Group consisted of 12 companies. In January 2018, the Compensation Committee approved the removal of Tesco Corporation from the Peer Group for purposes of the 2017 long-term incentive program following its acquisition by Nabors International Ltd. in December 2017, leaving 11 companies in the Peer Group for the 2017 - 2018 performance period.

At the end of the two-year performance period on December 31, 2018, 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, 2019.

The Performance Percentage is determined based on the comparison of (i) the Total Shareholder Return of a share of the Company's Common Stock for the Performance Period to (ii) the Total Shareholder Return of a share of the common stock of each member of the Company's Peer Group 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 a targeted level of performance requires the Company to perform at the 50th percentile in total shareholder return of the peer companies. The 2017 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%.

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

The following table shows the award program available under the 2017 equity grant and the number of units available to be earned based on the Company's performance versus the Peer Group in Total Shareholder Return.

	Minimum	Target	Maximum
Performance Percentage	50%	100%	200%
Achievement of percentile rank among peer companies ⁽¹⁾	25 th percentile	50 th percentile	75 th 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
Robert C. Bodnar ⁽²⁾	32,762	65,524	131,048

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 25th percentile, the bonus percentage is zero.

⁽²⁾ Mr. Bodnar ceased to be an officer effective October 4, 2017 and resigned from the Company. Upon his resignation, Mr. Bodnar forfeited all rights to the 2017 - 2018 Performance-Based Restricted Share Units.

The two-year performance period for the 2017 equity grant ends on December 31, 2018. Any shares earned will vest on December 31, 2019.

Performance Goal and Payouts for 2016 - 2017 Performance-Based Restricted Share Units

For the two-year performance period ended December 31, 2017, the Company outperformed 3 companies in its Peer Group in total shareholder return. The following table shows the award program available under the 2016 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
Performance Percentage	50%	100%	200%	50%
Number of the 13 peers outperformed ⁽¹⁾	3	6	10	3
Amounts in Shares				
John W. Chisholm	170,834	341,667	683,334	170,834
Joshua A. Snively, Sr.	44,904	89,807	179,614	44,904
H. Richard Walton	36,667	73,334	146,668	36,667
Steven A. Reeves ⁽²⁾	48,334	96,667	193,334	—
Robert M. Schmitz ⁽²⁾	38,889	77,778	155,556	—
Robert C. Bodnar ⁽³⁾	27,556	55,112	110,224	—

⁽¹⁾ The Performance Percentage earned between minimum and target and between target and maximum is determined on a linear basis. If the Company fails to outperform 3 peers, the bonus percentage is zero.

⁽²⁾ Mr. Reeves and Mr. Schmitz retired from the Company during 2017, and upon retirement, forfeited all rights to the 2016 - 2017 Performance-Based Restricted Share Units.

⁽³⁾ Mr. Bodnar ceased to be an officer effective October 4, 2017 and resigned from the Company. Upon his resignation, Mr. Bodnar forfeited all rights to the 2016 - 2017 Performance-Based Restricted Share Units.

The two-year performance period for the 2016 equity grant ended on December 31, 2017. Determination of shares awarded was made in January 2018. Shares earned will vest on December 31, 2018.

Employment, Retirement, and Severance 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 will expire 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.

Joshua A. Snively, Sr. - Employment Agreement

On January 7, 2016, effective January 1, 2016, the Company and Mr. Snively entered into an Employment Agreement to continue in his position as Executive Vice President, Research and Innovation 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, 2018, (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 prior to December 31, 2018, 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 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 (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.

Pursuant to the Employment Agreement, Mr. Snively's initial annualized base salary was \$425,400. 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.

H. Richard Walton - Employment Agreement

During 2017, Mr. Walton did not have an employment agreement. He was paid a base salary and participated in the Executive's management incentive plan and long-term incentive program. In addition, Mr. Walton was entitled to certain other benefits and reimbursement for reasonable expenses.

Robert M. Schmitz - Retirement Agreement

Effective as of February 13, 2017, Mr. Schmitz resigned as Executive Vice President and Chief Financial Officer of the Company and entered into a Retirement Agreement. Upon execution of the Retirement Agreement, Mr. Schmitz received a one-time payment of \$100,000 and will receive a payment of \$39,931 at the end of each of the next nine months. All unvested restricted stock and restricted stock units were forfeited as of February 13, 2017.

Steven A. Reeves - Retirement Agreement

Effective as of June 30, 2017, Mr. Reeves resigned as Executive Vice President, Operations of the Company. On February 16, 2017, Mr. Reeves announced his retirement from the Company effective June 30, 2017, and entered into a Retirement Agreement under which he continued to receive his salary, \$16,731 on a bi-weekly basis, until June 30, 2017. The Retirement Agreement also granted Mr. Reeves 68,333 shares of common stock as of February 24, 2017, which vested on June 30, 2017. All restricted stock units related to the 2016 long-term incentive opportunity were forfeited as of June 30, 2017.

Robert C. Bodnar - Severance Agreement

Effective as of October 7, 2017, Flotek and Mr. Bodnar entered into a Severance Agreement. Under the terms of the Severance Agreement, Mr. Bodnar left the Company and will receive severance equal to nine monthly installments of \$62,110 beginning in December 2017. In addition, the Severance Agreement provides health insurance coverage and Company housing through June 30, 2018. All unvested restricted stock and restricted stock units were forfeited as of October 7, 2017.

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 domestic employees, typically as a result of legal requirements of the specific country.

Perquisites

Mr. Reeves and Mr. Bodnar were provided the use of a Company rented apartment and a fuel allowance. Mr. Reeves was also provide the use of a Company owned vehicle.

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 2017 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.

2018 Compensation Action

2018 Base Salaries

Following a review of market data, the Company's 2017 performance, the performance of executive officers in 2017, and the industry outlook, salary adjustments were approved as described below.

Effective January 1, 2018, the Compensation Committee of the Board approved Mr. Chisholm's annual salary at \$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 for 2018.

Chief Executive Base Salary	2017	2018
John W. Chisholm *	\$860,000	\$860,000

* Includes amounts paid to the Chisholm Companies under the Service Agreement and salary paid under the Letter Agreement with Mr. Chisholm.

Effective January 1, 2018, the Compensation Committee of the Board approved annual base salary amounts for the other named executive officers as follows:

Executive Officer Base Salary	2017	2018
Joshua A. Snively, Sr.	\$446,670	\$490,000
Matthew B. Marietta	*	\$335,000
H. Richard Walton	\$375,000	\$375,000

* Mr. Marietta was appointed Executive Vice President of Finance and Corporate Development effective March 16, 2018 and is now considered a named executive officer.

Mr. Snively received an increase of 9.7% to reflect a change in title and responsibilities which were effective October 1, 2017. Mr. Marietta was previously Senior Vice President Corporate Development and Investor Relations. Mr. Walton did not receive an increase for 2018.

2018 Management Incentive Plan

Target bonus opportunities for 2018, expressed as a percent of base salary, were approved by the Compensation Committee as follows:

Percent of Base Salary	
John W. Chisholm	110%
Joshua A. Snively, Sr.	95%
Matthew B. Marietta	80%
H. Richard Walton	75%

The percentage of base salary available in the annual incentive program for 2018 was increased 10% for Mr. Snively. This increase is designed to heighten his management focus on short-term goals and meeting objectives in his new role. Mr. Marietta's percentage of base salary available in the annual incentive plan for 2018 was set based on his new role and to better align his bonus opportunity with other executives. The percentages of base salary available in the annual incentive program for Mr. Chisholm and Mr. Walton remained at 2017 levels.

Bonuses under the 2018 Management Incentive Plan ("MIP"), the Company's annual incentive program, have a possible payout between 0% and 200% of the target payment amount. For 2018, the performance criteria include two financial measures and a measurement of performance against individual goals established for each participant. Upon review of peer group annual incentive practices and discussion by the Compensation Committee, the Committee

decided to continue adjusted EBITDA, revenue, and individual goals for the 2018 MIP to drive performance achievement of the Company's top-line growth, earnings goals, and strategic initiatives. Allocation of the total target payment is as follows:

- 45% based on an Adjusted EBITDA target (the EBITDA Bonus). Adjusted EBITDA is calculated as disclosed under the description of our 2017 program;

- 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.

The Adjusted EBITDA target amount for 2018 is \$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 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 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 is \$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 Long-Term Incentive Program

Long-term incentive opportunities for 2018, expressed as a percent of base salary, were approved by the Compensation Committee as follows:

Percent of Base Salary	
John W. Chisholm	225%
Joshua A. Snively, Sr.	200%
Matthew B. Marietta	150%
H. Richard Walton	135%

The percentage of base salary available in the long-term incentive program for 2018 decreased from 375% to 225% for Mr. Chisholm and from 200% to 135% for Mr. Walton. These decreases in the long-term incentive value for 2018 are based on the Compensation Committee's assessment of competitive market data, total spend relative to peers, and the overall industry downturn, including the Company's performance. The percentage of base salary available in the long-term incentive program remained unchanged at 200% for Mr. Snively.

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").

The target value is equal to each executive's base annual salary multiplied by the percentage disclosed in the table above. The target value is converted to restricted stock or restricted stock 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 closing price on the NYSE of the Common Stock of the Company 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 restricted stock shares and restricted stock units that can be earned by approximately 23% and was a way to conserve

share usage from the shares available under the long-term incentive plan.

The restricted stock and restricted stock units awarded on March 16, 2018 will be forfeited if stockholder approval of the Company's 2018 Long-Term Incentive Plan solicited by this Proxy Statement is not obtained.

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 December 31, 2018, 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. 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 of 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 ROTA portion of the long-term incentive opportunity will be based solely on the level of the Company's return on tangible assets (consolidated income of the Company before taxes, divided by the total consolidated assets of the Company minus goodwill, other intangible assets, and deferred tax 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.

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.

Carla S. Hardy, Chair

Kenneth T. Hern

John S. Reiland

L.V. "Bud" McGuire

L. Melvin Cooper

Ted D. Brown

Michelle M. Adams

March 30, 2018

Summary Compensation Table

The following table provides information concerning compensation earned in our fiscal years 2017, 2016, and 2015 by our named executive officers.

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	All Other Compensation	Total
John W. Chisholm – President, Chief Executive Officer and Chairman of the Board	2017	\$50,000	\$631,455 (1)	\$4,584,463 (2)	\$ —	\$810,000	\$6,075,918
	2016	\$50,000	\$496,100	\$4,106,837 (2)	\$ —	\$770,000	\$5,422,937
	2015	\$50,000	\$246,000	\$4,079,374 (2)	\$ —	\$770,000	\$5,145,374
Joshua A. Snively, Sr.– Executive Vice President, Operations	2017	\$446,671	\$253,429 (1)	\$1,269,927 (2)	\$ —	\$11,565	\$1,981,592
	2016	\$424,832	\$175,478	\$1,079,480 (2)	\$ —	\$3,904	\$1,683,694
	2015	\$408,369	\$73,620	\$1,030,929 (2)	\$ —	\$3,750	\$1,516,668
H. Richard Walton – Executive Vice President and Chief Financial Officer (3)	2017	\$375,000	\$187,734 (1)	\$1,066,167 (2)	\$ —	\$12,000	\$1,640,901
	2015	\$333,039	\$391,560	\$1,199,262 (2)	\$ —	\$12,000	\$1,935,861
Steven A. Reeves – Executive Vice President, Operations	2017	\$256,746	\$—	\$886,962 (4)(5)	\$ —	\$21,704	\$1,165,412
	2016	\$435,000	\$203,363	\$1,161,937 (2)	\$ —	\$24,835	\$1,825,135
	2015	\$434,346	\$97,875	\$1,154,169 (2)	\$ —	\$22,565	\$1,708,955
Robert M. Schmitz – Executive Vice President and Chief Financial Officer	2017	\$84,824	\$—	\$— (5)	\$ —	\$476,434	\$561,258
	2016	\$349,999	\$144,375	\$934,892 (2)	\$ —	\$7,338	\$1,436,604
	2015	\$304,308	\$69,300	\$447,757 (2)	\$ —	\$7,295	\$828,660
Robert C. Bodnar – Executive Vice President, Performance and Transformation Officer	2017	\$370,414	\$—	\$1,210,884 (2)(6)	\$ —	\$116,322	\$1,697,620
	2016	\$295,769	\$127,875	\$1,024,196 (2)(7)	\$ —	\$36,781	\$1,484,621

(1) Mr. Chisholm, Mr. Snively, and Mr. Walton received, as part of the 2017 Annual Bonus Plan (MIP), \$631,455, \$253,429, and \$187,734, respectively.

(2)

Represents the aggregate grant date fair value of performance-based restricted stock unit awards made in 2017, 2016, and 2015. 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) Mr. Walton was not a named executive officer in 2016. Therefore, no compensation information for 2016 appears in this table for this officer.

Per his Retirement Agreement, Mr. Reeves was granted 68,333 shares of common stock which vested upon his (4) retirement on June 30, 2017. The amount reflects the grant date fair value, calculated in accordance with ASC Topic 718, of 68,333 shares of restricted stock awards granted on February 24, 2017.

Mr. Reeves and Mr. Schmitz notified the Company of their plan to retire from the Company during 2017 on (5) February 16, 2017 and November 2, 2016, respectively. Due to this notification, Mr. Reeves and Mr. Schmitz were not included in the Long-Term Incentive Plan for 2017.

(6) As Mr. Bodnar was not employed by the Company on December 31, 2017, all unvested restricted stock and restricted stock units previously granted were forfeited.

(7) The amount also reflects the grant date fair value, calculated in accordance with ASC Topic 718, of 25,000 shares of restricted stock awards granted on September 21, 2016.

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

Name	Year	Vehicle Allowance	Company Provided Housing	Company Match 401 (k)	Services and Consulting Contracts (2)	Retirement and Severance	All Other Compensation
John W. Chisholm	2017	\$ —	\$ —	\$ —	\$ 810,000	\$ —	\$ 810,000
	2016	\$ —	\$ —	\$ —	\$ 770,000	\$ —	\$ 770,000
	2015	\$ —	\$ —	\$ —	\$ 770,000	\$ —	\$ 770,000
Joshua A. Snively, Sr.	2017	\$ —	\$ 4,693	\$ 6,872	\$ —	\$ —	\$ 11,565
	2016	\$ —	\$ —	\$ 3,904	\$ —	\$ —	\$ 3,904
	2015	\$ —	\$ —	\$ 3,750	\$ —	\$ —	\$ 3,750
H. Richard Walton	2017	\$ —	\$ —	\$ 12,000	\$ —	\$ —	\$ 12,000
	2015	\$ —	\$ —	\$ 12,000	\$ —	\$ —	\$ 12,000
Steven A. Reeves	2017	\$ 390	(1) \$ 6,925	\$ 5,135	\$ —	\$ 9,254	(3) \$ 21,704
	2016	\$ 600	(1) \$ 15,535	\$ 8,700	\$ —	\$ —	\$ 24,835
	2015	\$ 600	(1) \$ 13,599	\$ 8,366	\$ —	\$ —	\$ 22,565
Robert M. Schmitz	2017	\$ —	\$ —	\$ 2,177	\$ —	\$ 474,257	(4) \$ 476,434
	2016	\$ —	\$ —	\$ 7,338	\$ —	\$ —	\$ 7,338
	2015	\$ —	\$ —	\$ 7,295	\$ —	\$ —	\$ 7,295
Robert C. Bodnar	2017	\$ 10,246	\$ 19,296	\$ 7,408	\$ —	\$ 79,372	(5) \$ 116,322
	2016	\$ 1,615	\$ 29,251	\$ 5,915	\$ —	\$ —	\$ 36,781

(1) The expense for the Company provided vehicles was determined through averaging the FMV, odometer reading, and estimated percentage of personal use.

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

(3) Per Mr. Reeves’ Retirement Agreement, Mr. Reeves will be provided health insurance coverage through December 31, 2018.

(4) Per Mr. Schmitz’s Retirement Agreement, Mr. Schmitz received \$100,000 upon retirement, received nine monthly installments of \$39,931 beginning in March 2017, and will be provided health insurance coverage through August 31, 2018.

(5) Per Mr. Bodnar’s Severance Agreement, Mr. Bodnar will receive severance equal to nine monthly installments of \$62,110 beginning in December 2017. In addition, the Severance Agreement provides health insurance coverage through June 30, 2018 and Company housing through January 31, 2018.

Grants of Plan-Based Awards

The following table provides information regarding grants of plan-based awards during our fiscal year 2017 to our named executive officers.

2017 Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Units	All Other Exercise Options: Number of Options	Grant Date	Base Fair Value and Option Awards
		Threshold	Target	Maximum	Threshold (Shares)	Target (Shares)	Maximum (Shares)				
John W. Chisholm	2/13/2017	\$473,000	\$946,000	\$1,892,000	—	—	—	—	—	\$—	\$—
Joshua A. Snively, Sr.	2/13/2017	\$189,835	\$379,670	\$759,340	—	—	—	—	—	\$—	\$—
H. Richard Walton	2/13/2017	\$140,625	\$281,250	\$562,500	—	—	—	—	—	\$—	\$—
Steven A. Reeves	2/24/2017	\$—	\$—	\$—	—	—	—	68,333	—	\$—	\$886,962 (3)
Robert C. Bodnar (4)	2/13/2017	\$159,713	\$319,425	\$638,850	—	—	—	—	—	\$—	\$—
		\$—	\$—	\$—	32,762	65,524	131,048	—	—	\$—	\$1,210,884 (2)

(1) Represents the potential annual performance-based cash incentive compensation that could be earned in 2017 depending on the extent to which the 2017 objective was met.

(2) Represents performance-based restricted share units granted in 2017. Shares earned will be determined depending on the extent to which the 2017 - 2018 performance period objectives were met. Any shares earned for the two-year performance period ending December 31, 2018 will vest on December 31, 2019. Grant date fair value is determined in accordance with ASC Topic 718 and, for the performance-based restricted share units which have a market condition, is the value at grant date based on the probable outcome of the performance condition and is consistent with the estimate of aggregate compensation cost to be recognized over the service period.

(3) Grant date fair value is based on the closing stock price on the date of grant and is consistent with aggregate compensation cost to be recognized over the service period.

(4) As Mr. Bodnar was not employed by the Company on December 31, 2017, all unvested restricted stock previously granted and any rights to non-equity incentive plan awards were forfeited.

The following tables provide information relating to outstanding equity-based awards held by each named executive officer as of December 31, 2017.

Outstanding Equity Awards at Fiscal Year-End
Restricted Stock Awards

Name	Year of Grant	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units That Have Not Vested (1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (1)
John W. Chisholm	2016	—	\$ —	170,834	(2) \$ 796,086
	2017	—	\$ —	248,077	(3) \$ 1,156,039
Joshua A. Snively, Sr.	2016	—	\$ —	44,904	(2) \$ 209,253
	2017	—	\$ —	68,719	(3) \$ 320,231
H. Richard Walton	2016	—	\$ —	36,667	(2) \$ 170,868
	2017	—	\$ —	57,693	(3) \$ 268,849

(1) The dollar value of the unvested shares of restricted stock reported are valued at the closing price of Flotek's Common Stock on December 29, 2017 (\$4.66 per share).

(2) The total number of performance shares available for the 2016 - 2017 performance period. The shares were adjusted as of December 31, 2017 for actual performance during the 2016 - 2017 performance period. These shares will convert to Restricted Stock Awards in 2018 upon approval by the Compensation Committee.

(3) The total number of unearned performance shares available for the 2017 - 2018 performance period, at the target 100% level. The shares will be adjusted as of December 31, 2018 for actual performance during the 2017 - 2018 performance period.

The following table provides information regarding the value realized upon the exercise of stock options and the vesting of restricted stock awards by named executive officers during the fiscal year ended December 31, 2017.

Option Exercises and Restricted Stock Vested

Name	Option Awards		Restricted Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
John W. Chisholm	400,000	\$ 1,360,000	88,413	\$ 412,005
Joshua A. Snively, Sr.	—	\$ —	22,343	\$ 104,118
H. Richard Walton	—	\$ —	20,127	\$ 93,792
Steven A. Reeves	200,000	\$ 660,000	93,347	\$ 834,522
Robert M. Schmitz	—	\$ —	3,333	\$ 41,129
Robert C. Bodnar	—	\$ —	12,500	\$ 66,125

Potential Payments upon Termination of Employment or Change in Control

The following table describes the circumstances that will trigger acceleration of vesting of certain stock options and restricted stock grants and quantifies the value of the stock options or restricted stock grants, the vesting of which would have accelerated upon the occurrence of the specified events, assuming that such event had occurred on December 31, 2017 and based on the closing price of our Common Stock on that date of \$4.66 per share.

Name and Participant Position	Termination Event	Severance	Pro-Rata Bonus	Acceleration of Unvested Equity	Total
John W. Chisholm (1) President, Chief Executive Officer and Chairman of the Board	Change In Control	\$3,612,000	\$946,000	\$2,748,207	\$7,306,207
	Good Reason	\$3,612,000	\$—	\$—	\$3,612,000
	Without Cause	\$3,612,000	\$—	\$—	\$3,612,000
	Death or Disability	\$—	\$—	\$2,748,207	\$2,748,207
Joshua A. Snively, Sr. (2) Executive Vice President, Operations	Change In Control	\$619,755	\$379,670	\$738,731	\$1,738,156
	Good Reason	\$619,755	\$—	\$—	\$619,755
	Without Cause	\$619,755	\$—	\$—	\$619,755
	Death or Disability	\$—	\$—	\$738,731	\$738,731
H. Richard Walton (3) Executive Vice President and Chief Financial Officer	Change In Control	\$—	\$281,250	\$610,586	\$891,836
	Good Reason	\$—	\$—	\$—	\$—
	Without Cause	\$—	\$—	\$—	\$—
	Death or Disability	\$—	\$—	\$610,586	\$610,586

For purposes of awards under our long-term incentive plans, “Change in Control” shall be deemed to have occurred upon any of the following events:

- (a) Any “person” or “persons” (as defined in Section 3(a)(9) of the Exchange Act, and as modified in Sections 13(d) and 14(d) of the Exchange Act) other than and excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plan of the Company or any of its subsidiaries, (iii) any affiliate of the Company, (iv) an entity owned, directly or indirectly, by stockholders of the Company in substantially the same proportions as their ownership of the Company or (v) an underwriter temporarily holding securities pursuant to an offering of such securities, becomes the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the shares of voting stock of the Company then outstanding;

- (b) The consummation of any merger, organization, business combination or consolidation of the Company or one of its subsidiaries with or into any other entity, other than a merger, reorganization, business combination or consolidation which would result in the holders of the voting securities of the Company outstanding immediately prior thereto and their respective Affiliates holding securities which represent immediately after such merger, reorganization, business combination or consolidation more than 50% of the combined voting power of the voting securities of the Company or the surviving company or the parent of such surviving company;
- (c) The consummation of a sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition if the holders of the voting securities of the Company outstanding immediately prior thereto and their respective Affiliates hold securities immediately thereafter which represent more than 50% of the combined voting power of the voting securities of the acquiror, or parent of the acquiror, of such assets;
- (d) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company; or The Incumbent Board ceases for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election by the Board was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though
- (e) such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an election contest with respect to the election or removal of directors or other solicitation of proxies or consents by or on behalf of a person other than the Board.

For purposes of the applicable employment agreements, “Good Reason” means the occurrence of one of the following Company actions, unless the employee consents in writing to such action:

- (i)

A material reduction of the employee's salary and employee benefits to which the employee was entitled immediately prior to such reduction;

- (ii) A material reduction in the duties, authority or responsibilities relative to the employee's duties, authority or responsibilities as in effect immediately prior to such reduction; or
- (iii) The relocation of the employee to a facility or a location more than fifty (50) miles from the employee's then present location;

Provided, however, that (A) the employee must provide the Company with written notice of the occurrence of such action(s) within 60 days of the initial occurrence of such action(s) and of his or her intent to terminate employment based on such action(s) and (B) the Company will have 30 days from the date that such written notice is provided by employee to cure such action(s).

For purposes of the applicable employment agreements, "Cause" means the termination of an employee for any of the following reasons:

- (i) An employee's continued failure to substantially perform one or more of the employee's essential duties and obligations to the Company (other than any such failure resulting from a disability) which, to the extent such failure is remediable, the employee fails to remedy in a reasonable period of time (not to exceed 30 days) after receipt of written notice from the Company;
- (ii) An employee's refusal or failure to comply with the reasonable and legal directives of the Board of Directors after written notice from the Board describing the employee's failure to comply and, if such failure is remediable, the employee's failure to remedy same within 10 days of receiving written notice;
- (iii) Any act of personal dishonesty, fraud or misrepresentation taken by an employee which was intended to result in substantial gain or personal enrichment of the employee at the expense of the Company;

- (iv) An employee's violation of a federal or state law or regulation applicable to the Company's business which violation was or is reasonably likely to be materially injurious to the Company;
- (v) An employee's conviction of, or plea of nolo contendere or guilty to, a felony under the laws of the United States or any State that is reasonably likely to be materially injurious to the Company;
- (vi) An employee's abuse of drugs, other narcotics or alcohol during working hours or where such abuse (whenever occurring) impacts on the employee's working day;
- (vii) An employee's breach of any of his material obligations under any written agreement with the Company (including without limitation his employment agreement and any proprietary information and inventions assignment agreement with the Company); or
- (viii) An employee's violation of a material policy of the Company which, to the extent such failure is remediable, the employee fails to remedy in a reasonable period of time (not to exceed 30 days) after receipt of written notice from the Company.

Upon termination of employment between Flotek and the Chisholm Companies pursuant to the Service Agreement and the employment of Mr. Chisholm pursuant to his Letter Agreement for (a) Good Reason or (b) without Cause, the Chisholm Companies shall be entitled to receive severance compensation equal to two hundred percent of base (1) compensation and target bonus in effect for the year in which the termination occurs. If employment of the Chisholm Companies were to be terminated by (c) death or disability, the Chisholm Companies would be entitled to receive (i) base compensation earned and payable through the date of termination and (ii) Mr. Chisholm would be entitled to the accelerated vesting of all RSAs.

Upon termination of employment between Flotek and Mr. Snively for (a) Good Reason or (b) without Cause prior to the expiration date of his employment agreement, he is entitled to receive severance compensation equal to 75% (2) of his base salary and target bonus in effect for the year in which the termination occurs. If the employment of Mr. Snively were to be terminated by (c) death or disability, Mr. Snively would be entitled to receive (i) base salary earned and payable through the date of termination and (ii) the accelerated vesting of all RSAs.

During 2017, Mr. Walton did not have an employment agreement. Therefore, upon termination of employment (3) between Flotek and Mr. Walton for (a) Good Reason or (b) without Cause, he is not entitled to receive severance compensation. If the employment of Mr. Walton were to be terminated by (c) death or disability, Mr. Walton would be entitled to receive the accelerated vesting of all RSAs.

CEO to Median Employee Pay Ratio

Beginning in 2017, SEC rules require companies to disclose the ratio of the total annual compensation of the Company's CEO to the median employee's total annual compensation. The following table provides information regarding this pay ratio for 2017:

CEO total annual compensation	\$6,075,918
Median employee total annual compensation	\$73,181

Ratio of CEO to median employee compensation	83.0 to 1
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To identify the median employee for providing the information above, the Company considered compensation

of all employees (other than the CEO) from its payroll records as of November 24, 2017 (its last payroll in November). All full-time, part-time, and temporary employees in the U.S. and foreign countries were included. All compensation was analyzed in U.S. dollars, using the relevant exchange rate for any compensation paid to employees in other currencies. Compensation for full-time and part-time employees hired during 2017 was "annualized" through November 24, 2017. After identifying the median employee, the Company calculated total annual compensation for such employee using the same methodology used in determining CEO pay as set forth in the Summary Compensation Table.

Given the different methodologies, exemptions, estimates, and assumptions that various companies will use to determine their pay ratios, the ratio reported above may not be comparable to the pay ratio reported by other companies.

BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

Meeting Attendance

During 2017, the Board held 13 meetings of the full Board and 21 meetings of committees. The Audit Committee held 7 meetings, the Corporate Governance and Nominating Committee held 5 meetings, and the Compensation Committee held 9 meetings. Each director attended at least 75% of the aggregate number of meetings of the Board and committees of the Board on which he or she served from the respective dates of appointment.

The Company does not have a formal policy requiring members of the Board to attend the Annual Meeting, although all directors are strongly encouraged to attend. Of the Directors, Messrs. Chisholm, Hern, McGuire, and Reiland attended the last Annual Meeting of Stockholders.

Executive Sessions

Pursuant to the Company's Corporate Governance Guidelines, non-management directors of the Board are required to meet on a regularly scheduled basis without the presence of management. The Lead Director chairs these sessions.

During 2017, the non-management directors met in 4 executive sessions without management present.

Director Independence

The Board has determined that each of the current directors, except for Mr. Chisholm, is independent as defined by the rules of the NYSE and, in the case of the Audit Committee, the Securities and Exchange Commission (the "SEC"). Mr. Chisholm is not an independent director, since he is currently the President and Chief Executive Officer of the Company.

None of the non-employee directors have any relationship with the Company other than as a director and stockholder, or any transaction or arrangement that interferes with each director's independence.

Risk Management

The Board has an active role, as a whole and at the committee level, in overseeing management of the Company's risks. The Board regularly reviews information regarding the Company's credit, liquidity, and operations, as well as the risks associated with each. The Company's Compensation Committee is responsible for overseeing the management of risks relating to the Company's executive compensation plans and arrangements. The Audit Committee oversees management of financial risks. The Corporate Governance and Nominating Committee manages risks associated with Board independence and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about all identified Company risks.

Board Committees

The Board has established an Audit Committee, a Corporate Governance and Nominating Committee, and a Compensation Committee. The Audit, Corporate Governance and Nominating, and Compensation committees are composed entirely of independent directors as defined under the New York Stock Exchange Listed Company Manual and the Company's Corporate Governance Guidelines.

The following table shows the committees on which each director serves. "C" indicates that the director serves as the chair of the committee.

Director	Audit	Corporate Governance and Nominating	Compensation
Kenneth T. Hern	X	C	X
John S. Reiland	C	X	X
L.V. "Bud" McGuire	X	X	X
L. Melvin Cooper	X	X	X
Carla S. Hardy	X	X	C
Ted D. Brown	X	X	X
Michelle M. Adams	X	X	X

Audit Committee

The Audit Committee held 7 meetings in 2017. The Audit Committee's primary functions are to:

- Appoint, determine funding for, oversee, and replace (subject to stockholder ratification, if applicable) a firm of independent auditors to audit our financial statements;
- Pre-approve all audit and non-audit services provided by our independent auditors;
- Evaluate the qualifications, performance and independence of our independent auditors, and ensure the rotation of the lead (or concurring) audit partner;
- Obtain and review a report of our independent auditors, at least annually, regarding compliance with their internal quality-control procedures;
- Discuss with our independent auditors the overall scope and plans for their respective audits;
- Discuss with management and our independent auditors the adequacy and effectiveness of the Company's accounting and financial controls;
- Meet with our independent auditors to discuss the conduct and findings of their respective audits;
- Meet and review with management and our independent auditors the Company's financial statements and the associated disclosures to be included in quarterly and annual reports to be filed with the SEC;
- Discuss with management and our independent auditors significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements;

- Discuss periodically with management the Company's plan with regards to issuing earnings press releases and providing financial information and earnings guidance to analysts and rating agencies;
- Review any disclosures by the Company's officers and other employees regarding significant deficiencies in the design and operation of the Company's internal controls; and
- Establish procedures for receiving and responding to concerns regarding accounting, internal accounting controls, and auditing matters.

Each member of the Audit Committee, as of the date of this Proxy Statement (Messrs. Reiland, Hern, and Cooper), is financially literate and has accounting or financial management expertise. Messrs. Reiland, Hern, and Cooper are audit committee financial experts as defined in Item 407 (d)(5) of Regulation S-K under the Exchange Act, rule 10A-3 under the Exchange Act, the New York Stock Exchange Listed Company Manual, and the Company's Corporate Governance Guidelines. The Board has adopted a charter for the Audit Committee, a copy of which is available on our website (www.flotekind.com) and in print to any stockholder who requests it.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee held 5 meetings in 2017. The Corporate Governance and Nominating Committee's primary functions are to:

- Review, at least annually, the structure of the Board to assure that the proper skills and experience are represented on the Board;
- Recommend to the full Board candidates to fill vacancies on the Board as they occur;
- Recommend, prior to each annual stockholder meeting, a slate of nominees for election or reelection as directors by the stockholders at the annual meeting;
- Identify individuals qualified to serve as potential Board members, consistent with criteria approved by the Board;
- Select, evaluate, retain, and where appropriate, terminate any search firm to be used to identify qualified director candidates;
- Evaluate current directors for re-nomination to the Board or re-appointment to any Board committees, and assess the performance of such directors;
- Periodically review the composition of the Board and its committees in light of the current challenges and needs of the Board, the Company and each committee of the Board, and determine whether it may be appropriate to add or remove individuals;
- Consider rotation of the Chairman and members of the committees of the Board;
- Consider candidates to serve as Board members that are submitted by stockholders of the Company;
- Periodically make recommendations to the Board with respect to the size of the Board;
- Review criteria and policies relating to director independence, service, and tenure;
- Recommend to the Board the membership of the Audit and Compensation Committees, including their Chairpersons;
 - Make recommendations to the Board regarding corporate governance matters and practices, including formulating and periodically reviewing Corporate Governance Guidelines to be adopted by the Board;
- Develop and recommend to the Board the Company's Corporate Governance Guidelines and, at least annually, review and reassess the adequacy of such Corporate Governance Guidelines and recommend any proposed changes to the Board;
- Be responsible for any tasks assigned to the Corporate Governance and Nominating Committee in the Company's Corporate Governance Guidelines;
- Oversee compliance with the Company's Corporate Governance Guidelines and Code of Business Conduct and Ethics and report on such compliance to the Board;
- Review and consider any requests for waivers of the Company's Corporate Governance Guidelines or Code of Business Conduct and Ethics for the Company's directors, executive officers, and other senior financial officers and make a recommendation to the Board with respect to such request for a waiver;
- Review potential conflicts of interest involving directors and determine whether such director or directors may vote on any issue as to which there may be a conflict;
- Review all related party transactions and determine whether such transactions are appropriate for the Company to undertake and, if so, approve such transactions;

Review periodically with the Company's counsel, in light of changing conditions, new legislation and other developments, the Company's Code of Business Conduct and Ethics and make recommendations to the Board for such changes as the Corporate Governance and Nominating Committee shall deem appropriate; and

Review executive development and executive succession plans, including succession planning strategies for the Company's senior management positions.

When identifying and evaluating candidates, the Corporate Governance and Nominating Committee first determines whether there are any evolving needs of the Board that require an expert in a particular field. The Corporate Governance and Nominating Committee may retain a third-party search firm to assist the Committee in locating qualified candidates that meet the needs of the Board at that time. Generally, a retained search firm would provide information on a number of candidates, which the Corporate Governance and Nominating Committee would discuss. The Corporate Governance and Nominating Committee Chairman and some or all of the members of the Corporate Governance and Nominating Committee will interview potential candidates that meet the needs of the Board, possess the qualifications sought, and meet the independence standards required by the

NYSE and as set forth by the Company's Corporate Governance Guidelines. The Corporate Governance and Nominating Committee will then recommend the nomination of candidates to the Board. Director nominees may be identified by the Corporate Governance and Nominating Committee through current board members, officers, stockholders, or other persons.

Sections 14 and 15 of Article II of the Bylaws of the Company, entitled "Notice of Nominations for Election to the Board of Directors" and "Additional Requirements for Valid Nomination of Candidates to Serve as Director, and If Elected, to Be Seated as Directors," respectively, set out a detailed procedure for stockholder proposed candidates. The Board has adopted a charter for the Corporate Governance and Nominating Committee, a copy of which is available on our website (www.flotekind.com) and in print to any stockholder who requests it.

Compensation Committee

The Compensation Committee held 9 meetings in 2017. The Compensation Committee's primary functions are to:

- Adopt compensation policies and programs that are consistent with corporate strategy and meet all legal requirements regarding reporting and administration of compensation matters;

- Establish, in conjunction with executive management, the overall compensation strategy of the Company and review such strategy, at least annually, for alignment with the Company's business strategy and with similar programs offered by the Company's competitors;

- Oversee the compensation and benefits programs applicable to all employees of the Company;

- Adopt, amend, or terminate corporate incentive programs (including short-term and long-term incentive and other similar programs), including establishment of performance standards, and determine the funding of such programs relative to previously established performance standards;

- Review the Company's employee benefit plans, including retirement and savings plans, and either recommend plan changes to the Board or amend such plans as appropriate;

- Recommend to the Board the adoption of any new Company employee benefit plan or the termination of any existing employee benefit plan, as appropriate;

- Review, at least annually, the Company's investment strategies around and performance of the Company's 401(k) plans;

- Review and approve, at least annually, corporate goals and objectives relevant to compensation of the Company's executive officers and employees who report directly to the Company's Chief Executive Officer (collectively, the "CEO Direct Reports") and evaluate each executive officer's and CEO Direct Report's performance in light of such goals and objectives;

- Either as a Compensation Committee or in conjunction with the other independent directors (as directed by the

Board), adopt a compensation strategy and determine and approve each executive officer's and CEO Direct Report's salary, bonuses, and other compensation based on the strategy and the evaluation of each executive officer's and CEO Direct Report's performance and considering the results of the most recent shareholder advisory vote on executive compensation;

- Regarding individual executive officer's and CEO Direct Report's compensation, consider a number of factors that include, but are not limited to, the Company's financial and operational performance, relative shareholder return, the value of similar incentive awards to executives at comparable companies, awards given in past years, and the results of the most recent shareholder advisory vote on executive compensation;

- Annually review and approve the annual base salaries and annual short-term and long-term incentive opportunities of the executive officers and CEO Direct Reports;

- Periodically review and approve the following, as they affect executive officers and CEO Direct Reports: elements of compensation other than salaries and annual incentives; employment and severance agreements; change-in-control agreements and change-in-control provisions affecting any element of compensation or benefits; and any special or supplemental compensation and benefits for the executive officers, CEO Direct Reports, and individuals who formerly served as executive officers and CEO Direct Reports;

- Award equity-based awards to executive officers, CEO Direct Reports, and to other employees of the Company pursuant to any plans approved by the Board which by its terms provide for administration by the Compensation Committee;

- Make recommendations to the Board with respect to the compensation of Board members;
- Assure that all compensation policies and programs comply with applicable laws and regulations;
- Review and approve annual performance goals for performance-based compensation, including but not limited to performance goals for performance-based compensation that is intended to be tax deductible under Section 162(m) of the Internal Revenue Code, determine whether the performance goals and objectives are attained, and certify the level of attainment as applicable;
- Review and approve annually the peer group used to assess the competitiveness of the Company's compensation programs, including executive compensation;
- Review the Company's compensation policies and practices to determine whether they encourage excessive risk-taking, discuss annually the relationship between risk management policies and practices and compensation, and evaluate compensation policies and practices that could mitigate any such risk;
- Consider the factors affecting independence set forth in Section 303A.05(c)(iv) of the NYSE Listed Company Manual when selecting or soliciting advice from any external legal counsel, compensation consultants, or

other advisor and evaluate whether any compensation consultant retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K;

Review and approve the frequency that should be recommended to the Company's shareholders with respect to how often the Company shall hold a shareholder advisory vote on executive compensation ("Say on Pay Vote"); review and approve the frequency with which the Company should submit to the shareholders a Say on Pay Vote, taking into consideration any prior Say on Pay Vote on the frequency with which the Company shall hold a Say on Pay Vote; and review the results of the most recent Say on Pay Vote when considering whether to make any adjustments to the Company's executive compensation policies and practices;

Review and discuss the Company's Compensation Discussion and Analysis ("CD&A") and the related executive compensation information and recommend that the CD&A and related executive compensation information be included in the Company's proxy statement and annual report on Form 10-K as required by the rules and regulations of the Securities and Exchange Commission;

Approve the Compensation Committee report on executive officer compensation included in the Company's proxy statement or annual report on Form 10-K as required by the rules and regulations of the Securities and Exchange Commission;

Receive reports on compensation and benefits applicable to all employees; and

Oversee the Company's compliance with, and take any other actions as may be required from time to time by, applicable law, the rules of the NYSE, the rules and regulations of the Securities and Exchange Commission, the Bylaws or the Board, including any requirement that shareholders approve equity compensation plans.

The Board has adopted a charter for the Compensation Committee, a copy of which is available on our website (www.flotekind.com) and in print to any stockholder who requests it.

Special Board Committees

In accordance with the Company's Corporate Governance Guidelines, in addition to established Board Committees, the Board may, from time to time, establish other committees to assist it in carrying out its duties. The duties of each standing committee of the Board are to be spelled-out in a committee charter which is to be periodically reviewed and approved by the Board.

On December 1, 2015, the Company's Board of Directors formed a special committee consisting of five independent members of the Board of Directors to conduct an independent review of (i) the issues raised in a report issued by a third party regarding the accuracy of the Company's FracMax[®] software and efficacy of the Company's CnF[®] completion

chemistries and (ii) any other relevant issues that may arise in connection with (a) the shareholder class action and derivative lawsuits filed against the Company relating to the issues raised in such report and (b) an inquiry which has been opened by the U.S. Securities and Exchange Commission with respect to the issues raised in such report.

On February 8, 2017, the Company announced that the Special Committee has completed its investigation and did not find any evidence of intentional misconduct, fraud, or intent to deceive investors or any evidence that any Flotek director, officer, or employee breached his or her fiduciary duties. The Special Committee concluded that the previously acknowledged errors in the FracMax[®] software most likely resulted from the accidental inclusion of test code by the third-party software developer in the FracMax[®] software that affected the production data for non-CnF wells in Texas within the database. The Special Committee found no evidence that the inclusion of the test code was intentional or designed to manipulate the FracMax[®] data to produce inaccurate results. In addition, the Special Committee found that management generally set a positive "tone at the top." While the Special Committee found no evidence of fraud, the Special Committee did recommend improvements to Flotek's software development and disclosure procedures.

Director Stock Ownership Guidelines

To further promote sustained shareholder return and to ensure that the Company's directors remain focused on both short-term and long-term objectives, the Company has established stock ownership guidelines. See the "Stock Ownership Guidelines" section within "Compensation Discussion and Analysis" for further details regarding our stock ownership guidelines for executives and directors.

Director Compensation

Members of the Board of Directors receive an annual retainer of \$52,000 and additional retainers for serving as a chair or member of a Board committee. Directors do not receive fees for attending Board or committee meetings.

The Lead Director is paid an annual retainer of \$24,000, the chair of the Audit Committee is paid \$32,000, the chair of the Corporate Governance and Nominating Committee is paid \$16,000, and the chair of the Compensation Committee is paid \$20,000. Members of each committee, excluding the chair, receive an annual retainer ranging from \$4,000 to \$8,000, depending on the committee. The Board determines, based on recommendations of the Compensation Committee, retainers to be paid for the chair and any members of special Board committees.

Each non-employee director is also granted a restricted stock award annually, which for 2017 had a fair market value equal to approximately \$125,000 on the date of grant. These shares vest as of the annual stockholders' meeting held in the following year.

Our President and Chief Executive Officer is not compensated for serving on the Board.

The following table provides the 2017 compensation of the non-employee directors.

Name	Board Retainer (1)	Committee and Chair Retainers (1)	Restricted Stock Awards(2)(3)	Option Awards (4)	Total
Kenneth T. Hern	\$76,000	\$ 32,000	\$ 125,008	\$	—\$233,008
John S. Reiland	\$52,000	\$ 44,000	\$ 125,008	\$	—\$221,008
L.V. “Bud” McGuire	\$52,000	\$ 12,000	\$ 125,008	\$	—\$189,008
L. Melvin Cooper	\$52,000	\$ 20,000	\$ 125,008	\$	—\$197,008
Carla S. Hardy	\$52,000				