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
Filed by the Registrant x
Filed by a Party other than the Registrant ¨
Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))

x 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)

Payment of Filing Fee (Check the appropriate box):
x No fee required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4) Proposed maximum aggregate value of transaction:
(5) Total fee paid:
¨ Fee paid previously with preliminary materials.
¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(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.

TABLE OF CONTENTS

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.

1

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

3

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 NGSG,

Inc. (NYSE:NGS), a company specializing in compression technology for the oil and gas industry, since December 2006. He serves on both the Compensation and Governance Committees of NGSG, Inc. In November 2016, Mr. Chisholm was appointed as a non-executive director of Anton Oilfield Services Group (HKEx stock code: 3337), a leading independent integrated oilfield services provider in China. Mr. Chisholm holds a Business Administration degree from Fort Lewis College. Mr. Chisholm's experience related to two start-up companies brings operating and financial expertise to the Board as well as innovative views of leadership.

Name: L. Melvin Cooper

Age: 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.

5

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%.

(a) 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 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.

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

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

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

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

(j) 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 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.

(k) The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055. Spencer Fleming exercises voting and dispositive power over the securities held by BlackRock, Inc. Ownership information originated from the Schedule 13G/A filed with the Securities and Exchange Commission by BlackRock, Inc. on January 19, 2018.

6

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.

9

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%

(1) 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. 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 2017was $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

(1) The Performance Percentage will be the Company's total shareholder return percentile ranking among the peer companies. The Performance Percentage earned between minimum and target and between target and maximum is determined on a linear basis. If the Company fails to perform at the 25^{th} 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				