

Workhorse Group Inc.
Form DEF 14A
October 09, 2018

SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

WORKHORSE GROUP INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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:

Workhorse Group Inc.

2018

NOTICE OF ANNUAL MEETING

AND

PROXY STATEMENT

November 8, 2018

at 10:00 a.m. Eastern Time

100 Commerce Drive
Loveland, Ohio 45140

Workhorse Group Inc.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON NOVEMBER 8, 2018

The 2018 Annual Meeting of Stockholders (the “Annual Meeting”) of Workhorse Group Inc. (“Workhorse” or the “Company”) will be held at 100 Commerce Drive, Loveland, Ohio 45140, on November 8, 2018, at 10:00 a.m. Eastern Time, to consider the following proposals:

- (1) To elect the six director nominees named in the Proxy Statement to hold office until the next annual meeting of stockholders and until their successors are duly elected and qualified;
- (2) To ratify the appointment of Grant Thornton LLP as the Company’s independent auditors for the fiscal year ending December 31, 2018;
- (3) To approve, on an advisory basis, the compensation of the Company’s named executive officers;
- (4) To recommend, on an advisory basis, a one, two or three-year frequency with which the Company should conduct future stockholder advisory votes on named executive officer compensation; and
- (5) To act on such other matters as may properly come before the meeting or any adjournment thereof.

BECAUSE OF THE SIGNIFICANCE OF THESE PROPOSALS TO THE COMPANY AND ITS STOCKHOLDERS, IT IS VITAL THAT EVERY STOCKHOLDER VOTE AT THE ANNUAL MEETING IN PERSON OR BY PROXY.

These proposals are fully set forth in the accompanying Proxy Statement which you are urged to read thoroughly. For the reasons set forth in the Proxy Statement, your Board of Directors recommends a vote “FOR” Proposals 1 through 3 and a vote for a three-year frequency with which the Company should conduct future stockholder advisory votes on named executive officer compensation. A list of all stockholders entitled to vote at the Annual Meeting will be available at the principal office of the Company during usual business hours for examination by any stockholder for any purpose germane to the Annual Meeting for 10 days prior to the date thereof. Stockholders are cordially invited to attend the Annual Meeting. If you plan to attend the Annual Meeting in person, please be sure to bring your proxy card and photo identification. However, whether or not you plan to attend the meeting in person, your shares should be represented and voted. After reading the enclosed Proxy Statement, please sign, date, and return promptly the enclosed Proxy in the accompanying postpaid envelope we have provided for your convenience or vote via the Internet as instructed herein to ensure that your shares will be represented.

You may wish to provide your response electronically through the Internet by following the instructions set out on the enclosed Proxy Card. If you do attend the meeting and wish to vote your shares personally, you may revoke your Proxy.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held November 8, 2018. In addition to the copies you have received, the Proxy Statement and our 2017 Annual Report on Form 10-K/A to Stockholders are available at: <https://materials.proxyvote.com/98138J>.

By Order of the Board of Directors

/s/ Raymond Chess
Raymond Chess
Chairman of the Board of Directors

WHETHER OR NOT YOU PLAN ON ATTENDING THE MEETING IN PERSON, PLEASE VOTE AS PROMPTLY AS POSSIBLE TO ENSURE THAT YOUR VOTE IS COUNTED.

Workhorse Group Inc.
100 Commerce Drive

Loveland, Ohio 45140

(513) 297-3640

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Workhorse Group Inc. (“Workhorse” or the “Company”) to be voted at the Annual Meeting of Stockholders (the “Annual Meeting”) which will be held at our corporate offices located at 100 Commerce Drive, Loveland, Ohio 45140 on November 8, 2018, at 10:00 a.m. Eastern Time, and at any postponements or adjournments thereof. The proxy materials will be furnished to stockholders on or about October 5, 2018.

REVOCABILITY OF PROXY AND SOLICITATION

Any stockholder executing a proxy that is solicited hereby has the power to revoke it prior to the voting of the proxy. Revocation may be made by attending the Annual Meeting and voting the shares of stock in person, or by delivering to the Chief Financial Officer of the Company at the principal office of the Company prior to the Annual Meeting a written notice of revocation or a later-dated, properly executed proxy. Solicitation of proxies may be made by directors, officers and other employees of the Company by personal interview, telephone, facsimile transmittal or electronic communications. No additional compensation will be paid for any such services. This solicitation of proxies is being made by the Company, which will bear all costs associated with the mailing of this Proxy Statement and the solicitation of proxies.

RECORD DATE

Stockholders of record at the close of business on September 21, 2018, will be entitled to receive notice of, attend and vote at the Annual Meeting.

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Why am I receiving these materials?

Workhorse Group Inc. has furnished these materials to you by mail, in connection with the Company's solicitation of proxies for use at the Annual Meeting of Stockholders to be held on November 8, 2018, at 10:00 a.m. local time at our corporate office located at 100 Commerce Drive, Loveland, Ohio 45140. These materials have also been made available to you on the Internet. These materials describe the proposals on which the Company would like you to vote and also give you information on these proposals so that you can make an informed decision. We are furnishing our proxy materials on or about October 5, 2018 to all stockholders of record entitled to vote at the Annual Meeting.

What is included in these materials?

These materials include:

this Proxy Statement for the Annual Meeting; and

the Company's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2017.

What is the proxy card?

The proxy card enables you to appoint Stephen S. Burns, our Chief Executive Officer, and Paul Gaitan, our Chief Financial Officer, as your representatives at the Annual Meeting. By completing and returning a proxy card, you are authorizing these individuals to vote your shares at the Annual Meeting in accordance with your instructions on the proxy card. This way, your shares will be voted whether or not you attend the Annual Meeting.

What is the purpose of the Annual Meeting?

At our Annual Meeting, stockholders will act upon the matters outlined in the Notice of Annual Meeting on the cover page of this Proxy Statement, including (i) the election of six persons named herein as nominees for directors of the Company, to hold office subject to the provisions of the bylaws of the Company, until the next annual meeting of stockholders and until their successors are duly elected and qualified; (ii) ratification of the appointment of Grant Thornton LLP as the Company's independent auditors for the fiscal year ending December 31, 2018; (iii) to approve, on an advisory basis, the compensation of the Company's named executive officers and (iv) to recommend, on an advisory basis, a one, two or three-year frequency with which the Company should conduct future stockholder advisory votes on named executive officer compensation. In addition, management will report on the performance of the Company during fiscal year 2017 and respond to questions from stockholders.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of the number of shares of common stock issued and outstanding on the record date will constitute a quorum permitting the meeting to conduct its business. As of the record date, there were 56,270,934 shares of Workhorse common stock issued and outstanding. Thus, the presence of the holders of common stock representing at least 28,191,738 votes will be required to establish a quorum.

What is the difference between a stockholder of record and a beneficial owner of shares held in street name?

Most of our stockholders hold their shares in an account at a brokerage firm, bank or other nominee holder, rather than holding share certificates in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially in street name.

How can I get electronic access to the proxy materials?

The Notice provides you with instructions regarding how to:

view the Company's proxy materials for the Annual Meeting on the Internet;

request hard copies of the materials; and

instruct the Company to send future proxy materials to you electronically by email.

Choosing to receive future proxy materials by email will save the Company the cost of printing and mailing documents to you and will reduce the impact of the Company's annual meetings on the environment. If you choose to receive future proxy materials by email, you will receive an email message next year with instructions containing a link to those materials and a link to the proxy voting website. Your election to receive proxy materials by email will remain in effect until you terminate it.

Stockholder of Record

If on September 21, 2018, your shares were registered directly in your name with our transfer agent, Empire Stock Transfer, Inc., you are considered a stockholder of record with respect to those shares, and the Notice of Annual Meeting and Proxy Statement was sent directly to you by the Company. As the stockholder of record, you have the right to direct the voting of your shares by returning the proxy card to us. Whether or not you plan to attend the Annual Meeting, if you do not vote over the Internet, please complete, date, sign and return a proxy card to ensure that your vote is counted.

Beneficial Owner of Shares Held in Street Name

If on September 21, 2018, your shares were held in an account at a brokerage firm, bank, broker-dealer, or other nominee holder, then you are considered the beneficial owner of shares held in “street name,” and the Notice of Annual Meeting & Proxy statement was forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As the beneficial owner, you have the right to instruct that organization on how to vote the shares held in your account. However, since you are not the stockholder of record, you may not vote these shares in person at the Annual Meeting unless you receive a valid proxy from the organization.

How do I vote?

Stockholders of Record. If you are a stockholder of record, you may vote by any of the following methods:

Via the Internet. You may vote by proxy via the Internet by following the instructions provided on the enclosed Proxy Card.

By Mail. You may vote by completing, signing, dating and returning your proxy card in the pre-addressed, postage-paid envelope provided.

In Person. You may attend and vote at the Annual Meeting. The Company will give you a ballot when you arrive. You must bring valid photo identification such as your driver’s license or passport and may be requested to provide proof of stock ownership as of the record date.

Beneficial Owners of Shares Held in Street Name. If you are a beneficial owner of shares held in street name, you may vote by any of the following methods:

Via the Internet. You may vote by proxy via the Internet by following the instructions provided on the enclosed Proxy Card.

By Mail. You may vote by proxy by filling out the vote instruction form and returning it in the pre-addressed, postage-paid envelope provided.

In Person. If you are a beneficial owner of shares held in street name and you wish to vote in person at the Annual Meeting, you must obtain a legal proxy from the organization that holds your shares. You must bring valid photo identification such as your driver's license or passport.

What are abstentions and broker non-votes?

While the inspector of elections will treat shares represented by proxies that reflect abstentions or include "broker non-votes" as shares that are present and entitled to vote for purposes of determining the presence of a quorum, abstentions or "broker non-votes" do not constitute a vote "for" or "against" any matter and thus will be disregarded in any calculation of "votes cast." However, abstentions and "broker non-votes" will have the effect of a negative vote if an item requires the approval of a majority of a quorum or of a specified proportion of all issued and outstanding shares.

Brokers holding shares of record for customers generally are not entitled to vote on "non-routine" matters, unless they receive voting instructions from their customers (*see What happens if I do not give specific voting instructions*). As used herein, "uninstructed shares" means shares held by a broker who has not received voting instructions from its customers on a proposal. A "broker non-vote" occurs when a nominee holding uninstructed shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that non-routine matter.

What happens if I do not give specific voting instructions?

Stockholders of Record. If you are a stockholder of record and you:

indicate when voting on the Internet that you wish to vote as recommended by the Board of Directors, or

sign and return a proxy card without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by the Board of Directors on all matters presented in this Proxy Statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the Annual Meeting.

Beneficial Owners of Shares Held in Street Name. If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on routine matters, but not on non-routine matters. Under New York Stock Exchange (“NYSE”) rules, if your shares are held by a member organization, as that term is defined under NYSE rules, responsibility for making a final determination as to whether a specific proposal constitutes a routine or non-routine matter rests with that organization, or third parties acting on its behalf.

What are the Board’s recommendations?

The Board’s recommendation is set forth together with the description of each item in this Proxy Statement. In summary, the Board recommends a vote:

for election of the six director nominees named in the Proxy Statement to hold office until the next annual meeting of stockholders and until their successors are duly elected and qualified;

for ratification of the appointment of Grant Thornton LLP as the Company’s independent auditors for the fiscal year ending December 31, 2018;

to approve, on an advisory basis, the compensation of the Company’s named executive officers; and

to recommend, on an advisory basis, a three-year frequency with which the Company should conduct future stockholder advisory votes on named executive officer compensation

With respect to any other matter that properly comes before the Annual Meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion.

How are proxy materials delivered to households?

Only one copy of the Company's Annual Report on Form 10-K/A for the fiscal year ending December 31, 2017 and this Proxy Statement will be delivered to an address where two or more stockholders reside with the same last name or who otherwise reasonably appear to be members of the same family based on the stockholders' prior express or implied consent.

We will deliver promptly upon written or oral request a separate copy of the Company's Annual Report on Form 10-K/A for the fiscal year ending December 31, 2017 and this Proxy Statement. If you share an address with at least one other stockholder, currently receive one copy of our Annual Report on Form 10-K/A and Proxy Statement at your residence, and would like to receive a separate copy of our Annual Report on Form 10-K/A and Proxy Statement for future stockholder meetings of the Company, please specify such request in writing and send such written request to Workhorse Group Inc., 100 Commerce Drive, Loveland, Ohio 45140; Attention: Chief Financial Officer.

Interest of Officers and Directors in matters to be acted upon

Except for the election to our Board of the six nominees and Proposals 3 and 4, to the extent such proposals are on a non-binding advisory basis, as set forth herein, none of our officers or directors has any interest in any of the matters to be acted upon at the Annual Meeting.

How much stock is owned by 5% stockholders, directors, and executive officers?

The following table sets forth the number of shares known to be beneficially owned by all persons who own at least 5% of Workhorse's outstanding common stock, the Company's directors, the Company's executive officers, and the directors and executive officers as a group as of September 21, 2018, unless otherwise noted. Unless otherwise indicated, the stockholders listed in the table have sole voting and investment power with respect to the shares indicated.

| Name of Beneficial Owner (1) | | Common Stock Beneficially Owned | Percentage of Common stock (2) | |
|--|------|--|---|---|
| Joseph T. Lukens 2558 Western Row Rd. Maineville, Ohio 45039 | (3) | 8,779,439 | 15.3 | % |
| Stephen D. Baksa 2 Wood Lane Chatham, New Jersey 07928 | (4) | 3,389,442 | 6.0 | % |
| Stephen S. Burns | (5) | 2,454,244 | 4.2 | % |
| Benjamin Samuels | (6) | 1,223,800 | 2.2 | % |
| Julio Rodriguez | (7) | 492,271 | * | |
| Duane Hughes | (8) | 467,000 | * | |
| Paul Gaitan | (9) | 200,000 | * | |
| Raymond Chess | (10) | 180,000 | * | |
| Gerald Budde | (11) | 153,382 | * | |
| Harry DeMott | (12) | 50,000 | * | |
| Michael Clark | (13) | 50,000 | * | |

* Less than 1%.

(1) Except as otherwise indicated, the address of each beneficial owner is c/o Workhorse Group Inc, 100 Commerce Drive, Loveland, Ohio 45140.

Applicable percentage ownership is based on 56,270,934 shares of common stock outstanding as of September 21, 2018. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common (2) stock that are currently exercisable or exercisable within 60 days of September 21, 2018 are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Represents (i) 7,417,203 shares of common stock held by the New Era Capital Fund, L.P. (“New Era”) for which New Era Capital LLC (“NEC”) is the general partner (Mr. Lukens is the managing member of NEC); (ii) 154,871 shares of common stock held directly by The Joe & Kim Lukens Foundation; (iii) 25,000 shares of common stock (3) held directly by the Joseph T. Lukens, Jr. Irrevocable Trust for Nathan J. Lukens; (iv) 25,000 shares of common stock held directly by the Joseph T. Lukens, Jr. Irrevocable Trust for Roman E. Lukens; (v) 585,936 shares of common stock underlying warrants held by the New Era and (vi) 571,429 shares of common stock underlying warrants.

- (4) Represents (i) 3,358,421 shares of common stock held directly by the Mr. Baksa; and (ii) 31,000 shares of common stock held by the Stephen D. Baksa 2012 Trust F/B/O Sarah E. Marra, F/B/O Brian S. Baksa.

Represents (i) 812,804 shares of common stock held by Mr. Burns, (ii) 50,000 shares of common stock held by Mr. Burns' wife, (iii) a stock option to acquire 10,000 shares of common stock at \$7.21 per share, (iv) a stock option to acquire 40,000 shares of common stock at \$4.99 per share, (v) a stock option to acquire 50,000 shares of common stock at \$1.75 per share, (vi) a stock option to acquire 50,000 shares of common stock at \$1.40 per share, (vii) a (5) stock option to acquire 281,440 shares of common stock at \$0.10 per share, (viii) a stock option to acquire 40,000 shares of common stock at \$2.90 per share, (ix) a stock option to acquire 30,000 shares of common stock at \$1.10 per share, (x) a stock option to acquire 30,000 shares of common stock at \$7.20 per share, (xi) a stock option to acquire 60,000 shares of common stock at \$4.00 per share and (xii) a common stock purchase to acquire 1,000,000 shares of common stock at \$5.28 per share.

Represents (i) 765,094 shares of common stock held by Samuel 2012 Children's Trust UAD 10/28/12 (the "Trust"), (ii) 18,382 shares held personally, (iii) a common stock purchase warrant to acquire 237,467 shares of common stock at an exercise price of \$5.28 per share held by the Trust, (iv) a common stock purchase warrant to acquire (6) 142,857 shares of common stock at an exercise price of \$5.28 per share held by the Trust, (v) a stock option to acquire 50,000 shares of common stock at \$7.01 per share and (vi) a stock option to acquire 10,000 shares of common stock at \$7.21 per share. Mr. Samuels is a trustee of the Trust.

Represents (i) a stock option to acquire 300,000 shares of common stock at \$5.28 per share, (ii) a stock option to acquire 22,000 shares of common stock at \$7.21 per share, (iii) a stock option to acquire 25,000 shares of common stock at \$4.99 per share, (iv) a stock option to acquire 25,000 shares of common stock at \$1.75 per share, (v) a (7) stock option to acquire 15,000 shares of common stock at \$1.40 per share, (vi) a stock option to acquire 49,323 shares of common stock at \$0.10 per share, (vii) a stock option to acquire 4,110 shares of common stock at \$0.10 per share, (viii) a stock option to acquire 20,000 shares of common stock at \$0.10 per share, and (ix) a stock option to acquire 30,000 shares of common stock at \$4.00 per share.

Represents (i) a stock option to acquire 67,000 shares of common stock at \$4.75 per share, (ii) a stock option to acquire 400,000 shares of common stock at \$5.28 per share, (iii) a stock option to acquire 22,000 shares of (8) common stock at \$7.21 per share, (iv) a stock option to acquire 25,000 shares of common stock at \$4.99 per share and (v) a stock option to acquire 20,000 shares of common stock at \$1.75 per share.

(9) Represents a stock option to acquire 200,000 shares of common stock at \$2.74 per share.

(10) Represents (i) a stock option to acquire 10,000 shares of common stock at \$2.50 per share, (ii) a stock option to acquire 10,000 shares of common stock at \$7.21 per share, (iii) a stock option to acquire 10,000 shares of common stock at \$4.99 per share, (iv) a stock option to acquire 10,000 shares of common stock at \$1.75 per share, (v) a stock option to acquire 10,000 shares of common stock at \$1.40 per share, (vi) a stock option to acquire 40,000 shares of common stock at \$0.10 per share, (vii) a stock option to acquire 30,000 shares of common stock at \$0.10 per share, (viii) a stock option to acquire 50,000 shares of common stock at \$2.60 per

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share and (ix) a stock option to acquire 10,000 shares of common stock at \$2.50 per share.

Represents (i) 93,382 shares of common stock held by the Gerald B. Budde Living Trust dated 9/8/2004, (ii) (11) stock option to acquire 50,000 shares of common stock at an exercise price of \$7.01 per share and (iii) a common stock purchase warrant to acquire 10,000 shares of common stock at \$7.21 per share.

(12) Represents a stock option to acquire 50,000 shares of common stock at \$8.20 per share.

(13) Represents a stock option to acquire 50,000 shares of common stock at \$1.10 per share.

INFORMATION ABOUT THE BOARD OF DIRECTORS

The Board of Directors oversees our business and affairs and monitors the performance of management. In accordance with corporate governance principles, the Board does not involve itself in day-to-day operations. The directors keep themselves informed through discussions with the Chief Executive Officer and other key executives, visits to the Company's facilities, by reading the reports and other materials that we send them and by participating in Board and committee meetings. Each director's term will continue until the election and qualification of his or her successor, or his or her earlier death, resignation or removal. Biographical information about our directors is provided in "Proposal No. 1 — Proposal for the Election of Five Directors" on page 23. Except as set forth in this Proxy Statement, none of our directors held directorships in other reporting companies or registered investment companies at any time during the past five years. Our Board currently consists of six persons, all of whom have been nominated by the Company to stand for re-election.

| Name | Age | Position |
|----------------------------|-----|--|
| Raymond J. Chess (1)(2*) | 59 | Director, Chairman |
| Harry DeMott (2)(3*) | 50 | Director |
| H. Benjamin Samuels (1)(3) | 51 | Director |
| Gerald B. Budde (1*)(2)(3) | 57 | Director |
| Stephen S. Burns | 59 | Director, Chief Executive Officer, and Treasurer |
| Michael L. Clark | 47 | Director |

(1) Audit Committee

(2) Nominating and Corporate Governance Committee

(3) Compensation Committee

* Committee Chair

Involvement in Certain Legal Proceedings

There are currently no legal proceedings, and during the past 10 years there have been no legal proceedings, that are material to the evaluation of the ability or integrity of any of our directors or director nominees.

Board meetings during fiscal 2017

During 2017, the Board of Directors held six meetings. Each director attended all of the meetings of the Board and the all of the meetings held by all committees on which such director served. The Board also approved certain actions by unanimous written consent.

Committees established by the Board

The Board of Directors has standing Audit, Compensation, and Nominating and Corporate Governance Committees. Information concerning the function of each Board committee follows.

Audit Committee

We have a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Our board of directors has determined that the members are all “independent directors” as defined by the rules of The NASDAQ Stock Market, Inc. applicable to members of an audit committee and Rule 10A-3(b)(i) under the Exchange Act. In addition, Mr. Budde is an “audit committee financial expert” as defined in Item 407(d)(5) of Regulation S-K and demonstrates “financial sophistication” as defined by the rules of The NASDAQ Stock Market, Inc. The Audit Committee is appointed by our board of directors to assist our board of directors in monitoring (1) the integrity of our financial statements, (2) our compliance with legal and regulatory requirements, and (3) the independence and performance of our internal and external auditors. The Audit Committee’s principal functions include:

reviewing our annual audited financial statements with management and our independent auditors, including major issues regarding accounting and auditing principles and practices and financial reporting that could significantly affect our financial statements;

reviewing our quarterly financial statements with management and our independent auditor prior to the filing of our Quarterly Reports on Form 10-Q, including the results of the independent auditors' reviews of the quarterly financial statements;

recommending to the board of directors the appointment of, and continued evaluation of the performance of, our independent auditor;

approving the fees to be paid to our independent auditor for audit services and approving the retention of our independent auditor or other independent accountants for non-audit services and all fees for such services;

reviewing periodic reports from our independent auditor regarding our auditor's independence, including discussion of such reports with the auditor;

reviewing the adequacy of our overall control environment, including internal financial controls and disclosure controls and procedures; and

reviewing with our management and legal counsel legal matters that may have a material impact on our financial statements or our compliance policies and any material reports or inquiries received from regulators or governmental agencies.

During 2017, the audit committee met four times. A copy of the Audit Committee's charter is posted on the Company's website at www.workhorse.com in the "Investors" section of the website.

Meetings may be held from time to time to consider matters for which approval of our Board of Directors is desirable or is required by law.

Compensation Committee

Our compensation committee consists of Harry DeMott, Gerald Budde and Benjamin Samuels. Our board of directors has determined that each of the members are an "independent director" as defined by the rules of The NASDAQ Stock Market, Inc. applicable to members of a compensation committee. The Compensation Committee is responsible for establishing the compensation of our senior management, including salaries, bonuses, termination arrangements, and other executive officer benefits as well as director compensation. The Compensation Committee also administers our equity incentive plans. During 2017, the Compensation Committee met one time. The Compensation Committee is governed by a written charter approved by the board of directors. A copy of the Compensation Committee's charter is posted on the Company's website at www.workhorse.com in the "Investors" section of the website. The Compensation Committee works with the Chairman of the Board and Chief Executive Officer and reviews and approves compensation decisions regarding senior management including compensation levels and equity incentive awards. The Compensation Committee also approves employment and compensation agreements with our key personnel and directors. The Compensation Committee has the power and authority to conduct or authorize studies, retain

independent consultants, accountants or others, and obtain unrestricted access to management, our internal auditors, human resources and accounting employees and all information relevant to its responsibilities.

The responsibilities of the Compensation Committee, as stated in its charter, include the following:

review and approve the Company's compensation guidelines and structure;

review and approve on an annual basis the corporate goals and objectives with respect to compensation for the Chief Executive Officer;

review and approve on an annual basis the evaluation process and compensation structure for the Company's other officers, including salary, bonus, incentive and equity compensation; and

periodically review and make recommendations to the Board of Directors regarding the compensation of non-management directors.

The Compensation Committee is responsible for developing the executive compensation philosophy and reviewing and recommending to the Board of Directors for approval all compensation policies and compensation programs for the executive team.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Raymond Chess, Gerald Budde and Harry DeMott. Our board of directors has determined that each of the members of the Governance Committee is an “independent director” as defined by the rules of The NASDAQ Stock Market, Inc. The Governance Committee is generally responsible for recommending to our full board of directors policies, procedures, and practices designed to help ensure that our corporate governance policies, procedures, and practices continue to assist the board of directors and our management in effectively and efficiently promoting the best interests of our stockholders. The Governance Committee is also responsible for selecting and recommending for approval by our board of directors and our stockholders a slate of director nominees for election at each of our annual meetings of stockholders, and otherwise for determining the board committee members and chairmen, subject to board of directors ratification, as well as recommending to the board director nominees to fill vacancies or new positions on the board of directors or its committees that may occur or be created from time to time, all in accordance with our bylaws and applicable law. The Governance Committee’s principal functions include:

developing and maintaining our corporate governance policy guidelines;

developing and maintaining our codes of conduct and ethics;

overseeing the interpretation and enforcement of our Code of Conduct and our Code of Ethics for Chief Executive Officer and Senior Financial and Accounting Officers;

evaluating the performance of our board of directors, its committees, and committee chairmen and our directors; and

selecting and recommending a slate of director nominees for election at each of our annual meetings of the stockholders and recommending to the board director nominees to fill vacancies or new positions on the board of directors or its committees that may occur from time to time.

During 2017, the Governance Committee met one time. The Governance Committee is governed by a written charter approved by our board of directors. A copy of the Governance Committee’s charter is posted on the Company’s website at www.workhorse.com in the “Investors” section of the website. In identifying potential independent board of directors candidates with significant senior-level professional experience, the Governance Committee solicits candidates from the board of directors, senior management and others and may engage a search firm in the process. The Governance Committee reviews and narrows the list of candidates and interviews potential nominees. The final candidate is also introduced and interviewed by the board of directors and the lead director if one has been appointed. In general, in considering whether to recommend any particular candidate for inclusion in our board of directors’ slate of recommended director nominees, the Governance Committee will apply the criteria set forth in our corporate governance guidelines. These criteria include the candidate’s integrity, business acumen, commitment to understanding

our business and industry, experience, conflicts of interest and the ability to act in the interests of our stockholders.

Further, specific consideration is given to, among other things, diversity of background and experience that a candidate would bring to our board of directors. The Governance Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow our board of directors to fulfill its responsibilities. Stockholders may recommend individuals to the Governance Committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials to our Governance Committee. Assuming that appropriate biographical and background material has been provided on a timely basis, the Governance Committee will evaluate stockholder recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others.

Nomination of Directors

As provided in its charter, the Nominating and Corporate Governance Committee is responsible for identifying individuals qualified to become directors. The Nominating and Corporate Governance Committee seeks to identify director candidates based on input provided by a number of sources including (1) the Nominating and Corporate Governance Committee members, (2) our other directors, (3) our stockholders, (4) our Chief Executive Officer or Chair of the Board, and (5) third parties such as service providers. In evaluating potential candidates for director, the Nominating and Corporate Governance Committee considers the entirety of each candidate's credentials.

Qualifications for consideration as a director nominee may vary according to the particular areas of expertise being sought as a complement to the existing composition of the Board of Directors. However, at a minimum, candidates for director must possess:

high personal and professional ethics and integrity;

the ability to exercise sound judgment;

the ability to make independent analytical inquiries;

a willingness and ability to devote adequate time and resources to diligently perform Board and committee duties;
and

the appropriate and relevant business experience and acumen.

The Nominating and Corporate Governance Committee will consider nominees recommended by stockholders if such recommendations are made in writing to the committee. The Nominating and Corporate Governance Committee does not plan to change the manner in which the committee evaluates nominees for election as a director based on whether the nominee has been recommended by a stockholder or otherwise.

The Nominating and Corporate Governance Committee does not have a formal policy relating to diversity among directors. In considering new nominees and whether to re-nominate existing members of the Board, the committee seeks to achieve a Board with strengths in its collective knowledge and a broad diversity of perspectives, skills and business and professional experience. Among other items, the committee looks for a range of experience in strategic planning, sales, finance, executive leadership, industry and similar attributes.

At least a majority of the directors on the Board must be Independent Directors as this term is defined in the rules of THE NASDAQ STOCK MARKET, INC.

Board Leadership Structure and Role in Risk Oversight

The Company has separated the positions of Chair of the Board of Directors and Chief Executive Officer. Given the demanding nature of these positions, the Board believes it is appropriate to separate the positions of Chair and Chief Executive Officer. Our Chair presides over all meetings of the Board of Directors, including executive sessions when held. He briefs the Chief Executive Officer on issues arising in executive sessions and communicates frequently with him on matters of importance. He has responsibility for shaping the Board's agenda and consults with all directors to ensure that the board agendas and board materials provide the Board with the information needed to fulfill its responsibilities. From time to time he may also represent the Company in interactions with external stakeholders at the discretion of the Board.

The Board of Directors has determined that each of our current directors, except for Mr. Burns, is an "independent director" as that term is defined in the listing standards of THE NASDAQ STOCK MARKET, INC. The Board of Directors has also determined that each member of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee meets the independence standards applicable to those committees prescribed by THE NASDAQ STOCK MARKET, INC. and the SEC. In making this decision, the Board considered all relationships between the Company and the directors. The Board determined each such relationship, and the aggregate of such relationships, to be immaterial to the applicable director's ability to exercise independent judgment.

Our Board has overall responsibility for risk oversight. The oversight is conducted primarily through committees of the Board of Directors, as disclosed in each of the descriptions of each of the committees above and in the charters of each of the committees, but the full Board of Directors has retained responsibility for general oversight of risks.

Stockholder Communications

Stockholders requesting communication with directors can do so by writing to Workhorse Group Inc., c/o Chief Financial Officer, 100 Commerce Drive, Loveland, Ohio 45140 or emailing to paul.gaitan@workhorse.com. At this time we do not screen communications received and would forward any requests directly to the named director. If no director was named in a general inquiry, the Chief Financial Officer would contact either the Chair of the Board of Directors or the chairperson of a particular committee, as appropriate. We do not provide the physical address, email address, or phone numbers of directors to outside parties without a Director's permission.

Code of Ethics and Business Conduct

We have adopted a Code of Ethics and Business Conduct that applies to all of our directors, officers and employees including our Chief Executive Officer and Chief Financial Officer and principal accounting officer. The Code of Ethics and Business Conduct is posted on our website at <http://www.workhorse.com>.

COMPENSATION OF DIRECTORS

The following table sets forth compensation information for our non-employee directors for the year ended December 31, 2017.

| Name | Fees Earned or Paid in Cash \$ | Stock Awards \$ | Option Awards \$ | Non-equity Incentive Plan Compensation \$ | Change in Pension Value and Non-Qualified Deferred Compensation Earnings \$ | All Other Compensation \$ | Total \$ |
|---------------|--|-----------------------|------------------------|--|--|---------------------------------|-------------|
| Raymond Chess | 40,000 | - | - | - | - | - | 40,000 |

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| | | | | | | |
|------------------|--------|---|---|---|---|--------|
| Benjamin Samuels | 40,000 | - | - | - | - | 40,000 |
| Gerald Budde | 40,000 | - | - | - | - | 40,000 |
| Stephen S. Burns | 40,000 | - | - | - | - | 40,000 |
| Harry DeMott | 40,000 | - | - | - | - | 40,000 |

On October 24, 2013, Raymond J. Chess was appointed as a director of the Company. Prior to joining the Board of Directors, Mr. Chess served on our advisory board pursuant to which he received a stock option to acquire 10,000 shares of common stock at an exercise price of \$2.50 per share. On October 24, 2013, Mr. Chess entered into a letter agreement with the Company pursuant to which he was appointed as a director of the Company in consideration of an annual fee of \$40,000. Additionally, the Company granted Mr. Chess options to purchase 50,000 shares of the Company's common stock at \$2.60 per share. The options will expire five years from the vesting period with 10,000 options vesting upon the signing of the agreement and 4,000 every six months thereafter for a total of 50,000 shares. In addition, for services as a director Mr. Chess has received a stock option to acquire 70,000 shares of common stock at \$0.10 per share on July 1, 2014, a stock option to acquire 10,000 shares of common stock at \$1.40 per share on December 19, 2014 and a stock option to acquire 10,000 shares of common stock at \$1.75 per share on August 13, 2015. On February 3, 2016, Mr. Chess was granted an option to acquire 10,000 shares at an exercise price of \$4.99 per share. On August 16, 2016, Mr. Chess was granted an option to acquire 10,000 shares at an exercise price of \$7.21 per share.

On December 17, 2015, Messrs. Budde and Samuels entered into letter agreements with the Company pursuant to which they were each appointed as directors of the Company in consideration of an annual fee of \$40,000. Additionally, the Company granted Messrs. Budde and Samuels options to purchase 50,000 shares of the Company's common stock at \$7.01 per share. The options will expire five years from the vesting period with 10,000 options vesting upon the signing of the agreement and 4,000 every June 30 and December 31 thereafter for a total of 50,000 shares. On August 16, 2016, Messrs. Budde and Samuels were each granted options to purchase 10,000 shares of the Company's common stock at \$7.21 per share. The options will expire five years from the vesting period with 2,500 options vesting upon the signing of the agreement and 2,500 every six months thereafter for a total of 10,000 shares.

On September 14, 2016, Mr. DeMott entered into a letter agreement with the Company pursuant to which he was appointed as a director of the Company in consideration of an annual fee of \$40,000. Additionally, the Company granted Mr. DeMott an option to purchase 50,000 shares of the Company's common stock at \$8.20 per share. The option will expire five (5) years from the vesting period with 10,000 options vesting upon the signing of the agreement and 4,000 every June 30 and December 31 thereafter for a total of 50,000 shares.

On September 28, 2018, Mr. Clark entered into letter agreements with the Company pursuant to which he was appointed as director of the Company in consideration of an annual fee of \$40,000. Additionally, the Company granted Mr. Clark options to purchase 50,000 shares of the Company's common stock at \$1.10 per share. The options will expire five years from the vesting period with 10,000 options vesting upon the signing of the agreement and 4,000 every June 30 and December 31 thereafter for a total of 50,000 shares.

The Company's compensation policy for the above directors was based on comparisons of other companies' remunerations made to their Chairman and other directors and the value of their expertise to the Company.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee, on behalf of our Board of Directors, serves as an independent and objective party to monitor and provide general oversight of the integrity of our consolidated financial statements, our independent registered public accounting firm's qualifications and independence, the performance of our independent registered public accounting firm and our standards of business conduct. The Audit Committee performs these oversight responsibilities in accordance with its Audit Committee Charter.

Our management is responsible for preparing our consolidated financial statements and managing our financial reporting process. Our independent registered public accounting firm is responsible for expressing an opinion on the

conformity of our audited consolidated financial statements to generally accepted accounting principles in the United States of America. The Audit Committee met with our independent registered public accounting firm, with and without management present, to discuss the results of their examinations and the overall quality of our financial reporting.

In this context, the Audit Committee reviewed and discussed our audited consolidated financial statements for the year ended December 31, 2017 with management and with our independent registered public accounting firm. The Audit Committee has discussed with our independent registered public accounting firm the matters required to be discussed by the statement on PCAOB AS 16 (Communications with Audit Committees), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, which includes, among other items, matters related to the conduct of the audit of our annual consolidated financial statements.

The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding such independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm its independence from us and our management.

Based on its review of the audited financial statements and the various discussions noted above, the Audit Committee recommended to our Board of Directors that our audited consolidated financial statements be included in our Annual Report on Form 10-K/A for the year ended December 31, 2017.

Respectfully submitted by the Audit Committee,

Gerald Budde, Chair

Raymond Chess

Benjamin Samuels

The foregoing Audit Committee Report does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other filing of our Company under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except to the extent we specifically incorporate this Audit Committee Report by reference therein.

INFORMATION ABOUT THE EXECUTIVE OFFICERS

The executive officers are appointed annually by our Board of Directors and hold office until their successors are elected and duly qualified unless otherwise specified in an individual’s employment agreement. There are no family relationships between any of our directors or executive officers. The current executive officers of the Company, and their ages as of September 21, 2018 are as follows:

| Name | Age | Position |
|------------------|------------|--|
| Stephen S. Burns | 59 | Chief Executive Officer, Treasurer and Secretary |
| Duane Hughes | 54 | Chief Operating Officer and President |
| Paul Gaitan | 58 | Chief Financial Officer |

Biographical information regarding our executive officers as of September 21, 2018 is set forth below:

Stephen S. Burns, Director, Chief Executive Officer, Treasurer and Secretary

Mr. Burns is a Co-Founder in the Company and has served as the Company’s CEO since inception. Mr. Burns was appointed as CEO, and Secretary of the Company on December 28, 2009. Mr. Burns had founded several companies, including iTookThisOnMyPhone.com, a mobile photo and video-sharing technology company, MobileVoiceControl, Inc. a developer of high-end speech recognition software for smartphones sold to Nuance Communications (NASDAQ:NUAN), Inc. in 2006, AskMeNow [OTC:AKMN] a mobile search and information delivery system sold to Ocean West Holdings in 2005, PocketScript, the leading mobile electronic prescription system in the world which was sold to ZixCorp [NASDAQ:ZIXI] in 2002, Over The Line/AdLink, sold to Gannett Co. Inc. (NYSE:GCI) in 1994 and the design and development of Suspension Parameter Measurement Machines.

Duane Hughes, Chief Operating Officer and President

Mr. Hughes is a senior-level executive with more than 20 years experience including direct business relationships in the automotive, advertising, and technology segments. Prior to joining Workhorse/AMP Electric Vehicles, Mr. Hughes served as Chief Operating Officer for Cumulus Interactive Technologies Group. As COO, Mr. Hughes was responsible for managing the company's day-to-day sales and operations. He was responsible for all operations of the business unit. Prior to Cumulus ITG, Mr. Hughes spent nearly fifteen years in senior management positions with Gannett Co., Inc., including his duties as Vice President of Sales and Operations for Gannett Media Technologies International.

Paul Gaitan, Chief Financial Officer

Mr. Gaitan is a finance executive with over 30 years of experience working for manufacturing companies in the automotive, building products and consumer products space. Paul has led business integrations, developed strategy, and implemented advanced product costing approaches. He has held roles such as Production Manager, Controller, VP of Finance and CFO driving change by addressing both systems and personnel. Paul works collaboratively to design and deliver insightful information that leads to high quality decisions by the executive team. He earned a bachelor of science degree in finance from the University of Southern California and an MBA from the Stanford Graduate School of Business.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Oversight of Executive Compensation Program

Compensation Committee.

Our compensation committee consists of Harry DeMott, Gerald Budde and Benjamin Samuels. Our board of directors has determined that each of the members are an “independent director” as defined by the rules of The NASDAQ Stock Market, Inc. applicable to members of a compensation committee. The Compensation Committee is responsible for establishing the compensation of our senior management, including salaries, bonuses, termination arrangements, and other executive officer benefits as well as director compensation. The Compensation Committee also administers our equity incentive plans. During 2017, the Compensation Committee meet one time. The Compensation Committee is governed by a written charter approved by the board of directors. A copy of the Compensation Committee’s charter is posted on the Company’s website at www.workhorse.com in the “Investors” section of the website. The Compensation Committee works with the Chairman of the Board and Chief Executive Officer and reviews and approves compensation decisions regarding senior management including compensation levels and equity incentive awards. The Compensation Committee also approves employment and compensation agreements with our key personnel and directors. The Compensation Committee has the power and authority to conduct or authorize studies, retain independent consultants, accountants or others, and obtain unrestricted access to management, our internal auditors, human resources and accounting employees and all information relevant to its responsibilities.

The responsibilities of the Compensation Committee, as stated in its charter, include the following:

- review and approve the Company’s compensation guidelines and structure;

- review and approve on an annual basis the corporate goals and objectives with respect to compensation for the Chief Executive Officer;

- review and approve on an annual basis the evaluation process and compensation structure for the Company’s other officers, including salary, bonus, incentive and equity compensation; and

- periodically review and make recommendations to the Board of Directors regarding the compensation of non-management directors.

The Compensation Committee is responsible for developing the executive compensation philosophy and reviewing and recommending to the Board of Directors for approval all compensation policies and compensation programs for the executive team.

Overview of Executive Compensation

The Company recognizes that people are our primary asset and our principal source of competitive advantage. In order to recruit, motivate and retain the most qualified individuals as senior executive officers, the Company strives to maintain an executive compensation program that is competitive in the commercial transportation industry, which is a competitive, global labor market.

The Compensation Committee's compensation objective is designed to attract and retain the best available talent while efficiently utilizing available resources. The Compensation Committee compensates executive management primarily through base salary and equity compensation designed to be competitive with comparable companies, and to align management's compensation with the long-term interests of shareholders. In determining executive management's compensation, the Compensation Committee also takes into consideration the financial condition of the Company and discussions with the executive.

In order to accomplish our goals and to ensure that the Company's executive compensation program is consistent with its direction and business strategy, the compensation program for our senior executive officers is based on the following objectives:

to attract, motivate, retain and reward a knowledgeable and driven management team and to encourage them to attain and exceed performance expectations within a calculated risk framework; and

to reward each executive based on individual and corporate performance and to incentivize such executives to drive the organization's current growth and sustainability objectives.

The following key principles guide the Company's overall compensation philosophy:

compensation is designed to align executives to the critical business issues facing the Company;

compensation should be fair and reasonable to shareholders and be set with reference to the local market and similar positions in comparable companies;

an appropriate portion of total compensation should be equity-based, aligning the interests of executives with shareholders; and

compensation should be transparent to the Board of Directors, executives and shareholders.

Compensation Elements and Rationale

There are two basic components to the Company's executive compensation program: base salary and long-term incentive equity compensation. The Compensation Committee determined that it would continue evaluating and evolving the compensation program design against best market practices as the Company experiences further growth. We intend to add short-term incentive cash awards in the near future.

Base Salary

Base salary is the foundation of the compensation program and is intended to compensate competitively relative to comparable companies within our industry and the marketplace where we compete for talent. Base salary is a fixed component of the compensation program and is used as the base to determine elements of incentive compensation and benefits.

Long-Term Incentive (Equity)

The Company's long-term incentive program provides for the granting of stock options to executive officers to both motivate executive performance and retention, as well as to align executive officer performance to shareholder value creation. In awarding long-term incentives, the Company compares the long-term incentive program to that of comparable companies within our industry and evaluates such factors as the number of options available under its Stock Incentive Plan and the number of options outstanding relative to the number of shares outstanding. The Company has historically sought to award stock options on a competitive basis based on a comparison with comparable companies.

Each long-term incentive grant is based on the level of the position held and overall market competitiveness. The Compensation Committee takes into consideration previous grants when it considers new grants of options.

The Board of Directors fixes the exercise price of stock options at the time of the grant based on the market price on the Nasdaq.

During the year ended December 2017, long-term equity incentive plan awards were awarded to the executive officers in the form of stock options.

Our Board of Directors adopted the Company's 2017 Stock Incentive Plan. On August 7, 2017 our shareholders ratified the 2017 Stock Incentive Plan.

The following table summarizes the pay mix for the executive officers and illustrates the percentage of fixed versus at-risk pay for the fiscal year ended December 31, 2017:

| Name and Principal Position | Base Salary | | Stock Options (LTIP) | |
|---|-------------|---|----------------------|---|
| Stephen S. Burns CEO and Director | 15 | % | 85 | % |
| Duane Hughes President and Chief Operating Officer | 24 | % | 76 | % |
| Paul Gaitan Chief Financial Officer | 38 | % | 62 | % |

Non-Cash Compensation

The Company provides standard health benefits to its executives, including medical, dental and disability insurance.

The Company's non-cash compensation is intended to provide a similar level of benefits as those provided by comparable companies within our industry.

Review of Executive Officer Performance

On an annual basis, the Compensation Committee reviews the overall compensation package for our executive officers and evaluates executive officer performance relative to corporate goals. The Compensation Committee has the opportunity to meet with the executive officers at various times throughout the year, which assists the Compensation Committee in forming its own assessment of each individual's performance. The executive officers are not present during voting or deliberations of the Compensation Committee relating to executive compensation.

In determining the compensation for the executive officers, the Compensation Committee considers compensation paid to executive officers of other companies within the industry, the executive's performance in meeting goals, the complexity of the management position and the experience of the individual. During 2017, the Company's operations were still in development and no significant portion of the executive's pay was linked to performance goals.

Executive and Director Compensation

Director Compensation

On October 24, 2013, Raymond J. Chess was appointed as a director of the Company. Prior to joining the Board of Directors, Mr. Chess served on our advisory board pursuant to which he received a stock option to acquire 10,000 shares of common stock at an exercise price of \$2.50 per share. On October 24, 2013, Mr. Chess entered into a letter agreement with the Company pursuant to which he was appointed as a director of the Company in consideration of an annual fee of \$40,000. Additionally, the Company granted Mr. Chess options to purchase 50,000 shares of the Company's common stock at \$2.60 per share. The options will expire five years from the vesting period with 10,000 options vesting upon the signing of the agreement and 4,000 every six months thereafter for a total of 50,000 shares. In addition, for services as a director Mr. Chess has received a stock option to acquire 70,000 shares of common stock at \$0.10 per share on July 1, 2014, a stock option to acquire 10,000 shares of common stock at \$1.40 per share on December 19, 2014 and a stock option to acquire 10,000 shares of common stock at \$1.75 per share on August 13, 2015. On February 3, 2016, Mr. Chess was granted an option to acquire 10,000 shares at an exercise price of \$4.99 per share. On August 16, 2016, Mr. Chess was granted an option to acquire 10,000 shares at an exercise price of \$7.21 per share.

On December 17, 2015, Messrs. Budde and Samuels entered into letter agreements with the Company pursuant to which they were each appointed as directors of the Company in consideration of an annual fee of \$40,000. Additionally, the Company granted Messrs. Budde and Samuels options to purchase 50,000 shares of the Company's common stock at \$7.01 per share. The options will expire five years from the vesting period with 10,000 options vesting upon the signing of the agreement and 4,000 every June 30 and December 31 thereafter for a total of 50,000 shares. On August 16, 2016, Messrs. Budde and Samuels were each granted options to purchase 10,000 shares of the Company's common stock at \$7.21 per share. The options will expire five years from the vesting period with 2,500 options vesting upon the signing of the agreement and 2,500 every six months thereafter for a total of 10,000 shares.

On September 14, 2016, Mr. DeMott entered into a letter agreement with the Company pursuant to which he was appointed as a director of the Company in consideration of an annual fee of \$40,000. Additionally, the Company granted Mr. DeMott an option to purchase 50,000 shares of the Company's common stock at \$8.20 per share. The option will expire five (5) years from the vesting period with 10,000 options vesting upon the signing of the agreement and 4,000 every June 30 and December 31 thereafter for a total of 50,000 shares.

On September 28, 2018, Mr. Clark entered into letter agreements with the Company pursuant to which he was appointed as director of the Company in consideration of an annual fee of \$40,000. Additionally, the Company granted Mr. Clark options to purchase 50,000 shares of the Company's common stock at \$1.10 per share. The options will expire five years from the vesting period with 10,000 options vesting upon the signing of the agreement and 4,000 every June 30 and December 31 thereafter for a total of 50,000 shares.

The Company's compensation policy for the above directors was based on comparisons of other companies' remunerations made to their Chairman and other directors and the value of their expertise to the Company.

Executive Compensation

Messrs. Burns, Hughes and Gaitan are retained according to employment agreements with our Company, and each individuals' compensation for serving as an executive officer of the Company is disclosed below in the "Summary Compensation Table". The compensation committee is presently contemplating amending and/or restating the employment agreements to provide for a uniform structure and in order to appropriately update such agreements.

The Company's compensation policy for each of the above parties is based on comparisons of other companies' remunerations made to each of the respective positions and the value of each executive's expertise to the Company.

Pension Benefits

None.

Non-Qualified Deferred Compensation

None.

Retirement, Resignation or Termination Plans

Each of the Company's executive employment agreements with Messrs. Burns, Hughes and Gaitan contemplates the case of termination due to various provisions whereby the named executive officers will receive severance payments, as described below.

Compensation and Risk

We do not believe that our compensation policies and practices are reasonably likely to have a material adverse effect on us. We have taken steps to ensure our executive compensation program does not incentivize risk outside the Company's risk appetite. Some of the key ways that we currently manage compensation risk are as follows:

appointed a Compensation Committee which is composed entirely of independent directors to oversee the executive compensation program;

the use of deferred equity compensation in the form of stock options to encourage a focus on long-term corporate performance versus short-term results; and

disclosure of executive compensation to stakeholders;

Consideration of Most Recent Shareholder Advisory Vote on Executive Compensation

As required by Section 14A of the Exchange Act, at our 2017 Annual Meeting of Stockholders our stockholders voted, in an advisory manner, on a proposal to approve our named executive officer compensation. This was our most recent stockholder advisory vote to approve named executive officer compensation. The proposal was approved by our stockholders, receiving approximately 72% of the vote of the stockholders present in person or represented by proxy and voting at the meeting. We considered this vote to be a ratification of our current executive compensation policies and decisions and, therefore, did not make any significant changes to our executive compensation policies and decisions based on the vote.

Compensation Committee Interlocks and Insider Participation

No person who served as a member of our Compensation Committee during Fiscal 2017 was a current or former officer or employee of our Company or engaged in certain transactions with our Company required to be disclosed by regulations of the SEC. Additionally, during Fiscal 2017 there were no Compensation Committee "interlocks," which generally means that no executive officer of our Company served: (a) as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity which had an executive officer serving as a member of our Company's Compensation Committee; (b) as a director of another entity which had an executive officer serving as a member of our Company's Compensation Committee; or (c) as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity which had an executive officer serving as a director of our Company.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the foregoing compensation discussion and analysis with Company management. Based on that review and those discussions, the Compensation Committee recommended to the Board of Directors that the compensation discussion and analysis be included in this Annual Report. This report is provided by the following independent directors, who comprise the Compensation Committee: Harry DeMott, Benjamin Samuels and Gerald Budde.

The followin