ORION ENERGY SYSTEMS, INC.
Form DEF 14A
July 18, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant 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))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Orion Energy Systems, 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:

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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:

July 18, 2017

Dear Fellow Shareholders:

Our 2017 Annual Meeting of Shareholders will be held on Wednesday, August 30, 2017, at 1:00 p.m., Central Time, on the 40th Floor of the U.S. Bank Center, located at 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202.

Like the last two years, we have made access to our meeting easier due to the growing number of our institutional shareholders across the country and the world. So, rather than having to attend our meeting in person, you will be able to listen to our meeting live via the internet. We will broadcast the meeting as a live audio webcast through our website, www.orionlighting.com, and a replay will be available on our website during the month of September. Also, if you desire to ask an appropriate question at the meeting of our Board of Directors, management or auditors, you may do so by submitting your question in writing by Friday, August 25, 2017 to Nicole Passini (npassini@oesx.com).

Despite access to our audio webcast, if you still desire to attend the meeting in person, you will need to comply with our admission procedures. All shareholders as of the meeting record date, July 6, 2017, may attend the meeting, but must have an admission badge and photo identification in order to enter. You may request an admission badge by sending a request via mail or e-mail using the following contact information:

Orion Energy Systems, Inc.

2210 Woodland Drive

Manitowoc, Wisconsin 54220

Attn: Nicole Passini

npassini@oesx.com

(920) 892-5423

In order to allow sufficient time for us to mail you an admission badge, your request must be received prior to 5:00 p.m., Central Time, on Friday, August 25, 2017. Admission badges will only be distributed via mail and will not be available for pick-up at the Annual Meeting.

If you are a shareholder of record (your shares are held in your name) as of the meeting record date, you must write your name on the request exactly as it appears on your stock ownership records from Wells Fargo Shareowner Services. If you are a beneficial shareholder (your shares are held through a broker, bank or nominee) as of the meeting record date, you must provide current evidence of your ownership of shares as of the meeting record date with your admission request, which you can obtain from your broker, bank or nominee. No person will be allowed entry into the meeting if such person is deemed by the Company, in its discretion, to be a potential disruption to the meeting or a potential danger to the health or safety of other meeting participants.

We hope that by making access to our annual meeting easier through our website we ll be able to reach a broader audience to hear about the exciting progress we are making at Orion.

Sincerely,

Michael W. Altschaefl
Chief Executive Officer and Board Chair

Orion Energy Systems, Inc.

2210 Woodland Drive

Manitowoc, Wisconsin 54220

(800) 660-9340

NOTICE OF 2017 ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders of Orion Energy Systems, Inc.:

Our 2017 Annual Meeting of Shareholders will be held on Wednesday, August 30, 2017, at 1:00 p.m., Central Time, on the 40th Floor of the U.S. Bank Center, located at 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202.

As we did the last two years, we have made access to our meeting easier for all of our shareholders. So, rather than having to attend our meeting in person, you will be able to listen to our meeting live via the internet. We will broadcast the meeting as a live audio webcast through our website, www.orionlighting.com, and a replay will be available on our website during the month of September. Despite access to our audio webcast, if you still desire to attend the meeting in person, you will need to comply with our admission procedures. All shareholders as of the meeting record date, July 6, 2017, may attend the meeting, but must have an admission badge and photo identification in order to enter. You may request an admission badge by following the procedure described in the accompanying proxy statement.

At the annual meeting, as we describe in the accompanying proxy statement, we will ask you to vote on the following matters:

1. the election of two nominees named in the attached proxy statement as Class III directors to serve for a term expiring at the 2019 annual meeting of shareholders and two nominees named in the attached proxy statement as Class I directors to serve for a term expiring at the 2020 annual meeting of shareholders, and, in each case, until their successors have been duly elected and qualified;

2. an advisory vote to approve the compensation of our named executive officers as disclosed in the accompanying proxy statement;

3. an advisory vote on the frequency of future advisory stockholder votes on the compensation of our named executive officers;

4. the ratification of BDO USA, LLP to serve as our independent registered public accounting firm for our fiscal year 2018; and

5. such other business as may properly come before the annual meeting, or any adjournment or postponement thereof.

You are entitled to vote at the annual meeting only if you were a shareholder of record at the close of business on July 6, 2017. A proxy statement and proxy card are enclosed. Whether or not you expect to attend the annual meeting, it is important that you promptly complete, sign, date and submit the proxy card via internet, telephone or mail in accordance with its instructions so that you may vote your shares. **If you hold your shares in a brokerage account, you should be aware that, if you do not instruct your broker how to vote, your broker will not be permitted to vote your shares for the election of directors, on the advisory vote to approve the compensation of our named executive officers or on the advisory vote on the frequency of future advisory stockholder votes on the compensation of our named executive officers. Therefore, you must affirmatively take action to vote your shares at our annual meeting. If you do not, your shares will not be voted on these items.**

By order of the Board of Directors:

Michael W. Altschaefl
Chief Executive Officer and Board Chair

Manitowoc, Wisconsin

July 18, 2017

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on August 30, 2017. The Orion Energy Systems, Inc. proxy statement for the 2017 Annual Meeting of Shareholders and the 2017 Annual Report to Shareholders are available at www.proxyvote.com.

Our Annual Report on Form 10-K is enclosed with this notice and proxy statement.

PROXY STATEMENT

FOR THE 2017 ANNUAL MEETING OF SHAREHOLDERS

To be Held August 30, 2017

We are providing these proxy materials to you because our board of directors is soliciting proxies for use at our 2017 Annual Meeting of Shareholders to be held on Wednesday, August 30, 2017, at 1:00 p.m., Central Time, on the 40th Floor of the U.S. Bank Center, located at 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202, and at any adjournment or postponement thereof (which we refer to collectively as our annual meeting), for the purposes set forth in the attached Notice of 2017 Annual Meeting of Shareholders and as described herein. We either (i) mailed you a notice of internet availability of our proxy materials on or before July 18, 2017 notifying each shareholder entitled to vote at the annual meeting how to vote and how to electronically access a copy of this proxy statement and form or proxy or (ii) mailed you a printed copy of such proxy materials and a proxy card in paper format.

This year, we are using the notice and access system adopted by the SEC relating to the delivery of our proxy materials over the internet. The SEC s notice and access rules allow us to deliver our proxy materials to our shareholders by posting the materials on an internet website, notifying shareholders of the availability of our proxy materials on the internet and sending paper copies of our proxy materials upon shareholder request. We believe that the notice and access rules allow us to use internet technology that many shareholders prefer, continue to provide our shareholders with the information that they need and, at the same time, ensure more prompt delivery of our proxy materials. The notice and access rules also lower our cost of printing and delivering our proxy materials and minimize the environmental impact of printing paper copies.

As a result, we mailed to many of our shareholders a notice of internet availability of our proxy materials instead of a paper copy of our proxy materials. Shareholders who received the notice will have the ability to access our proxy materials over the internet and to request a paper copy of our proxy materials by mail, by e-mail or by telephone. Instructions on how to access our proxy materials over the internet or to request a paper copy may be found on the notice. In addition, the notice contains instructions on how shareholders may request our proxy materials in printed form by mail or electronically by e-mail on an ongoing basis. The notice of internet availability of our proxy materials also serves as a notice of meeting.

Like the last two years, we have made access to our meeting easier due to the growing number of our institutional shareholders across the country and the world. Rather than having to attend our meeting in person, you will be able to listen to our meeting live via the internet. We will broadcast the meeting as a live audio webcast through our website, www.orionlighting.com, and a replay will be available on our website during the month of September. Also, if you desire to ask an appropriate question at the meeting of our board of directors, management or auditors, you may do so by submitting your question in writing by Friday, August 25, 2017 to Nicole Passini (npassini@oesx.com). Despite access to our audio webcast, if you still desire to attend the meeting in person, you will need to comply with our admission procedures. All shareholders as of the meeting record date, July 6, 2017, may attend the meeting, but must have an admission badge and photo identification in order to enter. You may request an admission badge by sending a request via mail or e-mail using the following contact information:

Orion Energy Systems, Inc.

2210 Woodland Drive

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In order to allow sufficient time for us to mail you an admission badge, your request must be received prior to 5:00 p.m., Central Time, on Friday, August 25, 2017. Admission badges will only be distributed via mail and will not be available for pick-up at the annual meeting.

If you are a shareholder of record (your shares are held in your name) as of the meeting record date, you must write your name on the request exactly as it appears on your stock ownership records from Wells Fargo Shareowner Services. If you are a beneficial shareholder (your shares are held through a broker, bank or nominee) as of the meeting record date, you must provide current evidence of your ownership of shares as of the meeting record date with your admission request, which you can obtain from your broker, bank or nominee. No person will be allowed entry into the meeting if such person is deemed by us, in our discretion, to be a potential disruption to the meeting or a potential danger to the health or safety of other meeting participants.

Execution of a proxy will not affect your right to attend the annual meeting and to vote in person, nor will your presence revoke a previously submitted proxy. You may revoke a previously submitted proxy at any time before the annual meeting by giving written notice of your intention to revoke the proxy to our board secretary, by notifying the appropriate personnel at the registration desk at the annual meeting in writing or by voting in person upon entry to the annual meeting. Unless revoked, the shares represented by proxies received by our board of directors will be voted at the annual meeting in accordance with the instructions thereon. If no instructions are specified on a proxy, the votes represented thereby will be voted: (1) for the board s four director nominees set forth below; (2) for the advisory vote to approve the compensation of our named executive officers as disclosed in the Compensation Discussion and Analysis section and the executive compensation tables set forth below in this proxy statement; (3) for holding the advisory vote on the compensation of our named executive officers every year; (4) for ratification of BDO USA, LLP to serve as our independent registered public accounting firm for our fiscal year 2018; and (5) on such other matters that may properly come before the annual meeting in accordance with the best judgment of the persons named as proxies. Our board of directors has designated Michael W. Altschaefl and William T. Hull, and each or any of them, as proxies to vote the shares of common stock solicited on its behalf.

IMPORTANT: If you hold your shares in a brokerage account, you should be aware that, if you do not instruct your broker how to vote, your broker will not be permitted to vote your shares for the election of directors, the advisory vote to approve the compensation of our named executive officers or the advisory vote on the frequency of future advisory shareholder votes on the compensation of our named executive officers. Therefore, you must affirmatively take action to vote your shares at our annual meeting. If you do not, your shares will not be voted on these items.

The four nominees receiving the highest vote totals of the eligible shares of our common stock, no par value per share (Common Stock), will be elected as our directors. With regard to the election of directors, votes may be cast in favor or withheld; votes that are withheld will be excluded entirely from the vote and will have no effect. The advisory vote to approve the compensation of our named executive officers and the appointment of BDO USA, LLP to serve as our independent registered public accounting firm for our fiscal year 2018 will be approved if the votes cast in favor of approval exceed the votes cast against approval. The frequency of the advisory vote on the compensation of our named executive officers receiving the greatest number of votes cast in favor of such frequency, whether every year, every two years or every three years, will be the frequency of the advisory vote on executive compensation that shareholders are deemed to have approved. Abstentions and broker non-votes will be counted for purposes of determining the presence of a quorum but will be disregarded in the calculation of votes cast.

Only holders of record of shares of our Common Stock as of the close of business on July 6, 2017 (the Record Date) are entitled to vote at the annual meeting. As of the Record Date, we had 30,688,583 shares of Common Stock outstanding and entitled to vote. The record holder of each share of Common Stock outstanding on the Record Date is entitled to one vote per share on each matter submitted for shareholder consideration at the annual meeting. In order for us to validly transact business at the annual meeting, we must have a quorum present. A majority of the votes of the shares of Common Stock entitled to be cast, or shares representing at least 15,344,292 votes, will represent a quorum for the purposes of the annual meeting.

WE INTEND TO BEGIN MAKING THIS PROXY STATEMENT AND THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS AVAILABLE TO SHAREHOLDERS ON OR ABOUT JULY 18, 2017.

RETIRING DIRECTOR TRIBUTE

We would like to formally extend our gratitude to three members of our board of directors who are retiring at the annual meeting, for their years of service and contributions to our company, our board and our shareholders. We extend our sincere appreciation for their valued service, guidance, advice and dedication to our company and wish each of them the best in their future endeavors.

James R. Kackley

12 Years of Service as a Director

Non-Executive Chairman of the Board (2010-2016);

Former President and Chief Operating Officer (2009-2010)

Elizabeth Gamsky Rich

7 years of Service as a Director

Chair of the Nominating and Corporate Governance Committee

Member of the Compensation Committee

Kenneth L. Goodson, Jr.

4 Years of Service as a Director

Chair of the Compensation Committee

Member of the Audit and Finance Committee

PROPOSAL ONE:

ELECTION OF DIRECTORS

We maintain a staggered board of directors divided into three classes. Currently, there are four directors in Class I (2014-2017) (Ms. Rich and Messrs. Kackley, Potts and Goodson), three directors in Class II (2015-2018) (Messrs. Altschaefl, Otten and Williamson), no directors in Class III (2016-2019) and one director whose class will be assigned in connection with the election of directors at the annual meeting (Ms. Richstone). In addition, we have nominated Mr. Young to serve as a new Class I (2017-2020) director at the annual meeting. Each director generally serves for a term ending on the date of the third annual shareholders meeting following the annual shareholders meeting at which such director s class was most recently elected and until his or her successor is duly elected and qualified.

In connection with the election of directors at the annual meeting, our board of directors is continuing its planned restructuring with the intent to create a board that is smaller, more nimble and better able to address important issues with greater speed and lower cost. This board restructuring plan began last year when, at our 2016 annual meeting, each of Thomas N. Schueller. Tryg C. Jacobson and James D. Leslie retired as then serving members of our board of directors and our board and committee structure was reorganized to reflect the decrease in the number of our directors. This year, each of Ms. Rich and Messrs. Kackley and Goodson have, in consultation with the board of directors, voluntarily agreed not to stand for re-election and will retire at the annual shareholders meeting.

We have also nominated two new directors to serve on our board of directors. During 2017, we appointed Ms. Richstone to our board of directors and are asking our shareholders to confirm her appointment by electing her as a Class I (2017-2020) director at the annual meeting. In addition, we have nominated Mr. Young for election as a Class I (2017-2020) director at the annual meeting. We believe that the breadth and diversity of Ms. Richstone s and Mr. Young s experience and expertise will provide us with fresh perspectives in the boardroom, while continuing to allow us to further our plan to create a smaller, more flexible board of directors.

We believe that the changes to the size and composition of our board of directors described above will result in a more streamlined and effective corporate governance structure that will better utilize our continuing directors multi-disciplinary expertise through greater individual involvement and participation in the operation of our board of directors and its committees. Further, we believe that these changes will allow our board to operate at a lower cost to us, while providing our board with increased flexibility to respond to the challenges and opportunities that we face.

At the annual meeting, the terms of all four of our current Class I (2014-2017) directors will expire. As discussed above, Ms. Rich and Messrs. Goodson and Kackley will retire at the annual meeting. In addition, our board of directors currently does not have any Class III (2016-2019) directors as a result of the recent retirement from our board of John H. Scribante, our former chief executive officer and director. In order to maintain an evenly balanced staggered board, our nominating and corporate governance committee and our board has nominated Mr. Otten to serve as Class III (2016-2019) director following the annual meeting and have nominated Ms. Richstone and Mr. Young to serve as Class I (2017-2020) directors following the annual meeting. In addition, Mr. Potts has agreed to remain on the board following his announced retirement as our chief risk officer and executive vice president on August 30, 2017 and will be nominated to serve as Class III (2016-2019) director following the annual meeting.

Accordingly, assuming Ms. Richstone and Messrs. Otten, Potts and Young are elected at the annual meeting, Messrs. Potts and Otten will have their current class designations changed to Class III and our board will then have two directors in Class II (2015-2018) (Messrs. Altschaefl and Williamson), with terms expiring at the 2018 annual shareholders meeting, two directors in Class III (2016-2019) (Messrs. Potts and Otten), with terms expiring at the 2019 annual shareholders meeting and two directors in Class I (2017-2020) (Ms. Richstone and Mr. Young), with terms expiring at the 2020 annual shareholders meeting. In addition, effective upon the election of directors at the annual meeting, the size of the board will be reduced from eight to six directors. Information about each of our director nominees is set forth below.

The following tables set forth the structure of the board of directors both before and after the annual meeting, assuming that Ms. Richstone and Messrs. Otten, Potts and Young are elected to the board of directors at the annual meeting:

		Board Structure Prior to Annual Meeting			
Board Members	**Class**	**Reelection Year**	**Audit and Finance Committee**	**Nominating & Corporate Governance Committee**	**Compensation Committee**
Ken Goodson	I (2014-2017)	2017	X		X (Chair)
Jim Kackley	I (2014-2017)	2017	X	X	
Mike Potts	I (2014-2017)	2017			
Elizabeth Rich	I (2014-2017))	2017		X (Chair)	X
Ellen B. Richstone	(To be designated)	2017	X(Chair)		
Mike Altschaefl, *Board Chair*	II (2015-2018)	2018			
Tony Otten, *Lead Director*	II (2015-2018)	2018	X	X	
Mark Williamson	II (2015-2018)	2018	X		X

		Board Structure Following Annual Meeting			
Board Members	**Class**	**Reelection Year**	**Audit and Finance Committee**	**Nominating & Corporate Governance Committee**	**Compensation Committee**
Mike Altschaefl, *Board Chair*	II (2015-2018)	2018			
Mark Williamson	II (2015-2018)	2018	X		X (Chair)
Mike Potts	III (2016-2019)	2019			
Tony Otten, *Lead Director*	III (2016-2019)	2019	X	X	X
Kenneth Young	I (2017-2020)	2020		X (Chair)	X
Ellen B. Richstone	I (2017-2020)	2020	X(Chair)	X	

The individuals named as proxy voters in the accompanying proxy, or their substitutes, will vote for the board s nominees with respect to all proxies we receive unless instructions to the contrary are provided. If any nominee becomes unavailable for any reason, the votes will be cast for a substitute nominee designated by our board. Our directors have no reason to believe that any of the nominees named below will be unable to serve if elected.

The following sets forth certain information, as of July 17, 2017, about each of the board s nominees for election at the annual meeting and each director of our company whose term will continue after our annual meeting.

Nominees For Election at the Annual Meeting

Class III Directors (2016-2019) Terms Expiring 2019

Michael J. Potts, 53, became our chief risk officer and executive vice president in April 2017 and has announced plans to retire from such positions on August 30, 2017. Prior to becoming our chief risk officer and executive vice president, Mr. Potts served as our president and chief operating officer from July 2010 until March 2017 and as an executive vice president from 2003 until July 2010. Mr. Potts has served as a director since 2001. Mr. Potts joined our company as our vice president technical services in 2001. Prior to joining our company, Mr. Potts founded Energy Executives Inc., a consulting firm that assisted large energy-consuming clients on energy issues. From 1988 through 2001, Mr. Potts was employed by Kohler Co., one of the world s largest manufacturers of plumbing products. From 1990 through 1999 he held the position of supervising engineer energy in Kohler s energy and utilities department. In 2000, Mr. Potts assumed the position of supervisor energy management group of Kohler s entire corporate energy portfolio, as well as the position of general manager of its natural gas subsidiary. We believe that Mr. Potts experiences in leadership roles in our company and in the energy industry, his public affairs experience and his engineering background qualify him for service as a director of our company. Our nominating and governance committee and our board have nominated Mr. Potts as a Class III (2016-2019) director in order to preserve our staggered board as a result of the restructuring of our board as described above. Accordingly, assuming he is elected, Mr. Potts designation will change from Class I (2017-2020) to Class III (2016-2019) following the annual meeting.

Anthony L. Otten, 61, has served as a director since August 2015. In June 2017, Mr. Otten was appointed as our lead independent director. Mr. Otten has served as chief executive officer of Versar, Inc. since February 2010 and has served as a member of the board of directors of Versar, Inc. since 2008. Mr. Otten previously served as managing member of Stillwater, LLC from July 2009 to February 2010; operating partner of New Stream Asset Funding, LLC from 2007 to June 2009; managing member of Stillwater, LLC from 2004 to 2007 and principal of Grisanti, Galef and Goldress, Inc. from 2001 to 2004. Previously, Mr. Otten held senior management positions with Cabot Corporation and Marriott Corporation. We believe that Mr. Otten s experience as a chief executive officer of a public company, capital markets expertise and merger and acquisition experience qualify him for service as a director of our company. We further believe that Mr. Otten s leadership experience and contributions to our board qualify him to serve as our lead director. Our nominating and governance committee and our board have nominated Mr. Otten as a Class III (2016-2019) director in order to preserve our staggered board as a result of the restructuring of our board as described above. Accordingly, assuming he is elected, Mr. Otten s designation will change from Class II (2015-2018) to Class III (2016-2019) following the annual meeting.

Class I Directors (2017-2020) Terms Expiring 2020

Kenneth M. Young, 53, has served as president and chief executive officer of Lightbridge Communications Corporation and LCC International, Inc., the largest independent wireless engineering services and network management company in the world, since 2008. Prior to his role as president and chief executive officer, Mr. Young was chief operating officer and chief marketing officer of LCC International, Inc. from 2006 to 2008. Mr. Young has served as a member of the board of directors of Globalstar, Inc., a provider of mobile satellite services since September 2015 and as a member of the board of directors of Proxim Wireless Corporation, a provider of wireless network technologies, since December 2016. He also has served on the board of Special Diversified Opportunities Inc. from March 2015 until May 2017, where he served on the compensation committee, and served on the board of B. Riley Financial, Inc. from December 2014 to September 2016, where he was chair of the audit committee and served on the compensation and governance committees. Mr. Young has over 27 years of experience in the telecommunications industry. Mr. Young s relationships are at the highest level within North American and international cable and wireless companies and he has also led the development of an international consumer wireless application company, developed international consumer and business-to-business brand strategies, created a Fortune 500 enterprise sales operation, as well as leading a unique program designed to create and market consumer and business-to-business products using SBC, BellSouth and Cingular Wireless assets and resources. We believe that Mr. Young s experience in leadership positions at telecommunications companies and his executive, operational, strategic and financial expertise qualify him for service as a director of our company.

Ellen B. Richstone, 65, was appointed by our board as a director in May 2017. Ms. Richstone was the chief financial officer of several public and private companies between 1989 and 2012, including Rohr Aerospace, a Fortune 500 company. From 2002 to 2004, Ms. Richstone was the president and chief executive officer of the Entrepreneurial Resources Group. From 2004 until its sale in 2007, Ms. Richstone served as the financial expert on the board of directors of American Power Conversion. Ms. Richstone currently serves on the boards of three other public companies: eMagin Corporation, Superior Industries International and BioAmber Inc. She currently chairs the audit committee of eMagin Corporation, Superior Industries International and BioAmber Inc. Ms. Richstone has prior experience on both public and private boards and is currently on the board of the National Association of Corporate Directors in New England. Ms. Richstone s past public board service includes American Power Conversion (sold), Everyware Global (taken private) and Parnell Pharmaceuticals Holdings Ltd. (moved to Australia). In April 2013, Ms. Richstone was given the first annual Distinguished Director Award from the Corporate Directors Group (now the American College of Corporate Directors). Ms. Richstone graduated from Scripps College in Claremont California and holds graduate degrees from the Fletcher School of Law and Diplomacy at Tufts University. Ms. Richstone also completed the Advanced Professional Certificate in Finance at New York University s Graduate School of Business Administration and attended the Executive Development program at Cornell University s Business School. Ms. Richstone holds an Executive Master s Certification in Director Governance from the American College of Corporate Directors. We believe that Ms. Richstone s financial expertise and her experience as a seasoned executive and board member qualify her for service as a director of our company.

RECOMMENDATION OF THE BOARD: The board of directors recommends a vote FOR the above director nominees.

Directors Continuing in Office

Class II Directors (2015-2018) Terms Expiring 2018

Michael W. Altschaefl, 58, was appointed as our chief executive officer on May 25, 2017 and has served as a director since October 2009. Mr. Altschaefl has served as our board chair since August 2016. Prior to his appointment as our chief executive officer, Mr. Altschaefl served as the president of Still Water Partners, Inc., a private investment firm, since August 2013 and as president of E-S Plastic Products LLC, a custom manufacturer of plastic injection parts, since November 2013. In connection with his appointment as our chief executive officer, Mr. Altschaefl transitioned to the role of chairman at both Still Water Partners, Inc. and E-S Plastic Products LLC. Previously, Mr. Altschaefl served as the vice president strategy and business development of Shiloh Industries, Inc., a public company and leading independent manufacturer of advanced metal product solutions for high volume applications in the North American automotive, heavy truck, trailer and consumer markets from January 2013 until October 2013. Mr. Altschaefl was an owner and chief executive officer of Albany-Chicago Company LLC, a custom die cast and machined components company when Shiloh Industries purchased the company in December 2012. Mr. Altschaefl is a certified public accountant. Prior to acquiring Albany-Chicago Company LLC in 2008, Mr. Altschaefl worked for 27 years with two international independent registered public accounting firms, including 16 years as a partner. We believe that Mr. Altschaefl s experience in leadership positions at manufacturing companies and his background as an accountant qualify him for service as our chief executive officer, director and board chair.

Mark C. Williamson, 63, has served as a director since April 2009 and was our lead independent director from October 2009 through May 2013. Mr. Williamson has been a partner of Putnam Roby Williamson Communications of Madison, Wis., a strategic communications firm specializing in energy utility matters, since 2008. He has more than 20 years of executive-level utility experience. Prior to joining Putnam Roby Williamson Communications, Mr. Williamson was vice president of major projects for American Transmission Company from 2002 to 2008, served as executive vice president and chief strategic officer with Madison Gas and Electric Company from 1986 to 2002 and, prior to 1986, was a trial attorney with the Madison firm Geisler and Kay S.C. We believe that Mr. Williamson s background in the energy utility industry and in management positions qualify him for service as a director of our company.

We strongly encourage our directors to attend our annual meeting, and it is expected that they will do so. Ten of our eleven then-serving directors attended our 2016 annual meeting in person.

CORPORATE GOVERNANCE

Board of Directors General

Our board of directors met 13 times during fiscal 2017, consisting of five mandatory meetings of the board of directors and eight optional meetings of the board of directors. All of our incumbent directors attended at least 75% of the aggregate of (a) the total number of mandatory meetings of the board held during the fiscal year while they were a director and (b) the total number of meetings held by all committees of the board on which they served during the fiscal year while they were serving on the committees.

Our board has determined that each of Ms. Rich and Richstone and Messrs. Goodson, Kackley, Otten, Williamson and Young is independent under listing standards of the Nasdaq Capital Market. Our board generally uses the director independence standards set forth by the Nasdaq Capital Market as its subjective independence criteria for directors, and then makes an affirmative determination as to each director s independence by taking into account other, objective criteria as applicable.

Standing Board Committees

Our board of directors has established the following standing committees: an audit and finance committee, a compensation committee and a nominating and corporate governance committee. Our board has adopted charters for each standing committee describing their respective responsibilities. The charters are available on our website at www.orionlighting.com. In connection with his appointment as our chief executive officer, our board of directors determined that Mr. Altschaefl was no longer an independent director and, accordingly, reorganized the structure of our standing board committees to remove Mr. Altschaefl from each committee in order to comply with the committee independence standards established by the Nasdaq Capital Market.

Our audit and finance committee is currently comprised of Ms. Richstone and Messrs. Kackley, Goodson, Otten and Williamson, with Mr. Otten acting as chair until June 13, 2017 and Ms. Richstone currently acting as chair. Mr. Altschaefl also served on our audit and finance committee prior to his appointment as our chief executive officer. As a result of the restructuring of the board of directors described above, following the annual meeting, our audit and finance committee will be comprised of Ms. Richstone and Messrs. Otten and Williamson, with Ms. Richstone acting as chair. Each member of the audit and finance committee is an audit committee financial expert, as defined under rules of the Securities and Exchange Commission (the SEC) implementing Section 407 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act). The principal responsibilities and functions of our audit and finance committee are to (i) oversee the reliability of our financial reporting, the effectiveness of our internal control over financial reporting, and the independence of our internal and external auditors and audit functions and (ii) oversee the capital structure of our company and assist our board of directors in assuring that appropriate capital is available for operations and strategic initiatives. In carrying out its accounting and financial reporting oversight responsibilities and functions, our audit and finance committee, among other things, oversees and interacts with our independent auditors regarding the auditors engagement and/or dismissal, duties, compensation, qualifications and performance; reviews and discusses with our independent auditors the scope of audits and our accounting principles, policies and practices; reviews and discusses our audited annual financial statements with our independent auditors and management; and reviews and approves or ratifies (if appropriate) related party transactions. Our audit and finance committee also is directly responsible for the appointment, compensation, retention and oversight of our independent auditors. Our audit and finance committee met seven times in fiscal 2017. Each member of our audit and finance committee meets the requirements for independence under the current rules of the Nasdaq Capital Market and the SEC.

Our compensation committee is currently comprised of Ms. Rich and Messrs. Goodson and Williamson, with Mr. Goodson acting as chair. Mr. Altschaefl also served on our compensation committee prior to his appointment as our chief executive officer. As a result of the restructuring of the board of directors described above, following the annual meeting, our compensation committee will be comprised of Messrs. Otten, Williamson and Young, with Mr. Williamson acting as chair. The principal functions of our compensation committee include (i) administering our incentive compensation plans; (ii) establishing performance criteria for, and evaluating the performance of, our executive officers; (iii) annually setting salary and other compensation for our executive officers; (iv) overseeing the company s response to the outcome of the advisory vote on executive compensation; and (v) annually reviewing the compensation paid to our non-employee directors. Our compensation committee met seven times in fiscal 2017. Each member of our compensation committee meets the requirements for independence under the current Nasdaq Capital Market and SEC rules. Our compensation committee did not engage the services of a compensation consultant to determine executive compensation for any of fiscal 2014-2018. In general, the compensation committee has determined to engage an independent compensation consultant only if relevant factors or circumstances change significantly.

Our nominating and corporate governance committee is comprised of Ms. Rich and Messrs. Kackley and Otten, with Ms. Rich acting as chair. Mr. Altschaefl also served on our nominating and corporate governance committee prior to his appointment as our chief executive officer. As a result of the restructuring of the board of directors described above, following the annual meeting, our nominating and corporate governance committee will be comprised of Ms. Richstone and Messrs. Otten and Young, with Mr. Young acting as chair. The principal functions of our nominating and corporate governance committee are, among other things, to (i) establish and communicate to shareholders a method of recommending potential director nominees for the committee s consideration; (ii) develop criteria for selection of director nominees; (iii) identify and recommend persons to be selected by our board of directors as nominees for election as directors; (iv) plan for continuity on our board of directors; (v) recommend action to our board of directors upon any vacancies on the board; and (vi) consider and recommend to our board other actions relating to our board of directors, its members and its committees. Our nominating and corporate governance committee met four times in fiscal 2017. Each member of our nominating and corporate governance committee meets the requirements for independence under the Nasdaq Capital Market and SEC rules.

Board Leadership Structure and Role in Risk Oversight

Our board of directors does not have a policy on whether or not the roles of chief executive officer and board chair should be separate. Our board reserves the right to assign the responsibilities of the chief executive officer and board chair in different individuals or in the same individual if, in the board s judgment, a combined chief executive officer and board chair position is determined to be in the best interest of our company. In the circumstance where the responsibilities of the chief executive officer and board chair are vested in the same individual or in other circumstances when deemed appropriate, the board will designate an independent lead director from among the independent directors. The duties of the lead director include (i) conferring with the board chair on, and approving, meeting agendas and meeting schedules to assure there is sufficient time for discussion of all agenda items; (ii) calling and presiding over all meetings of the board at which the board chair is not present, including executive sessions; (iii) leading the annual performance reviews of the chief executive officer and the board; (iv) ensuring that there is open communication between our independent directors, the board chair and other management members; (v) being available, when deemed appropriate by the board, for consultation and direct communication with shareholders; and (vi) reviewing, at his or her discretion, information to be sent to the board.

The positions of chief executive officer and board chair had been separate since August 25, 2010, when our board elected Mr. Kackley as the non-executive board chair. In connection with the initial restructuring of the board of directors in August 2016, our board elected Mr. Altschaefl to serve as the non-executive board chair following our 2016 annual meeting of shareholders. On May 25, 2017, our board restructured our management team and appointed Mr. Altschaefl to serve as our chief executive officer, thereby combining the positions of chief executive officer and board chair. In June 2017, our board designated Mr. Otten to serve as our board s independent lead director. Our board believes that this leadership structure will assist our board in implementing our companywide realignment focused on cost reductions intended to accelerate our path to profitability, creates streamlined accountability for our performance and facilitates our board s efficient and effective functioning. Our board also believes that having Mr. Altschaefl serve as both our chief executive officer and our board chair will allow him to leverage the information gained from both roles to effectively lead our company, while having Mr. Otten serve as our lead director will continue to help our board execute independent oversight of our management team. Our board retains the authority to modify this structure to best address our company s unique circumstances as and when appropriate.

Our full board is responsible for the oversight of our enterprise risk management process. Our board is responsible for overseeing our management team s identification of certain enterprise risks that could adversely affect our company, and the steps management has taken or plans to take to monitor, control and report such risks, including risks relating to execution of our strategy to achieve profitability, our changing sales and distribution model, the sufficiency of our liquidity and capital, competitive pressures on the average sales price of our products, component inventory supply, innovation and product development, creating shareholder value, adapting to convergence and communization in the lighting industry, uncertain economic conditions, communication with investors, certain actions of our competitors, the protection of our intellectual property, inventory investment and risk of obsolescence, security of information systems and data, implementation of new information systems, credit risk, product liability, costs of reliance on external advisors and addition of new renewable energy technologies. Our management reports on these periodically to our board. Our board relies on our compensation committee to address significant risk exposures facing our company with respect to compensation. As described herein under the heading Risk Assessment of our Compensation Policies and Practices, each year, our compensation committee conducts a review of our compensation policies and practices to assess whether any risks arising from such policies and practices are reasonably likely to materially adversely affect our company. Our board s role in the oversight of our risk management has not affected our board s determination that the combined chief executive officer and board chair position (with the designation of an independent lead director) constitutes the most appropriate leadership structure for our company at this time. Our audit and finance committee and our full board review and comment on the draft risk factors for disclosure in our annual and quarterly reports and use the receipt of such draft risk factors to initiate discussions with appropriate members of our senior management if such risk factors raise questions or concerns about the status of enterprise risks then facing our company.

Nominating and Corporate Governance Committee Procedures

Our nominating and corporate governance committee will consider shareholder recommendations for potential director nominees, which should be sent to the nominating and corporate governance committee, c/o board secretary, Orion Energy Systems, Inc., 2210 Woodland Drive, Manitowoc, Wisconsin 54220. The time by which such recommendations must be received in order to be timely is set forth below under Shareholder Proposals. The information to be included with recommendations is set forth in our Amended and Restated Bylaws, and factors that our nominating and corporate governance committee will consider in selecting director nominees are set forth in our Corporate Governance Guidelines. Our Corporate Governance Guidelines are available on our website at www.orionlighting.com. Our nominating and corporate governance committee evaluates all potential nominees in the same manner, and may consider, among other things, a candidate s strength of character, mature judgment, career specialization, relevant technical skills or financial acumen, industry knowledge and experience and geographic, gender, age, and ethnic diversity. Our nominating and corporate governance committee believes that directors should display the highest personal and professional ethics, integrity and values and sound business judgment. The committee also believes that, while diversity and variety of experiences and viewpoints represented on our board should always be considered, a director nominee should not be chosen nor excluded solely or largely because of geographic, gender, age or ethnic diversity. Our nominating and corporate governance committee evaluates each incumbent director to determine whether he or she should be nominated to stand for re-election, based on the types of criteria outlined above as well as the director s contributions to the board during their current term. As part of its periodic self-assessment, our nominating and corporate governance committee assesses the effectiveness of its director selection policy described in this paragraph, including its provisions relating to the consideration of diversity.

Code of Conduct

We have adopted a Code of Conduct that applies to all of our directors, employees and officers, including our principal executive officer, our principal financial officer, our controller and persons performing similar functions. Our Code of Conduct is available on our web site at www.orionlighting.com. Any material amendments or waivers relating to the Code of Conduct will be disclosed on our web site referenced in this paragraph within four business days following the date of such amendment or waiver.

EXECUTIVE OFFICERS

The following table sets forth information as of July 17, 2017 regarding our current executive officers:

Name	Age	Position
Michael W. Altschaefl	58	Chief Executive Officer and Board Chair
William T. Hull	59	Chief Financial Officer, Executive Vice President, Chief Accounting Officer and Treasurer
Scott A. Green	59	Chief Operating Officer and Executive Vice President
Michael J. Potts	53	Chief Risk Officer and Executive Vice President
Marc Meade	32	Executive Vice President

The following biographies describe the business experience of our executive officers. (For biographies of Messrs. Altschaefl and Potts, see Proposal One: Election of Directors above.)

William T. Hull has served as our chief financial officer, chief accounting officer and treasurer since October 2015 and became an executive vice president on April 1, 2017. Prior to his joining our company, Mr. Hull previously served as an executive of RTI International Metals, Inc., a formerly NYSE listed producer and global supplier of titanium mill products, and a manufacturer of fabricated titanium and specialty metal components, serving most recently as senior vice president and chief risk officer since July 2014 and, prior to that time, serving as senior vice president and chief financial officer since April 2007 and as vice president and chief accounting officer since August 2005. Prior to joining RTI International Metals, Inc. in 2005, Mr. Hull served as corporate controller of Stoneridge, Inc., a NYSE listed global designer and manufacturer of highly engineered electrical and electronic components, modules and systems for the commercial vehicle, automotive, agricultural and off-highway vehicles markets, where he was employed since 1986. Mr. Hull is a certified public accountant.

Scott A. Green has served as our chief operating officer since May 25, 2017, and our executive vice president since August 2016. Mr. Green previously served as our division president: innovation, project engineering and construction management from July 2015 to August 2016, our division president: Orion Engineered Systems from February 2014 to July 2015 and our division president: Harris Lighting from July 2013 to February 2014. Prior to joining us in connection with our acquisition of Harris Manufacturing, Inc. and Harris LED, LLC in July 2013 (Harris), Mr. Green served as the executive vice president of Harris from January 2011 until July 2013 and as chief executive officer of Harris from June 1997 to January 2011. Mr. Green graduated from Central Michigan University with a bachelor of science in business.

Marc Meade has served as our executive vice president since January 2014. Mr. Meade had previously served as our senior vice president of finance and operations since November 2012, as vice president of finance and operations of Orion Asset Management and director of finance from February 2012 until November 2012, as finance and taxation manager from 2010 until February 2012 and as director of business development from 2009 to 2010. Prior to joining us in May 2009, Mr. Meade was staff assistant at Schenck SC in the government and not-for-profit solutions division from January 2009 until May 2009. Mr. Meade graduated from Lakeland College in May 2009 with a Bachelor of Arts in accounting with an emphasis in taxation and minor in economics.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This compensation discussion and analysis describes the material elements of compensation awarded to, earned by, or paid to each of our named executive officers, whom we refer to as our NEOs, during fiscal 2017 and describes our policies and decisions made with respect to the information contained in the following tables, related footnotes and narrative for fiscal 2017. The NEOs are identified below in the table titled Summary Compensation Table for Fiscal 2017. In this compensation discussion and analysis, we also describe various actions regarding NEO compensation taken before or after fiscal 2017 when we believe it enhances the understanding of our executive compensation program, including actions taken with respect to the material elements of compensation awarded to our NEOs for fiscal 2018.

Overview of Our Executive Compensation Philosophy and Design

We believe that a skilled, experienced and dedicated senior management team is essential to the future performance of our company and to building shareholder value. We have sought to establish competitive compensation programs that enable us to attract and retain executive officers with these qualities. The other objectives of our compensation programs for our executive officers are the following:

- to motivate our executive officers to achieve strong financial performance, particularly increased revenue, profitability, free cash flow, cost containment and shareholder value;
- to attract and retain executive officers who we believe have the experience, temperament, talents and convictions to contribute significantly to our future success; and
- to align the economic interests of our executive officers with the interests of our shareholders.

In light of these objectives, we have sought to reward our NEOs for achieving financial performance goals, creating value for our shareholders, and for loyalty and dedication to our company. We have historically implemented executive incentive compensation plans that have focused on EBITDA (defined as our earnings before interest, tax, depreciation and amortization), along with revenue growth. Our fiscal 2017 compensation program was designed to incentivize and reward short-term and long-term decisions that benefited growth in revenue and EBITDA and increased shareholder value. In early fiscal 2018, we completed a restructuring of our management team, and are in the process of implementing a new corporate culture focused on cutting costs and accelerating our path to profitability. As a result, our fiscal 2018 compensation program is designed to incentivize decisions that help us achieve our goals related to achieving positive EBITDA and accelerating our path to profitability in fiscal 2018.

In late fiscal 2016, our management team recommended, and our compensation committee approved, the following attributes for our fiscal 2017 executive compensation program:

- Freezes on the fiscal 2017 salaries for each of our NEOs. The freeze on salaries was due to the committee s consideration of our fiscal 2016 financial results and condition and our then current stock price;
- Freezing the level of long-term equity incentive awards for each of our NEOs (other than Mr. Scribante, our then-serving chief executive officer, who received a modest additional restricted stock award), with long-term equity compensation grants being set at the levels as approved in fiscal 2016. The freeze on long-term equity incentive awards was due to the compensation committee s consideration of our fiscal 2016 financial results and condition and our then current stock price;
- Implemented a fiscal 2017 annual cash bonus program that focused on profitability, as well as increased revenue, in order to incentivize management decisions that increased our revenue and earnings and thereby enhanced shareholder value. The fiscal 2017 annual cash bonus plan provided that no bonuses would be paid to our NEOs unless we achieved at least (i) $500,000 of profit before taxes and (ii) revenue growth of 10% more than our fiscal year 2016 revenue; and

Continued the practice of granting long-term equity-based incentive awards valued at a dollar amount that was equal to the applicable NEO s base salary in the form of (i) three-year pro rata vesting restricted stock grants (representing 60% of the total dollar amount of the long-term incentive award) in order to reward our NEOs for increasing shareholder value and to motivate and retain our NEOs while aligning their economic interests with our shareholders through long-term equity ownership and (ii) cash awards (representing 40% of the total dollar amount of the long-term incentive award) payable in one-third increments upon the annual vesting of the tandem restricted stock awards in order to provide liquidity to our NEOs to pay for their tax liabilities incurred upon the vesting of their restricted stock awards; provided, however, that we permitted our NEOs to elect (prior to the grant of the award) to forego the cash portion of the long term incentive award and receive the entire long term incentive award in the form of three-year pro rata vesting restricted stock. In fiscal 2017, Messrs. Hull and Green elected to receive their entire award in restricted shares, while Messrs. Scribante, Potts and Meade elected to receive the combined cash and restricted share award.

In late fiscal 2017, our compensation committee initially approved the attributes of our fiscal 2018 executive compensation program, including (i) a freeze on all NEO salaries, other than Mr. Potts, whose salary was decreased to reflect his change in title, responsibilities and compensation structure in connection with his transition to the role of chief risk officer and executive vice president, (ii) freezing the level of long-term equity awards for all NEOs, other than Mr. Potts, whose award was decreased in connection with his decrease in salary, (iii) implementing a fiscal 2018 cash bonus program focused on the relative achievement of our fiscal 2018 EBITDA and revenue targets, with a bonus pool of $496,750 upon the achievement of each target and a total bonus pool of $993,500 if both targets were met, (iv) implementing a maximum $75,000 project-based bonus opportunity for Mr. Potts based on his successful completion of certain cash-generating projects, and (v) implementing a maximum $150,000 discretionary financial performance bonus pool for our NEOs (other than our chief executive officer) contingent on our achievement of at least $500,000 in EBITDA in fiscal 2018 that would be allocated among our NEOs (excluding our chief executive officer) at the discretion of our chief executive officer.

On May 25, 2017, our board restructured our management team with the directive to focus on achieving profitability while continuing to increase revenues. In connection with this restructuring, Mr. Altschaefl replaced Mr. Scribante as our chief executive officer, Mr. Green was appointed our chief operating officer and Mr. Scribante retired from our board of directors. In addition, Mr. Potts subsequently agreed that he would retire as our chief risk officer and executive vice president on August 30, 2017. In light of these events, our management team and our compensation committee reevaluated and substantially revised our fiscal 2018 executive compensation program in furtherance of our initiative to reduce costs and achieve profitability. Following this reevaluation, our compensation committee approved the following revised attributes for our fiscal 2018 executive compensation program, effective as of June 2017:

Decreasing the salaries of our NEOs, other than Mr. Green, whose salary was increased to reflect his additional responsibilities following his appointment as our chief operating officer. These changes in the base salaries of our NEOs represented a 26% reduction in total NEO base salaries compared to the total NEO salaries approved in fiscal 2017;

Decreasing the level of long-term equity incentive awards for each of our NEOs, with the awards set at an initial dollar value equaling 80% of the applicable NEO s annual base salary (instead of 100% of each NEO s base salary). This decrease resulted in a 43% overall reduction in the dollar value of long-term equity incentive awards granted to our NEOs when compared to fiscal 2017;

Implementing a new fiscal 2018 annual cash bonus program that focuses on achieving our goal of generating positive EBITDA in fiscal 2018. We believe this approach provides a challenging, but obtainable goal that will incentivize management decisions by rewarding the generation of positive EBITDA and thereby enhancing shareholder value. The fiscal 2018 annual cash bonus program provides that if we achieve positive EBITDA in fiscal 2018, our executives will participate in a bonus pool of up to 50% of our positive EBITDA (calculated after taking into account all bonuses), with the total bonus pool capped at a maximum of $710,000;

Implementing the following additional targeted bonus opportunities: (i) a maximum $75,000 project-based bonus opportunity for Mr. Potts based on his successful completion of certain cash-generating projects, which will continue to apply to Mr. Potts following his retirement, and (ii) a maximum $150,000 discretionary financial performance bonus pool for our NEOs (other than our chief executive officer). The availability of the discretionary financial performance bonus pool will be contingent on the company achieving at least $500,000 in EBITDA in fiscal 2018 and will be allocated among our NEOs (excluding our chief executive officer) at the discretion of our chief executive officer. The discretionary financial performance bonus pool will be reduced by an amount equal to any project bonus payments earned by Mr. Potts. We believe the addition of these additional bonus opportunities further evidences our commitment of paying for performance as it puts a greater percentage of our NEOs total potential compensation at risk if certain performance goals are not satisfied. The committee believes that this structure will further motivate management to achieve the company s financial and strategic objectives and thereby enhance shareholder value;

Amending our practice of granting long-term incentive awards to provide for a reduced initial grant value equal to 80% of our NEO s fiscal 2018 annual base salary (a decrease from 100% of base salary in fiscal 2017 and as initially approved for fiscal 2018) in the form of (i) three-year pro rata vesting restricted stock grants (representing 60% of the total long-term incentive award) in order to reward our NEOs for increasing shareholder value and to motivate and retain our NEOs while aligning their economic interests with our shareholders through long-term equity ownership and (ii) cash awards (representing 40% of the total long-term incentive award) payable in one-third increments upon the annual vesting of the tandem restricted stock awards in order to provide liquidity to our NEOs to allow them to pay their tax liabilities incurred upon the vesting of their restricted stock awards without selling the received restricted shares. However, we permit our NEOs to elect (prior to the grant of the award) to forego the cash portion of the long-term incentive award and instead receive the entire long-term incentive award in the form of three-year pro rata vesting restricted stock. In fiscal 2018, Messrs. Green and Hull elected to receive their entire award in restricted shares, while Messrs. Altschaefl and Meade elected to receive the combined cash and restricted share award. Mr. Potts did not receive a long-term incentive award in fiscal 2018 as a result of his decision to retire on August 30, 2017.

Our compensation committee has reserved the right and discretion to make exceptions to our executive compensation programs, including as any such exception may apply to the determination of any and/or all of the relative base salaries, cash bonuses, long-term incentive compensation and/or total direct compensation of our executives, for outstanding contributions to the overall success of our company and the creation of shareholder value, as well as in cases where it may be necessary or advisable to attract and/or retain executives who our compensation committee believes are or will be key contributors to creating and sustaining shareholder value, as determined by our compensation committee based on the recommendations of our chief executive officer (in all cases other than our chief executive officer s own compensation). Our compensation committee also has the discretion to adjust the achievement of the financial metrics under our annual cash bonus programs for unusual and nonrecurring factors and events, such as acquisitions and other unusual events, costs and expenses.

Setting Executive Compensation

Executive Compensation Decisions in Fiscal 2017

Our board of directors, our compensation committee and our chief executive officer each play a role in setting the compensation of our NEOs. Our board of directors appoints the members of our compensation committee and delegates to the compensation committee the direct responsibility for overseeing the design and administration of our executive compensation program Currently, our compensation committee consists of Mr. Goodson (Chair), Ms. Rich and Mr. Williamson. Mr. Altschaefl also served on our compensation committee prior to his appointment as our chief executive officer. Following the annual meeting, our compensation committee will consist of Messrs. Williamson (Chair), Otten and Young. Each current and future member of our compensation committee is an outside director for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, and a non-employee director for purposes of Rule 16b-3 under the Securities Exchange Act of 1934 (the Exchange Act).

Our compensation committee has primary responsibility for, among other things, determining our compensation philosophy, evaluating the performance of our executive officers, setting the compensation and other benefits of our executive officers, overseeing the company s response to the outcome of the advisory votes of shareholders on executive compensation, assessing the relative enterprise risk of our compensation program and administering our incentive compensation plans. Our chief executive officer makes recommendations to our compensation committee regarding the compensation of other executive officers and attends meetings of our compensation committee at which our compensation committee considers the compensation of other executives. Our compensation committee considers these recommendations, but has the final discretionary responsibility for determining the compensation of all of our executive officers.

The compensation committee considered the results from the shareholder advisory vote on executive compensation at our 2016 annual meeting of shareholders as support for the company s compensation policies and practices. At our 2016 annual meeting of shareholders, more than 80% of the votes cast on the shareholder advisory vote on executive compensation were in favor of our executive compensation. Our board of directors and our compensation committee value the opinions of our shareholders and are committed to ongoing engagement with our shareholders on executive compensation practices. Our board of directors has determined that our shareholders should vote on a say-on-pay proposal each year in accordance with the preference expressed by shareholders on the say-when-on-pay proposal at our 2011 annual meeting of shareholders. This year, we are again seeking input from our shareholders on the frequency with which our shareholders should vote on a say-on-pay proposal and our board of directors will consider such input when setting future say-on-pay proposals for consideration by our shareholders.

Under our fiscal 2017 cash bonus program for NEOs, no bonuses were to be paid unless we achieved at least (i) $500,000 of profit before taxes and (ii) revenue growth of 10% more than fiscal year 2016. Under the fiscal 2017 bonus program, for every $1.00 of profit before taxes and bonus expenses earned over the $500,000 threshold up to a maximum of $1.0 million, a bonus pool of $0.38 would have been earned and for every $1.00 of profit before taxes and bonus expenses over $1.0 million up to $3.5 million, a bonus pool of $0.25 would be earned up to a maximum total bonus pool of $994,247 for all participating executives. In fiscal 2017, the Company did not achieve either target. Accordingly, our NEOs did not earn bonuses for fiscal 2017 despite the company s accomplishments over the past year that should strengthen the foundation and future prospects of the company, including:

- Continuing to implement new initiatives to support our continued transition to LED products;
- Continuing to introduce new, high-margin LED products to the market; and
- Continuing to transition to an agency sales model.

In connection with Scott A. Green s promotion to executive vice president in August 2016, we provided Mr. Green with the following compensation arrangements: (i) an initial annual base salary of $225,000 (the same as his pre-promotion salary); (ii) a grant of $151,878 (or 106,956 shares) in restricted stock vesting annually pro rata over a three-year period; and (iii) participation by Mr. Green in our annual and/or long-term bonus plans as well as our employee benefit plans made available to other senior executives. Mr. Green was also permitted to participate in our fiscal 2017 cash bonus program for executives, with a target maximum bonus equal to 35% of his base salary (the same percentage as our other executive vice president), with any such bonus amount to be pro-rated for fiscal 2017. For the same reasons as set forth above, Mr. Green did not earn a bonus for fiscal 2017. In setting the compensation package for Mr. Green, our compensation committee considered the compensation of our other NEOs, Mr. Green s important role and responsibilities with respect to our sales organization, Mr. Green s prior contributions, and expected future contributions, to the company, as well as general competitive factors.

Mike Potts Employment Agreement

On April 1, 2017, we entered into a new employment agreement with Mr. Potts in connection with his new role as our chief risk officer and executive vice president. The compensation arrangements provided to Mr. Potts are substantially similar to those provided to Mr. Potts under his prior employment agreement with the Company, except that the employment agreement included (i) a reduced initial annual base salary of $260,000 for fiscal 2018 (previously $315,000) and (ii) provisions allowing Mr. Potts to participate in any project-based bonus programs established by our board of directors and compensation committee from time to time. In setting the compensation package for Mr. Potts, our compensation committee considered the prior responsibilities and compensation of Mr. Potts, Mr. Potts new responsibilities as chief risk officer and executive vice president, the compensation of our other NEOs, as well as general competitive factors.

Management Restructuring and Reevaluating Fiscal 2018 Executive Compensation

On May 25, 2017, our board restructured our management team with the directive to focus on reducing costs and accelerating our path to achieving profitability, while continuing to increase revenues. In connection with this restructuring, Mr. Altschaefl replaced Mr. Scribante as our chief executive officer, Mr. Green was appointed our chief operating officer and Mr. Scribante retired from our board of directors. Following this restructuring, Mr. Potts subsequently agreed to retire as our chief risk officer and executive vice president, effective as of August 30, 2017. In light of these events, our management team and our compensation committee conducted a comprehensive reevaluation of the fiscal 2018 executive compensation program previously approved by the compensation committee in furtherance of our initiative to reduce costs and accelerate our path to achieve profitability.

As a result of this reevaluation, our management proposed, and our compensation committee approved, decreases in the salaries of our NEOs other than Mr. Green, whose salary was increased to reflect his additional responsibilities following his appointment as our chief operating officer. The decrease in the base salaries of our NEOs represents a 26% reduction from the total NEO base salaries approved in fiscal 2017 (including the pro-rating of Mr. Potts base salary prior to his retirement). The decision to decrease the base salaries of our NEO s modified the prior decision by the compensation committee to freeze the fiscal 2018 salaries of each of our NEOs other than Mr. Potts, whose salary had been decreased in order to reflect his change in title, responsibilities and compensation structure in connection with his transition to the role of chief risk officer and executive vice president.

In addition, our management proposed, and our compensation committee approved, revised long-term incentive compensation consisting of awards equal in total initial value to 80% of each of our NEO s fiscal 2018 annual base salary (a reduction from the prior approval of awards equal to 100% of each of our NEO s fiscal 2018 annual base salary). These awards were made in the form of three-year pro rata vesting restricted stock grants and cash awards payable in one-third increments upon the annual vesting of tandem restricted stock awards in order to provide liquidity for the personal income tax liabilities incurred by our NEOs upon the vesting of the restricted stock awards. The revised fiscal 2018 long-term incentive awards represent a 43% reduction in the dollar value of the total NEO long term incentive awards approved for fiscal 2017 and a 45% reduction in the dollar value of the total NEO long term incentive awards initially approved for fiscal 2018.

In addition, our compensation committee considered and approved changes to our annual incentive cash bonus opportunity in order to better motivate our NEOs to achieve the company s strategic and financial objectives and thereby enhance shareholder value. The committee determined that it would be in the best interest of the company to adopt a cash bonus program that rewards management for generating positive EBITDA in fiscal 2018. Under the revised fiscal 2018 cash bonus program, our NEOs will participate in a bonus pool of up to 50% of our positive fiscal 2018 EBITDA (calculated after taking into account all bonuses), with the total bonus pool capped at a maximum of $710,000 (a 29% decrease from the target bonus pool under our original fiscal 2018 cash bonus program and a 27% decrease from the target bonus pool approved in fiscal 2017). Payments made to our NEOs from the EBITDA-based bonus pool will be on a pro rata basis based on each NEO s percentage share of the total target bonus pool determined by their relative target bonus amount compared to the total target bonus amount. Our compensation committee believes that the changes to our annual incentive cash bonus opportunity align the interests of management with our directive to accelerate our path to profitability in fiscal 2018, while also imposing limitations that mitigate compensation risk and ensure that our shareholders will be able to benefit (through the appreciation of our stock price) in at least 50% of any positive EBITDA.

Our compensation committee also considered and approved: (i) a maximum $75,000 project-based bonus opportunity for Mr. Potts based on his successful completion of certain cash generating projects, which will continue to apply to Mr. Potts following his retirement and (ii) a maximum $150,000 discretionary financial performance bonus pool (triggered if we achieve at least $500,000 in EBITDA for fiscal 2018) for our NEOs. The discretionary financial performance bonus pool will be reduced by an amount equal to any project bonus payments earned by Mr. Potts. In establishing these new cash bonus opportunities, the compensation committee considered the board s focus on accelerating our path to achieving profitability, the decisions to decrease both of our NEO base salaries and their long-term incentive awards, and that Mr. Potts base salary had separately been reduced as a result of his new title and responsibilities prior to the board s cost reduction initiative and prior to Mr. Potts announced retirement. The compensation committee also considered the company s recent financial performance. Based on these considerations, the compensation committee favored the creation of additional bonus opportunities because the committee believed that any potential additional incentive compensation earned by our NEOs should be tied to the achievement of the company s financial and strategic goals. In addition, our compensation committee favored the creation of a project-based bonus opportunity for Mr. Potts to be rewarded based on the successful completion of cash generating projects that will enhance our liquidity.

In connection with Mr. Altschaefl s promotion to chief executive officer, we provided Mr. Altschaefl with the following compensation arrangements: (i) an initial annual base salary of $325,000 (40% less than our prior chief executive officer); (ii) a grant of $260,000 (52% less than our prior chief executive officer), or 113,044 shares, in restricted stock vesting annually pro rata over a three-year period; and (iii) participation by Mr. Altschaefl in our annual and/or long-term bonus plans as well as our employee benefit plans made available to other senior executives. Mr. Altschaefl was also permitted to participate in our fiscal 2018 cash bonus program for executives, with a target maximum bonus equal to 100% of his base salary (with the actual dollar amount being 40% less than the maximum bonus available to our prior chief executive officer). In setting the compensation package for Mr. Altschaefl, our compensation committee considered our cost reduction initiatives, the compensation of our other NEOs, Mr. Altschaefl s new role and responsibilities, Mr. Altschaefl s prior and expected contributions to our company, Mr. Altschaefl s personal and professional sacrifices undertaken to assume the role of our chief executive officer, as well as general competitive factors.

Summary of Changes to Executive Compensation

The following graph illustrates the changes made to the major elements of our executive compensation program for fiscal 2018 as a result of the events described above:

Compensation Element	**Fiscal Year 2017 NEO Compensation**	**Initial Fiscal Year 2018 NEO Compensation**	**Revised Fiscal Year 2018 NEO Compensation**	**% Change (FY 17 to Revised FY 18)**	**% Change (Initial FY 18 to Revised FY 18)**
Base Salaries	$ 1,635,000	$ 1,580,000	$ 1,203,333	(26%)	(24%)
Long-Term Incentive Awards	$ 1,533,428	$ 1,580,000	$ 876,000	(43%)	(45%)
Annual Cash Bonus Pool(1)	$ 994,247	$ 993,500	$ 710,000	(29%)	(29%)
Total	$ 4,162,675	$ 4,153,500	$ 2,789,333	(33%)	(33%)

(1) Excludes the $150,000 discretionary EBITDA-based bonus pool and Mr. Potts project-based bonus (which is deducted from the discretionary bonus pool). If included with the initial and revised annual cash bonus pool for fiscal year 2018, the revised fiscal year 2018 bonus pool represents a 14 % decrease from the NEO bonus pool approved in fiscal 2017 and a 29% decrease from the NEO bonus pool initially approved in fiscal 2018. Similarly, the $150,000 discretionary EBITDA-based bonus pool and Mr. Potts project-based bonus is included in the total amounts, the revised fiscal year 2018 NEO compensation represents a 29% decrease from the total NEO compensation approved in fiscal 2017 and a 33% decrease from the total NEO compensation initially approved in fiscal 2018

Retirement of Michael J. Potts

Following the restructuring of our management team, Mr. Potts subsequently agreed to retire as our chief risk officer and executive vice president, effective as of August 30, 2017. In connection with Mr. Potts retirement, we and Mr. Potts entered into a Mutual Retirement and Severance Agreement and Complete and Permanent Release of All Claims (the Retirement Agreement) on June 30, 2017.

Pursuant to the Retirement Agreement, we have affirmed our obligation to provide certain severance payments and benefits required to be provided to Mr. Potts as a result of his mutual termination without cause pursuant to the terms of his Executive Employment and Severance Agreement with us, including a severance payment of $292,410.96 payable in variable monthly installments over a period of 10 months (calculated in accordance with Mr. Potts Executive Employment and Severance Agreement as (i) Mr. Potts base salary, plus (ii) Mr. Potts initial fiscal 2018 annual target bonus of fifty percent of his annual base salary (pro-rated based on the number of days that Mr. Potts was our chief risk officer and executive vice president in fiscal 2018)), less applicable taxes and other withholdings. In addition, we have agreed to pay Mr. Potts his accrued salary and other compensation through August 30, 2017 and pro-rated fiscal 2018 vacation through the date of his retirement. We have also affirmed our obligation under Mr. Potts Executive Employment and Severance Agreement to continue to provide Mr. Potts with his current family health insurance plan coverage, or equivalent, and we will pay both the employer and employee portion of such coverage until Mr. Potts is eligible for Medicare coverage.

The Retirement Agreement also contains certain provisions concerning Mr. Potts continued service as a director. During Mr. Potts continued service as director, Mr. Potts will not be entitled to receive any compensation (whether cash or equity-based) as a non-employee director until January 1, 2019, other than the reimbursement of ordinary out of pocket expenses. From and after January 1, 2019 and for the remainder of Mr. Potts term (which, assuming Mr. Potts re-election at the annual meeting, would expire at the 2019 annual meeting of shareholders), Mr. Potts will be entitled to receive customary non-employee director cash compensation (but not any equity-based compensation), as well as the reimbursement of ordinary out of pocket expenses.

We have also agreed to retain Mr. Potts as a consultant for a term expiring on June 15, 2018. During this term, Mr. Potts will be paid a $150 per hour fee for consulting services performed as and when requested by us, together with the reimbursement of all ordinary out of pocket expenses. In addition, Mr. Potts will continue to remain eligible to receive his $75,000 project-based bonus previously approved by the compensation committee.

In consideration of the foregoing agreements, Mr. Potts agreed to a mutual general release of claims, as well as agreeing to a covenant not to sue. Mr. Potts has also reaffirmed the application of certain covenants contained in his Executive Employment and Severance Agreement, including two-year non-solicitation and non-competition covenants and two-year nondisclosure and confidentiality covenant.

In setting the retirement package for Mr. Potts, our compensation committee considered Mr. Potts many years of experience and service to our company, Mr. Potts continued willingness to support our strategic goals and work toward the achievement of cash generating products that will enhance our liquidity, Mr. Potts continued role as both a director and consultant and general competitive factors.

Internal and External Reports

In setting compensation for fiscal years 2017 and 2018, our compensation committee prepared its own internal reports on recent trends in executive compensation at public companies, including pay-for-performance, say-on-pay, merit increases, annual incentives, long-term incentives and perquisites. In addition, our compensation committee reviewed data on the NEO compensation programs for 15 peer companies identified by Institutional Shareholder Services Inc. in its Proxy Analysis and Benchmark Policy Voting Recommendations for our 2016 annual meeting of shareholders in order to provide background information on the compensation levels and framework of the peer companies used by ISS when evaluating the compensation of our NEOs.

To assure independence, the compensation committee pre-approves all work unrelated to executive compensation proposed to be provided by a compensation consultant, if any. The compensation committee also considers all factors relevant to the consultant s independence from management, including but not limited to the following factors:

- The provision of other services that the consultant provides to us;
- The amount of fees received from us as a percentage of the consultant s total revenue;
- The consultant s policies and procedures designed to prevent conflicts of interest;
- Business or personal relationships of the consultant with our compensation committee members;
- The amount of our stock owned by the consultant; and
- Business or personal relationships of the consultant with our executive officers.

The compensation committee also assessed the independence of the company s outside legal counsel, with whom the committee consults from time to time, using the factors set forth above and determined that the outside legal counsel was independent and that there were no conflicts of interest with respect to its work for the committee.

Elements of Executive Compensation

Our current executive compensation program for our NEOs consists of the following elements:

- Base salary;
- Short-term annual incentive bonus compensation;
- Long-term equity-based incentive compensation; and
- Retirement and other benefits.

Base Salary

We pay our NEOs a base salary to compensate them for services rendered and to provide them with a steady source of income for living expenses throughout the year.

In late fiscal 2016, management recommended, and our compensation committee approved, freezes on the fiscal 2017 salaries for each of our NEOs. The salaries for each of our NEOs were frozen due our relative financial and stock price performance in fiscal 2016.

In late fiscal 2017, management recommended, and our compensation committee approved, freezes on the fiscal 2018 salaries for each of our NEOs other than Michael J. Potts, whose salary was decreased to reflect his change in title, responsibilities and compensation structure in connection with his transition to the role of chief risk officer and executive vice president. The salaries for each of our NEOs were frozen due to our fiscal 2017 financial results.

Promptly after our management restructuring, in early June 2017, our management and compensation committee conducted a reevaluation of the fiscal 2018 salaries for each of our NEOs in view of our new goals of reducing costs, accelerating our path to profitability and increasing our revenue. As a result of such reevaluation and our review of our new fiscal 2018 goals and objectives, our management recommended, and our compensation committee approved, decreases to the salaries of our NEOs other than Mr. Green, whose salary was increased to reflect his additional responsibilities following his appointment as our chief operating officer. In addition, Mr. Potts salary was pro-rated for fiscal 2018 to reflect his decision to retire on August 30, 2017. The change in the base salaries of our NEOs represents a 26% reduction from the base salaries approved in fiscal 2017 and a 24% reduction in the base salaries initially approved for fiscal 2018.

The revised fiscal 2018 base salaries for our NEOs compared to their original fiscal 2018 base salaries and fiscal 2017 base salaries are as follows:

Name and Current Position	Revised Fiscal 2018 Base Salary(1)	Initial Fiscal 2018 Base Salary	Fiscal 2017 Base Salary
Michael W. Altschaefl Chief Executive Officer	$ 325,000	N/A	N/A
William T. Hull Chief Financial Officer, Executive Vice President, Chief Accounting Officer and Treasurer	$ 283,500	$ 315,000	$ 315,000
Scott A. Green Chief Operating Officer and Executive Vice President	$ 275,000	$ 225,000	$ 225,000
Marc Meade Executive Vice President	$ 211,500	$ 235,000	$ 235,000
Michael J. Potts Chief Risk Officer and Executive Vice President	$ 108,333(2)	$ 260,000	$ 315,000
John H. Scribante Former Chief Executive Officer	N/A(3)	$ 545,000	$ 545,000

(1) Effective as of June 1, 2017 for Mr. Altschaefl, as of June 15, 2017 for Messrs. Hull, Green, Meade and as of April 1, 2017 for Mr. Potts.

(2) Pro-rated to reflect Mr. Potts salary prior to his anticipated retirement on August 30, 2017.

(3) Mr. Scribante was replaced by Mr. Altschaefl as our chief executive officer on May 25, 2017.

Incentive Compensation Fiscal 2017

For fiscal 2017, our management proposed, and our compensation committee approved, an incentive compensation program that consisted of (i) an annual incentive cash bonus opportunity and (ii) long-term incentive compensation consisting of awards of three-year pro rata vesting restricted stock grants (representing 60% of the total dollar amount of the long-term incentive award) and cash awards payable in one-third increments upon the annual vesting of the tandem restricted stock awards (representing 40% of the total dollar amount of the long-term incentive award) in order to provide liquidity for the personal income tax liabilities incurred by our NEOs upon the vesting of the restricted stock awards; provided, however, that we permitted our NEOs to elect (prior to the grant of the award) to forego the cash portion of the long-term incentive award and receive the entire long-term incentive award in the form of three-year pro rata vesting restricted stock. The annual incentive cash bonus opportunity and the long-term incentive compensation for fiscal 2017 are discussed in detail below.

Annual Incentive Cash Bonus Opportunity for Fiscal 2017

Under the fiscal 2017 cash bonus program for NEOs, no bonuses were to be paid unless we achieved at least (i) $500,000 of profit before taxes and (ii) revenue growth of 10% more than our fiscal year 2016 revenue. Under the fiscal 2017 bonus program, for every $1.00 of profit before taxes and bonus expenses earned over the $500,000 threshold up to $1.0 million, a bonus pool of $0.38 would have been earned, and for every $1.00 of profit before taxes and bonus expenses earned over $1.0 million up to $3.5 million, a bonus pool of $0.25 would have been earned. The maximum total bonus pool for NEOs was $994,247.

The compensation committee established a target maximum bonus for each of our NEOs as follows for fiscal 2017:

Name and Position	Target Maximum Bonus	Percentage of Fiscal 2017 Base Salary
John Scribante Chief Executive Officer	$ 545,000	100%
Mike Potts President and Chief Operating Officer	$ 157,500	50%
William Hull Chief Financial Officer, Chief Accounting Officer and Treasurer	$ 157,500	50%
Marc Meade Executive Vice President	$ 82,250	35%
Scott A. Green Executive Vice President	$ 78,750(1)	35%(1)

(1) Pro-rated for fiscal 2017 based on the date Mr. Green was promoted to Executive Vice President.

We did not achieve either target in fiscal 2017. Accordingly, our NEOs did not earn incentive bonuses for fiscal 2017.

Long-Term Equity-Based Incentive Compensation for Fiscal 2017

Our management proposed, and our compensation committee approved, long-term incentive awards for fiscal 2017 initially valued upon grant at $542,991 for Mr. Scribante, $305,371 for Mr. Potts, $305,371 for Mr. Hull, $227,817 for Mr. Meade and $151,878 for Mr. Green. Mr. Hull s and Mr. Green s awards consisted of three-year pro rata vesting restricted stock. The remainder of our NEOs were provided 60% of their award in the form of three-year pro rata vesting restricted stock and 40% in the form of cash payable in one-third increments upon the annual vesting of the tandem restricted stock awards in order to provide liquidity to our NEOs for their personal income tax liabilities incurred upon the vesting of the restricted stock awards. Our compensation committee granted our NEOs awards of three-year pro rata vesting restricted stock because it continued to believe that granting restricted stock rewards our NEOs for increasing shareholder value and also helps to motivate and retain our NEOs while aligning their economic interests with our shareholders through long-term equity ownership.

The restricted stock awards (with the dollar values converted into a specific number of shares based on the closing sale price of our Common Stock on the Nasdaq Capital Market on the applicable grant date) resulted in a grant of the following number of shares to our NEOs (other than Mr. Green) on June 7, 2016, and to Mr. Green on August 5, 2016:

Name and Position	Restricted Stock (#)	Restricted Cash ($)
John H. Scribante	236,083	$ 217,196
Chief Executive Officer		
Michael J. Potts	132,770	$ 122,148
President and Chief Operating Officer		
William T Hull	221,283	N/A
Chief Financial Officer, Chief Accounting Officer and Treasurer		
Marc Meade	99,051	$ 91,127
Executive Vice President		
Scott A. Green	106,956	N/A
Executive Vice President		

Incentive Compensation Fiscal 2018

For fiscal 2018, our compensation committee approved an incentive compensation program consisting of (i) annual incentive cash bonus opportunities and (ii) long-term incentive compensation consisting of awards of three-year pro rata vesting restricted stock grants (representing 60% of the total long-term incentive award) and cash awards payable in one-third increments upon the annual vesting of the tandem restricted stock awards (representing 40% of the total long-term incentive award) in order to provide liquidity to our NEOs for their tax liabilities incurred upon the vesting of the restricted stock awards. The annual incentive cash bonus opportunities and the long-term incentive compensation for fiscal 2018 are discussed in detail below.

Initial Annual Incentive Cash Bonus Opportunities for Fiscal 2018

In late fiscal 2017, our compensation committee approved an initial fiscal 2018 cash bonus program for our NEOs that allowed our NEOs to earn a cash bonus upon the achievement of certain performance targets approved by the compensation committee. The performance metrics under our initial fiscal 2018 cash bonus program were comprised of two equally weighted components: revenue and EBITDA. The compensation committee established two separate target bonus pools based on the company s fiscal 2018 revenue and EBITDA that each would have paid a target amount of $496,750 upon the achievement of certain revenue and EBITDA targets, as applicable, with a total target bonus pool of $993,500 if both targets were met.

Revised Annual Incentive Cash Bonus Opportunities for Fiscal 2018

Promptly after our management restructuring, in early June 2018, our management team and the compensation committee conducted a comprehensive reevaluation of the fiscal 2018 executive cash bonus program in furtherance of our initiative to reduce costs and accelerate our path to profitability, as well as increase our revenue. As a result of this reevaluation, our management proposed, and our compensation committee approved, a revised fiscal 2018 cash bonus program that rewards management for achieving positive EBITDA in fiscal 2018. The compensation committee selected EBITDA as the sole component of the revised fiscal 2018 cash bonus program due to our primary focus on accelerating our path to profitability in fiscal 2018.

Under the revised fiscal 2018 cash bonus program, our NEOs will participate in a bonus pool of up to 50% of our positive fiscal 2018 EBITDA (calculated after taking into account all bonuses), with the total bonus pool capped at a maximum of $710,000. The revised fiscal 2018 target bonus pool represents a 29% decrease from the target bonus pool under our original fiscal 2018 cash bonus program and a 29% decrease from the target bonus pool approved for fiscal 2017. Payments made to our NEOs from the EBITDA-based bonus pool will be on a pro rata basis based on each NEO s percentage share of the total target bonus pool determined by their relative target bonus amount compared to the total target bonus amount.

Under our 2018 cash bonus program, EBITDA is defined as our earnings before interest, tax, depreciation and amortization.

The revised fiscal 2018 cash bonus program targets for our NEOs compared to their original fiscal 2018 cash bonus program targets and fiscal 2017 cash bonus program targets are as follows:

Name and Current Position	Revised Fiscal 2018 Target Bonus(1)	Percentage of Revised Fiscal 2018 Base Salary	Initial Fiscal 2018 Target Bonus(1)	Percentage of Revised 2018 Base Salary	Fiscal 2017 Target Bonus	Percentage of Fiscal 2017 Base Salary
Michael W. Altschaefl(2) Chief Executive Officer	$ 325,000	100%	N/A	N/A	N/A	N/A
William T. Hull Chief Financial Officer, Executive Vice President, Chief Accounting Officer and Treasurer	$ 141,750	50%	$ 157,500	50%	$ 157,500	50%
Scott A. Green Chief Operating Officer and Executive Vice President	$ 137,500	50%	$ 78,750	35%	$ 78,750	35%
Marc Meade Executive Vice President	$ 105,750	50%	$ 82,250	35%	$ 82,250	35%
Michael J. Potts(3) Chief Risk Officer and Executive Vice President	N/A	N/A	$ 130,000	50%	$ 157,500	50%
John H. Scribante(2) Former Chief Executive Officer	N/A	N/A	$ 545,000	100%	$ 545,000	100%

(1) Does not include potential bonus payments resulting from (i) Mr. Potts $75,000 project-based bonus opportunity or (ii) the achievement of the $150,000 discretionary financial performance bonus pool, both of which are described in detail below.

(2) Mr. Scribante was replaced by Mr. Altschaefl as our chief executive officer on May 25, 2017.

(3) Mr. Potts will not participate in the fiscal 2018 EBITDA-based cash bonus program as a result of his decision to retire on August 30, 2017. For fiscal 2018, the compensation committee also established, and following the reexamination of our fiscal 2018 compensation programs, reaffirmed (i) a maximum $150,000 discretionary financial performance bonus pool for our NEOs and (ii) a maximum $75,000 project-based bonus opportunity for Mr. Potts based on his successful completion of certain cash generating projects identified by the compensation committee (which will continue to apply following Mr. Potts retirement on August 30, 2017). The availability of the discretionary financial performance bonus pool will be contingent on the company achieving at least $500,000 in EBITDA in fiscal 2018 and will be allocated among our NEOs (excluding our chief executive officer) at the discretion of our chief executive officer. The total amount of the discretionary bonus pool will be reduced by an amount equal to any project bonus payments earned by Mr. Potts; however, Mr. Potts project bonus payments, if earned, will be payable even if the discretionary bonus pool is not earned and will not be subject to the overall limitation on annual cash incentive bonuses paid our NEOs.

The financial goals described above are not a prediction of how we will perform during fiscal year 2018. The purpose of the goals are to provide appropriate financial metrics to determine amounts of compensation under our incentive compensation program. The goals are not intended to serve, and should not be relied upon, as guidance or any other indication of our expected future performance.

Our compensation committee has the discretion to adjust the achievement of the financial goals under the fiscal 2018 cash bonus program for unusual and nonrecurring factors and events, such as acquisitions and other unusual events, costs and expenses.

Initial Long-Term Equity-Based Incentive Compensation for Fiscal 2018

In late fiscal 2017, our management proposed, and our compensation committee approved, long-term incentive awards for fiscal 2018 initially valued upon grant at $545,000 for Mr. Scribante, $315,000 for Mr. Hull, $260,000 for Mr. Potts, $235,000 for Mr. Meade and $225,000 for Mr. Green.

Revised Long-Term Equity-Based Incentive Compensation for Fiscal 2018

In early June, 2017, following the restructuring of our management team and comprehensive reevaluation of our the fiscal 2018 long-term incentive awards, our management proposed, and our compensation committee approved, revised long-term incentive awards for fiscal 2018 initially valued upon grant at $260,000 for Mr. Altschaefl, $226,800 for Mr. Hull, $220,000 for Mr. Green and $169,200 for Mr. Meade. The revised fiscal 2018 long-term incentive awards represent a 45% reduction in the dollar value of the long term incentive awards initially approved for fiscal 2018 and a 43% reduction in the dollar value of the long term incentive awards approved for fiscal 2017. Mr. Potts did not receive a long-term incentive award in fiscal 2018 as a result of his decision to retire on August 30, 2017.

The revised fiscal 2018 long-term incentive awards for our NEOs compared to their original fiscal 2018 long-term incentive awards and fiscal 2017 long-term incentive awards are as follows:

Name and Current Position	**Revised Fiscal 2018 Long-Term Incentive Award**	**Initial Fiscal 2018 Long-Term Incentive Award**	**Fiscal 2017 Long-Term Incentive Award**
Michael W. Altschaefl Chief Executive Officer	$ 260,000	N/A	N/A
William T. Hull Chief Financial Officer, Executive Vice President, Chief Accounting Officer and Treasurer	$ 226,800	$ 315,000	$ 305,371