

NATIONAL HOLDINGS CORP
Form 10-K/A
January 28, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

(Amendment No. 1)

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-12629

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Small reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). YES
NO

As of March 29, 2018, the aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant, based on the closing sales price of \$4.57 per share for the registrant's common stock, as quoted on the Nasdaq Capital Market, was approximately \$14,923,993.

As of January 18, 2019, there were 12,610,545 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

National Holdings Corporation (“National” or the “Company”) is filing this Amendment No. 1 to Annual Report on Form 10-K/A (the “Amendment”) to amend its Annual Report on Form 10-K for the fiscal year ended September 30, 2018, as filed by the Company with the Securities and Exchange Commission (the “SEC”) on December 21, 2018 (the “2018 Form 10-K”). This Amendment amends Part III, Items 10 through 14, of the 2018 Form 10-K to include information previously omitted from the 2018 Form 10-K in reliance on General Instruction G(3) to Form 10-K. In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), new certifications by the Company’s principal executive officer and principal financial officer are filed as exhibits to this Amendment under Item 15 of Part IV.

No attempt has been made in this Amendment to modify or update the other disclosures presented in the 2018 Form 10-K. This Amendment does not reflect events occurring after the filing of the original report (i.e., those events occurring after December 21, 2018) or modify or update those disclosures that may be affected by subsequent events. Accordingly, this Amendment should be read in conjunction with the 2018 Form 10-K and the Company’s other filings with the SEC.

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PART III**Item 10 — Directors, Executive Officers and Corporate Governance****EXECUTIVE OFFICERS AND DIRECTORS**

The following table shows information about our executive officers and directors as of January 18, 2019:

Name	Age	Position(s)
<i>Executive Officers</i>		
Michael A. Mullen	51	Chief Executive Officer and Chairman of the Board
Glenn C. Worman	60	President and Chief Financial Officer
John C. DeSena	51	Chief Operating Officer
<i>Directors</i>		
Robert B. Fagenson	70	Vice Chairman of the Board
Michael E. Singer (3)	52	Executive Vice Chairman of the Board
Neil Herskowitz (1)	61	Director
Daniel Hume (1)(2)(3)	52	Director
Nassos Michas (2)	74	Director
Eli Salig (1)	70	Director

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Legal Committee.

The following presents biographical information for each of our executive officers and directors listed in the table above. With respect to our directors, the biographical information includes each director's business experience, director positions held currently or at any time during the last five years, information regarding involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that caused the board of directors (the "Board") to conclude that he or she should serve as a director.

Executive Officers

Michael A. Mullen has served as Chief Executive Officer since January 31, 2017 and Chairman of the Board since June 2018. He has been a member of the Board since June 2018, and served as our Co-Chief Executive Officer from January 3, 2017 to January 31, 2017. He has also served as Chairman of the board of directors of each of National's operating companies since January 2017: National Securities Corporation, National Asset Management, Inc., National Insurance Corporation and National Tax and Financial Services, Inc. He has served as the Chief Executive Officer of National Securities Corporation and National Asset Management, Inc. since December 2018. Mr. Mullen began his career in 1986 and has since developed a broad and deep understanding of the financial services industry, with a focus on investing in biotechnology companies. He brings this expertise to his leadership of the National Family of Companies. Mr. Mullen holds his Series 4, 7, 24, 63, 65, 99 and Life and Health Insurance and Variable Annuity Licenses. The Board believes that his experience in the securities industry and knowledge of the company as its Chief Executive Officer qualifies him to serve as a member of the Board.

Glenn C. Worman has served as President since July 2018 and Chief Financial Officer since October 2016. He served as Chief Operating Officer from October 2015 to July 2018 and Director of Finance from May 2015 to September 2016. In addition, he has served on the board of directors of many of National's operating companies since October 2016: National Asset Management, Inc., National Insurance Corporation and National Tax and Financial Services, Inc. He also served on the board of directors of vFinance Corporation from October 2016 to February 2018. Prior to joining National, Mr. Worman held various senior financial positions at ICAP plc, Deutsche Bank, Morgan Stanley and Merrill Lynch. He has a background in corporate finance, global fixed income, equity trading finance, wealth management, investment management and inter-dealer broker finance. Mr. Worman received his MBA from Fairleigh Dickinson University and his B.B.A from Ramapo College. Mr. Worman holds his Series 99 License.

John C. DeSena has served as Chief Operating Officer since July 2018. He also served as our Head of Financial Planning & Analysis from January 2016 to July 2018. In addition, Mr. DeSena has served on the board of directors of National Insurance Corporation, one of National's operating companies, since January 2017. Mr. DeSena has vast operational and management experience. Prior to joining National, Mr. DeSena worked at Deutsche Bank from April 2010 to January 2016, where he served as the Chief Operating Officer and Head of Operational Excellence for Group Technology & Operations Americas and the Head of Americas Finance Infrastructure. He also worked at Merrill Lynch for fifteen years until 2010, where he served as the Head of Global Markets & Investment Banking and Chief Financial Officer of Americas Investment Banking. Mr. DeSena holds his Series 99 License.

Directors

Neil Herskowitz has served as a member of the Board since September 2016. He also serves as the Chair of the Audit Committee. Mr. Herskowitz has significant financial and management experience. He has served as President of Riverside Claims LLC since June 2004 and has been a Managing Member of Riverside Contracting LLC since June 1998. He has also been a Managing Member of ReGen Partners LLC, an entity that includes ReGen Capital Investments LLC and Riverside Claims Investments LLC, since 1998. Mr. Herskowitz currently serves on the board of directors at Checkpoint Therapeutics, Inc. (NASDAQ: CKPT), Avenue Therapeutics, Inc. (NASDAQ: ATXI) and Mustang Therapeutics, Inc., each of which are affiliated companies of Fortress Biotech Inc. (NASDAQ: FBIO). He previously served on the board of directors of TG Therapeutics Inc. (NASDAQ: TGTX) until June 2015. Mr. Herskowitz currently serves as Chairman of the board of directors at Starting Point Services for Children. Mr. Herskowitz received his B.B.A. in Finance from Bernard M. Baruch College. The Board believes that Mr. Herskowitz's vast financial expertise qualifies him to serve as a member of the Board.

Daniel Hume has served as a member of the Board since September 2016. He also serves on both the Audit and Compensation Committees, and as the Chair of the Legal Committee. Mr. Hume is currently a managing partner at Kirby McInerney LLP, and has served in this capacity since 2012. Mr. Hume's law practice focuses on securities law and regulation, structured finance, antitrust, and other complex financial litigation, corporate governance, and corporate disclosure rules. He joined Kirby McInerney LLP in 1995. Mr. Hume serves on the board of directors at two late clinical stage biopharmaceutical companies, Stemline Therapeutics, Inc. (NASDAQ:STML) and TG Therapeutics, Inc. (NASDAQ:TGTX). Mr. Hume is admitted to the New York State Bar and federal courts around the country, including the United States Supreme Court. Mr. Hume received his J.D. from Columbia Law School and his B.A. from the State University of New York at Albany. The Board believes that Mr. Hume's experience in the securities industry qualifies him to serve as a member of the Board.

Robert B. Fagenson has served as a member of the Board since March 2012 and has served as Vice Chairman of the Board since September 2016. Mr. Fagenson served as Co-Chief Executive Officer from January 3, 2017 to January 31, 2017, as Chief Executive Officer and Chairman of the Board from December 2014 to September 2016, and as Executive Vice-Chairman of the Board from July 2012 to December 2014. Mr. Fagenson has been a Branch Owner at National Securities Corporation, an operating company of National, since 2012, and President of Fagenson & Co., Inc., a family investment company, since 1982. Mr. Fagenson spent the majority of his career at the New York Stock

Exchange (NYSE), where he was Managing Partner of one of the exchange's largest specialist firms. While at the NYSE, Mr. Fagenson served as a Governor on the trading floor and was elected to the NYSE Board of Directors in 1993, where he served for six years, eventually becoming Vice Chairman of the NYSE Board of Directors from 1998 to 1999 and 2003 to 2004. Mr. Fagenson has served as Director of the New York City Police Museum since 2005, and as Director of the Federal Law Enforcement Officers Association Foundation since 2009. He has also served on the board of directors of Sigma Alpha Mu Foundation since 2011. In addition, Mr. Fagenson served as the Non-Executive Chairman of Document Security Systems, Inc. from 2012 to 2018 (NYSEMKT: DSS). He is currently a member of the alumni boards of the Whitman School of Business at Syracuse University. Mr. Fagenson received his B.S. in Transportation Sciences & Finance from Syracuse University in 1970. The Board believes that Mr. Fagenson's experience in the securities industry and knowledge of the company as its former Chief Executive Officer qualifies him to serve as a member of our Board.

Nassos Michas has served as a member of the Board since June 2018. Mr. Michas brings more than thirty years of financial services experience to our Board. He is serving as the Chairman of the Advisory Board to Juniper Investment Company, LLC since 2007 and is President of Masons Island LLC, a personal holding company. Prior to joining National, he served on the board of directors at Ramius Archview Fund from 2016 to 2017. He was President and Chief Executive Officer of Robeco USA, Inc. (Weiss, Peck & Greer), a \$30 billion investment manager, from 2001 to 2004. He has held a number of senior management positions at Merrill Lynch and Co., including Chairman of Merrill Lynch Banks. He joined Merrill Lynch and Co. in 1974 as an analyst. He currently serves on the board of directors for the American School of Classical Studies at Athens. Mr. Michas is a chartered financial analyst (CFA), and holds a B.S. in Electrical Engineering from the University of Utah, an M.S. in Systems Theory and Control from the University of California at Berkeley and an M.B.A. from the Harvard Business School. The Board believes that Mr. Michas's financial services experience qualifies him to serve as a member of the Board.

Eli Salig has served as a member of the Board since September 2016. Mr. Salig also serves on the Audit Committee. Mr. Salig is currently an independent business consultant who provides mentoring and guidance to incubators and start-ups primarily on human resource issues, including executive coaching and talent acquisition and management. Mr. Salig was President and Chief Operating Officer of ASI Solutions, Inc. (ASIS), a human resource consulting and outsourcing firm that he co-founded, from 1978 to 2001. Following the acquisition of ASIS in 2001 by AON Consulting, Mr. Salig served as AON Consulting's Executive Vice President until 2004. The Board believes that Mr. Salig's business and human resource experience qualifies him to serve as a member of the Board.

Michael E. Singer has served as a member of the Board since May 2017, as Executive Vice Chairman of the Board since June 2018 and is a member of the Board's Legal Committee. He also serves as Head of Strategy for National Holdings. Mr. Singer has over twenty-years' experience leading alternative investment management firms. Prior to joining National in June 2018, he served as CEO and President of Ramius, LLC, an alternative investment advisory platform, from 2012 to 2017. At Ramius, Mr. Singer directed strategy and execution of the firm's business plan. Prior to joining Ramius, Mr. Singer was Co-President of Ivy Asset Management, a hedge fund of funds business, from 2004 to 2009. At Ivy, Mr. Singer established the firm's strategic plan and ran the day-to-day activities. He began his career at Weiss, Peck & Greer, a \$17 billion asset management firm, where he spent nine years and served as Senior Managing Director and Executive Committee Member. He oversaw day-to-day operations, new product development, client relationship management, hedge fund sales and risk functions. In addition, Mr. Singer served as the Chairman of the board of directors of FC Global Realty Inc. (OTCMKTS: FCRE) from July to October 2018. Mr. Singer is a certified public accountant (CPA) and received his J.D. from Emory University School of Law and his B.S. from Penn State University. The Board believes that his securities expertise qualifies him to serve as a member of the Board.

There are no family relationships among any of our directors or executive officers.

CORPORATE GOVERNANCE

Board Independence

Our business and affairs are organized under the direction of the Board, which currently consists of seven members. The primary responsibilities of the Board are to provide oversight, strategic guidance, counseling and direction to management.

Under applicable Nasdaq Stock Market (“Nasdaq”) rules, a director will only qualify as an “independent director” if, in the opinion of the Board, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In addition, the Nasdaq rules require that, subject to specified exceptions, audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act and compensation committee members must also satisfy the independence criteria set forth in Rule 10C-1 under the Exchange Act. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee, accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries or otherwise be an affiliated person of the listed company or any of its subsidiaries. In order to be considered independent for purposes of Rule 10C-1, the board must consider, for each member of a compensation committee of a listed company, all factors specifically relevant to determining whether a director has a relationship to such company which is material to that director’s ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to: (1) the source of compensation of the director, including any consulting advisory or other compensatory fee paid by such company to the director; and (2) whether the director is affiliated with the company or any of its subsidiaries or affiliates.

The Board has determined that none of Daniel Hume, Nassos Michas, Neil Herskowitz or Eli Salig has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is an “independent director” as defined under Rule 5605(a)(2) of the Nasdaq Stock Market, Inc. Marketplace Rules. The Board reached a similar determination with respect to Michael Weiss, who served as a director until June 11, 2018. In determining the independence of the directors listed above, the Board considered each of the transactions listed in “Certain Relationships and Related Transactions” on page 21 of this Annual Report on Form 10-K/A.

Board Committees

The Board has established an audit committee, a compensation committee and a legal committee. The Board has adopted a charter for each of the Audit Committee and Compensation Committee, which complies with the applicable requirements of current Nasdaq rules. Copies of each charter are available on the investor portion of the Company's website, located at www.nhld.com.

Audit Committee

The Audit Committee held four meetings during the fiscal year ended September 30, 2018. The Audit Committee currently consists of Neil Herskowitz, Daniel Hume and Eli Salig. Mr. Herskowitz serves as the chair of the Audit Committee. Our Board has determined that each member of the Audit Committee is independent and otherwise qualified to be a member of the Audit Committee in accordance with the rules and regulations of the SEC and Nasdaq.

The SEC further requires that at least one member of the Audit Committee have a "heightened" level of financial and accounting sophistication. Such a person is known as the "audit committee financial expert" under the SEC's rules. The Board has determined that Mr. Herskowitz is an "audit committee financial expert," as the SEC defines that term, and is an independent member of our Board and our Audit Committee. Please see the biography of Mr. Herskowitz on page 2 of this Annual Report on Form 10-K/A for a description of his relevant experience.

The duties and responsibilities of the Audit Committee are set forth in the Charter of the Audit Committee. A copy of the Charter of the Audit Committee is available on the investor portion of the Company's website, located at www.nhld.com. The duties and responsibilities of the Audit Committee include, among other things:

Reviewing and monitoring our financial statements and internal accounting procedures;

Selecting our independent registered public accounting firm; and

Consulting with and reviewing the services provided by such accounting firm.

Our Audit Committee has sole discretion over the retention, compensation, evaluation and oversight of our independent registered public accounting firm.

Compensation Committee

The Compensation Committee held one meeting and took two actions by unanimous written consent during the fiscal year ended September 30, 2018. The Compensation Committee currently consists of Nassos Michas and Daniel Hume. Mr. Michas serves as the chair of the Compensation Committee. Our Board has determined that each member of our Compensation Committee meets the requirements for independence under current Nasdaq and SEC rules and regulations.

The duties and responsibilities of the Compensation Committee are set forth in the Charter of the Compensation Committee. A copy of the Charter of the Compensation Committee is available on our website, located at www.nhld.com. As discussed in its charter, the duties and responsibilities of the Compensation Committee include, among other things:

Evaluating the performance of the Chief Executive Officer and other executive officers;

Determining the overall compensation of the Chief Executive Officer and other executive officers; and

Administering all executive compensation programs, including, but not limited to, incentive and equity-based plans.

The Compensation Committee evaluates the performance of the Chief Executive Officer and other executive officers on an annual basis and reviews and approves on an annual basis all compensation programs and awards relating to such officers. The Compensation Committee applies discretion in the determination of individual executive compensation packages to ensure compliance with the Company's compensation philosophy. The Chief Executive Officer makes recommendations to the Compensation Committee with respect to the compensation packages for officers other than himself. The Compensation Committee may delegate its authority to grant awards to certain employees, and within specified parameters under the National Holdings Corporation 2013 Omnibus Incentive Plan, to a special committee consisting of one or more directors who may but need not be officers of the Company. During fiscal year 2018, however, the Compensation Committee did not delegate any such authority.

The report of the Compensation Committee can be found on page 11 of this Annual Report on Form 10-K/A. Additional information regarding the Compensation Committee's processes and procedures for consideration of executive compensation can be found in the Compensation Discussion and Analysis beginning on page 7 of this Annual Report on Form 10-K/A.

Legal Committee

The Legal Committee, established in August 2017, held one meeting during the fiscal year ended September 30, 2018. The Legal Committee currently consists of Daniel Hume and Michael Singer. The duties and responsibilities of the Legal Committee are to review and assess any pending legal proceedings with a potential risk exposure in excess of \$750,000 and to advise on any material legal matters as required by the executive team.

Compensation Committee Interlocks and Insider Participation

The current members of our Compensation Committee are Nassos Michas and Daniel Hume. No member of the Compensation Committee during the fiscal year ended September 30, 2018 or as of the date of this Annual Report on Form 10-K/A is or has been an officer or employee of National or any of National's subsidiaries, nor has any member of our Compensation Committee had any relationship with National requiring further disclosure.

During the fiscal year ended September 30, 2018, none of our executive officers served as a director or member of the compensation committee (or other committee serving an equivalent function) of any other entity, whose executive officers either served as a member of our Compensation Committee or our Board.

Code of Business Conduct and Ethics for Employees, Executive Officers and Directors

The Board believes that good corporate governance is important to ensure that National is managed for the long-term benefit of stockholders. The Board has adopted the National Holdings Corporation Code of Ethics and Business Conduct (the "Code of Conduct"), which applies to National's directors, officers (including the chief executive officer, chief financial officer, controller and any person performing similar functions) and employees. We will provide a copy of the Code of Conduct, without charge, to any person who requests such copy by delivering written notice to our Corporate Secretary, Fred N. Knopf, at our address above.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than 10% of the shares of our common stock to file an initial report of ownership on Form 3 and changes in ownership on Form 4 or Form 5 with the SEC. Such officers, directors and 10% stockholders are also required by SEC rules to furnish us with copies of any Forms 3, 4 or 5 that they file. The SEC rules require us to disclose late filings of initial reports of stock ownership and changes in stock ownership by our directors, executive officers and 10% stockholders.

Based solely on a review of copies of Forms 3, 4 and 5 furnished to us by reporting persons and any written representations furnished by certain reporting persons, we believe that during the fiscal years ended September 30, 2017 and 2018, all Section 16(a) filing requirements applicable to our directors, executive officers and 10% stockholders were completed in a timely manner other than:

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Two Forms 4 for Michael A. Mullen related to the grant of RSUs in April 2018 and the vesting of RSUs in January 2018;

Three Forms 4 for Glenn C. Worman related to the grants of RSUs in July 2017 and April 2018 and the vesting of RSUs in July 2018;

Three Forms 4 for John C. DeSena related to the grants of RSUs in July 2017 and April 2018 and the vesting of RSUs in July 2018;

One Form 4 for each of Robert B. Fagenson, Michael E. Singer, Neil Herskowitz, Daniel Hume and Eli Salig related to the grants of RSUs in February 2018; and

One Form 3 for Nassos Michas upon his appointment to the Board in June 2018.

Item 11 — Executive Compensation

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis is intended to assist our stockholders in understanding our executive compensation program by providing an overview of our executive compensation-related policies, practices and decisions for the fiscal year ended September 30, 2018. It also explains how we determined the material elements of compensation for our chief executive officer, our chief financial officer and our chief operating officer, whom we refer to as our “Named Executive Officers,” or “NEOs.” For the fiscal year ended September 30, 2018, our NEOs were:

Michael A. Mullen, our Chairman and Chief Executive Officer;

Glenn C. Worman, our President and Chief Financial Officer; and

John C. DeSena, our Chief Operating Officer.

Compensation Philosophy and Objectives

The primary goals of our compensation program and policies are to attract, retain and reward talented executives, ensure compensation is closely aligned with our corporate strategies and objectives and the long-term interests of our stockholders and ensure that total compensation is fair, reasonable and competitive within our industry.

Determining Executive Compensation

Role of the Compensation Committee and the Company’s Named Executive Officers

The Compensation Committee oversees our executive compensation programs, including approving incentive programs, granting equity awards and determining appropriate levels of compensation for our NEOs. Information about the Compensation Committee and its composition and responsibilities can be found on page 5 of this Annual Report on Form 10-K/A.

The Compensation Committee meets with our Chief Executive Officer to discuss his own compensation and that of our Chief Financial Officer based upon a subjective assessment of individual and Company performance during the prior year, achievement of any pre-set goals and objectives and overall trends in the marketplace. Our Chief Executive Officer makes recommendations regarding salary adjustments, bonus payouts and equity awards, and the Compensation Committee evaluates and modifies these recommendations, if it deems appropriate. Ultimately, decisions regarding the compensation of NEOs are made by the Compensation Committee, meeting in executive session, based upon the Compensation Committee's deliberations. Decisions regarding other executive officers are made by the Compensation Committee after considering recommendations from the Chief Executive Officer.

Elements of Compensation

Our compensation program includes a mix of value opportunities and performance considerations. Our executive compensation program for the fiscal year ended September 30, 2018 consisted of the following components:

Compensation Element	Purpose
Base Salary	Base salary represents the fixed portion of an executive's annual compensation and is intended to recognize the executive's value to the Company based on skills and experience relative to the responsibilities of his or her position.
Annual Cash Bonus	Annual cash bonus represents the portion of an executive's compensation that is intended to vary as a direct reflection of Company and individual performance for the year.
Long-Term Equity Awards	Long-term equity awards are intended to reward performance over a multi-year period, link the interests of executives to those of the stockholders, and encourage retention.
Health and Welfare Plans and Retirement Plan	We provide competitive levels of medical and disability coverage, and retirement benefits under our 401(k) plan. Our executives participate in the same programs offered to all of our eligible employees.
Severance Benefits	Our named executive officers generally have employment agreements that provide for severance benefits in certain circumstances.

Our annual cash bonus awards and our annual equity awards are based partially upon the Compensation Committee's subjective assessment of both the Company's performance and each individual executive's contribution to the Company's performance. Our equity awards (stock options and restrictive stock unit awards) are designed to vest based on a mix of time-based factors and our profitability and market capitalization.

We feel strongly that executive compensation and accountability be tied to the performance of our stakeholders. As such, we increased our profitability and market capitalization vesting targets for new grants this past fiscal year ended September 30, 2018. Specifically, we increased our profitability targets, which are measured in reference to Adjusted EBITDA ("AEBITDA"), from \$10,000,000, \$15,000,000 and \$25,000,000 to \$12,000,000, \$18,000,000 and \$30,000,000, respectively. Similarly, we increased our market capitalization targets from \$75,000,000, \$100,000,000 and \$150,000,000 to \$90,000,000, \$120,000,000 and \$180,000,000, respectively.

The Compensation Committee retains the discretion to reduce or eliminate the payment that otherwise might be payable to our executives based upon unforeseen events occurring during the year or its assessment of the Company's or our executive's performance in general.

Consideration of Prior Advisory Stockholder Vote on Executive Compensation

At the 2016 Annual Meeting of Stockholders, our stockholders voted to approve the compensation of the Company's NEOs, as discussed and disclosed in the 2016 Proxy Statement. In considering the results of this advisory vote on executive compensation, the Compensation Committee concluded that the compensation paid to our NEOs and the Company's executive pay practices enjoyed stockholder support.

In light of this support, the Compensation Committee decided to retain the core design of our executive compensation program, with an emphasis on short and long-term incentive compensation that rewards our executives when they and the Company perform well and, in turn, deliver value for our stockholders.

At the 2013 Annual Meeting of Stockholders, our stockholders expressed a preference that advisory votes on executive compensation be held every three years. Consistent with this preference, the Board decided to implement an advisory vote on executive compensation every three years until the next required vote on the frequency of stockholder votes on the compensation of executive officers, which will occur at our 2018 Annual Meeting of Stockholders.

Fiscal Year 2018 Executive Compensation

Base Salary

A competitive base salary is a necessary element to attract and retain an experienced and talented management team. As fixed cash compensation, a base salary provides financial stability and security for performing job responsibilities. The base salaries of our NEOs are set based on their respective responsibilities, performance and competitive market for similar executives. The Compensation Committee reviews the base salaries of our NEOs on an annual basis and makes adjustments as appropriate. The table below outlines the base salaries for our NEOs in the fiscal year ended September 30, 2018, pursuant to each NEOs' respective employment agreement.

Named Executive Officer	Base Salary
Michael A. Mullen	\$360,000
Glenn C. Worman	\$300,000
John C. DeSena	\$250,000

Cash Bonus

Mr. Mullen is eligible to earn an annual cash bonus, which may be conditioned upon the achievement of annual performance goals and objectives established by agreement between Mr. Mullen and the Board. Mr. Mullen's target annual bonus opportunity is equal to 100% of his base salary. Each of Mr. Worman and Mr. DeSena participates in a bonus pool for our senior executive officers and have cash bonus targets set by management and approved by the Board.

After consideration of the Company's performance and individual performance for Mr. Mullen, Mr. Worman and Mr. DeSena during fiscal year 2018, the Compensation Committee authorized bonuses for Mr. Mullen, Mr. Worman and Mr. DeSena in the amounts outlined in the below table. These bonuses were paid in January 2019.

Named Executive Officer	Cash Bonus Amount
Michael A. Mullen	\$464,400
Glenn C. Worman	\$322,500
John C. DeSena	\$193,500

Long-Term Equity Incentive Awards

In April 2018, the Compensation Committee granted to each of Mr. Mullen, Mr. Worman and Mr. DeSena restricted stock units, or RSUs, determined based on the amount of their cash bonus. The following table outlines the RSUs granted.

Named Executive Officer	Restricted Stock Units Granted
Michael A. Mullen	246,857
Glenn C. Worman	137,143
John C. DeSena	102,857

Each of these awards vests as follows:

50% vest in equal annual installments over three years;

25% vest upon satisfaction of certain profitability targets; and

25% vest upon satisfaction of certain market capitalization targets.

For the profitability and market capitalization targets used during the fiscal year ended September 30, 2018, see page 7 in the “Elements of Compensation” section of this Annual Report on Form 10-K/A. Vesting of the performance-based portions of such RSUs require certification by the Compensation Committee that such performance goals have been met and shall occur on the date of certification. In March 2018, the Compensation Committee amended each of the existing RSU award agreements for Mr. Mullen, Mr. Worman and Mr. DeSena so that such RSUs will vest in full upon a change in control of the Company.

For additional information regarding our NEOs’ equity awards, see the “Summary Compensation Table,” the “Grants of Plan-Based Awards Table” and the “Outstanding Equity Awards at 2018 Fiscal Year End” table.

Perquisites and Other Executive Benefits

We offer Mr. Mullen and Mr. Worman an annual benefits allowance. We reimburse Mr. Mullen \$2,545 for an annual gym membership, and we offer Mr. Worman an annual car allowance of \$12,000.

Severance Benefits

We have employment agreements with our NEOs that provide, among other things, payment and benefits upon certain terminations of employment. We believe the severance benefits components of these agreements are an important component to recruiting and retaining high quality executive officers. For more information on Mr. Mullen, Mr. Worman's and Mr. DeSena's employment agreements see the "Potential Termination and Change in Control Payments" section under "Executive Compensation" beginning on page 15 of this Annual Report on Form 10-K/A.

REPORT OF THE COMPENSATION COMMITTEE

The following report of the Compensation Committee does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other filing under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

The Compensatio