

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): May 2, 2018

AQUA METALS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

001-37515
(Commission File Number)

47-1169572
(I.R.S. Employer Identification Number)

1010 Atlantic Avenue
Alameda, California 94501
(Address of principal executive offices)

(510) 479-7635
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)
With copies to:

Greenberg Traurig, LLP
MetLife Building
200 Park Avenue
New York, NY 10166
Attention: Clifford E. Neimeth, Esq.
Telephone: (212) 801-9383

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Suite 1000
Irvine, CA 92612
Attention: Daniel K. Donahue, Esq.
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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions.

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). 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.

Item 1.01 Entry into a Material Definitive Agreement.

Kanen Settlement Agreement

On May 2, 2018, Aqua Metals, Inc. (“Aqua Metals” or the “Company”) entered into a definitive settlement agreement (the “Settlement Agreement”) with David L. Kanen and Kanen Wealth Management, LLC (collectively, together with certain of their respective affiliates and the other participants in their pending proxy solicitation and members of their “group” (as such term is defined in Rule 13d-5 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) the “Kanen Group”) with respect to the solicitation of proxies by the Kanen Group in opposition to the election of the director-candidates nominated by the Company’s Board of Directors (the “Board”) for election at the Company’s 2018 Annual Meeting of Stockholders (the “2018 Annual Meeting”). As a result of the Settlement Agreement, the Kanen Group has terminated its opposition solicitation and has withdrawn its nomination of opposition director candidates previously submitted to the Company. The following is a summary of the material terms of the Settlement Agreement.

Pursuant to the Settlement Agreement, the Company has agreed to take all necessary actions to (i) expand the Board from five (5) to six (6) directors and (ii) appoint S. Shariq Yosufzai and Sushil (“Sam”) Kapoor (the “Kanen Designees”) as directors of the Company and to certain Board committees, as set forth in the Settlement Agreement. Messrs. Yosufzai and Kapoor will fill the vacancies created by the expansion of the Board and the resignation of Selwyn Mould, who has resigned as a director of the Company, effective upon the execution and delivery of the Settlement Agreement.

Pursuant to the Settlement Agreement, the Kanen Group and the Company have agreed that, until the earlier of (x) May 2, 2020 and (y) such date on which the Kanen Group no longer, directly or indirectly, beneficially owns at least 4.0% of the Company’s outstanding Common Stock (the earlier of such events described in clauses (x) and (y) above, the “Nomination Right Expiration Date”), the Kanen Group will have the right to submit to the Nominating and Corporate Governance Committee of the Board (the “Nominating Committee”) two (2) nominees for inclusion as Board-recommended director candidates (the “Kanen Nominees”) in the Company’s definitive proxy materials with respect to (i) the 2018 Annual Meeting and (ii) each annual meeting of the Company’s stockholders subsequently convened prior to the Nomination Right Expiration Date at which directors of the Company are to be elected (each, a “Post-2018 Annual Meeting”). Each Kanen Nominee is required to qualify as an “independent director” under applicable Nasdaq Stock Market rules. The Kanen Group’s right to submit nominees for election to the Board is subject to certain procedural and information requirements set forth in the Settlement Agreement. The Kanen Group will have the right to substitute any Kanen Nominee who is not nominated or elected to the Board, or who resigns, is removed by the Company’s stockholders or otherwise becomes unable or unavailable to serve as a director of the Company.

Pursuant to the Settlement Agreement, the Company has agreed to (i) promptly amend and/or supplement its definitive proxy materials previously disseminated to the Company’s stockholders in respect of the 2018 Annual Meeting to include therein, among other things, the Kanen Designees as Board-approved and recommended director candidates for election by the Company’s stockholders at the 2018 Annual Meeting, file such additional definitive proxy materials with the Securities and Exchange Commission (the “SEC”), and commence mailing on the date of such filing such additional definitive materials to all stockholders of record as of April 25, 2018; and (ii) recommend, support and solicit proxies for the Kanen Designees at the 2018 Annual Meeting in the same manner as it recommends, supports and solicits proxies for the election of the other nominees nominated by the Board for election as directors at the 2018 Annual Meeting. Pursuant to the Settlement Agreement, the following slate of six director candidates will be nominated for election to the Board at the 2018 Annual Meeting: Vincent L. DiVito, Mark Slade, Eric Prouty, Mark Stevenson, S. Shariq Yosufzai and Sushil (“Sam”) Kapoor. The Company has also agreed to postpone the date of the 2018 Annual Meeting from June 5, 2018 to June 12, 2018.

Concurrently with their appointments to the Board, Messrs. Yosufzai and Kapoor, together with incumbent directors Mr. Vincent L. Divito and Mark Stevenson, have been appointed to serve on the Board's newly constituted CEO Search Committee (the "CEO Search Committee"), which committee is vested with the authority to engage and work directly with a recognized external executive search and consulting firm to identify highly qualified permanent Chief Executive Officer ("CEO") candidates and to evaluate and interview such candidates and make recommendations to the full Board with respect to the potential hiring of such candidates. In addition, Mr. Yosufzai has been appointed to the Nominating Committee, and Mr. Kapoor has been appointed to the Board's Compensation Committee. Effective immediately upon his appointment to the Board, Mr. Yosufzai has been appointed by the Board to serve as Non-Executive Chairman and the lead independent director of the Board. In addition, the Company has agreed that, during the one-year period commencing on the first day next following the final tabulation and certification of the voting results for the election of the Company directors at the 2018 Annual Meeting, Mr. Kanen will have the right, upon each express invitation of the Board, to attend all or any portions of meetings of the Board as an observer (with no voting rights).

Pursuant to the Settlement Agreement, the Company has agreed that at any time prior to the Nomination Right Expiration Date, the Board will not take any action to increase the size of the Board to more than seven (7) directors unless the Kanen Designees then serving on the Board consent to such action. Once a permanent CEO has been identified and appointed by the Board, upon the recommendation of the CEO Search Committee, he or she will be appointed by the Board to serve as a seventh (7th) director of the Company. The Settlement Agreement provides that Selwyn Mould will resign from his current position as the Company's interim CEO immediately following the Company's filing with the SEC of its Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2018. Mr. Mould will continue to serve as the Company's Chief Operating Officer. The Settlement Agreement also provides that Thomas M. Murphy will resign as the Company's interim Chief Financial Officer ("CFO") and will be succeeded by Frank Knuettell II as permanent CFO of the Company on the first business day next following the Company's public announcement of its earnings for the fiscal quarter ended March 31, 2018.

Pursuant to the Settlement Agreement, the Kanen Group has agreed to irrevocably withdraw its previously delivered notice of its intention to nominate certain individuals for election to the Board at the 2018 Annual Meeting, and to immediately cease and terminate all mailings of its definitive opposition proxy materials and all other efforts in furtherance of its nomination and all related opposition solicitation activities. In addition, the Kanen Group has agreed that, until the Nomination Right Expiration Date, the Kanen Group will (i) appear at the 2018 Annual Meeting and each Post-2018 Annual Meeting or to otherwise cause all shares of the Company's common stock beneficially owned by the Kanen Group to be counted as present thereat for purposes of establishing a quorum, (ii) vote all shares of the Company's common stock beneficially owned by the Kanen Group on the Company's proxy card or voting instruction form in favor of each of the nominees for election as directors nominated by the Board and recommended by the Board (and not in favor of any other nominees to serve on the Board) and, subject to certain exceptions, each of the proposals listed on the Company's proxy card or voting instruction form as identified in the Company's definitive proxy statement or supplement thereto in accordance with the Board's recommendations, including in favor of all matters recommended by the Board for stockholder approval and against all matters that the Board recommends against stockholder approval.

The Kanen Group has also agreed not to take various actions pursuant to the terms of a comprehensive and customary certain “standstill” provision during the period commencing on May 2, 2018 and terminating at 11:59 p.m., Eastern Time, on December 31, 2019.

Pursuant to the Settlement Agreement, the Company will reimburse the Kanen Group for its reasonable, documented fees and out-of-pocket expenses (including legal expenses and proxy solicitation expenses) in an amount up to \$200,000 incurred in connection with matters relating to the 2018 Annual Meeting and the negotiation and execution of the Settlement Agreement.

The foregoing summary of the Settlement Agreement does not purport to be complete and is qualified in its entirety by reference to the Settlement Agreement, a copy of which is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Stephen Cotton Employment Agreement

On May 2, 2018, the Board appointed Stephen Cotton, who previously served as the Company’s Chief Commercial Officer from January 2015 to June 2017, to serve as the Company’s President. Mr. Cotton will join the Company full-time effective as of May 7, 2018 and will formally assume the office of President immediately following the filing of the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018. In connection with Mr. Cotton’s appointment, the Company and Mr. Cotton have entered into an employment agreement (the “Cotton Employment Agreement”), effective as of May 2, 2018. The following is a summary of the material terms and conditions of the Cotton Employment Agreement.

Pursuant to the Cotton Employment Agreement, the Company has agreed to compensate Mr. Cotton at the annual rate of \$410,000. The Company has also agreed to provide Mr. Cotton with health and other benefits provided to senior management generally. Mr. Cotton will be eligible to receive annual performance-based bonuses of up to 50% of his annual salary based on the satisfaction of performance milestones as determined annually by the Board’s Compensation Committee in its discretion. The performance bonuses will be payable in shares of the Company’s common stock. Mr. Cotton will also be eligible to receive a one-time bonus of 100,000 shares of the Company’s common stock subject to and contingent upon the volume-weighted average price of the Company’s common stock trading on the Nasdaq Stock Market equaling or exceeding \$7.00 per share over any 30 consecutive trading days during the first 12 months of his employment. In the event of the Company’s termination of Mr. Cotton without cause or his resignation for good reason, the Company will continue to pay his salary and benefits then in effect for 12 months following the date of such termination or resignation. The Cotton Employment Agreement provides for intellectual property assignment and confidentiality provisions that are customary in our industry.

The foregoing summary of the Cotton Employment Agreement does not purport to be complete and is qualified in its entirety by reference to the Cotton Employment Agreement, a copy of which is filed as Exhibit 10.2 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 5.02 **Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

The information set forth under Item 1.01 of this Current Report on Form 8-K is incorporated by reference into this Item 5.02.

Resignation of Selwyn Mould as a Director of the Company

In connection with the Settlement Agreement described under Item 1.01 of this Current Report on Form 8-K, Mr. Selwyn Mould has resigned as a director of the Company, effective upon the execution and delivery of the Settlement Agreement. Mr. Mould, who served as Aqua's interim CEO, has also agreed to resign as interim CEO immediately following the Company's filing of its Quarterly Report on Form 10-Q for the quarter ended March 31, 2018. Mr. Mould will continue to serve as the Company's Chief Operating Officer.

Appointment of S. Shariq Yosufzai and Sushil ("Sam") Kapoor as Directors of the Company

Pursuant to the Settlement Agreement, on May 2, 2018, the Board appointed S. Shariq Yosufzai and Sushil ("Sam") Kapoor to serve as directors of the Company, effective immediately, to fill the vacancies created as a result of the expansion of the Board from five (5) to six (6) directors, as described under Item 1.01 of this Current Report on Form 8-K, and the resignation of Mr. Mould as a director of the Company, as described above in this Item 5.02.

Biography of S. Shariq Yosufzai

S. Shariq Yosufzai, age 65, was most recently the Vice President, Global Diversity for the Chevron Corporation ("Chevron")(CVX), a multinational energy corporation, from 2013 to March 2018. He held a number of positions at Chevron and its various affiliates, including Vice President (from 2010 to 2013); President of Chevron Global Marketing, a business unit within Chevron (from 2004 to 2010); Co-President of Chevron Products Company, North America, Chevron's North America Refining & Marketing operations (from 2003 to 2004); and President of Chevron Texaco Global Lubricants (from 2001 to 2003). Prior to that, he worked at Caltex Corporation, a joint venture between Chevron and Texaco, Inc., as the Corporate Vice President, Caltex Corporation & President, Caltex Lubricants & New Business Development (from 2000 to 2001) and held a number of other senior level management positions at Caltex Corporation from 1998 to 2000. From 1991 to 1998, he worked at Texaco Inc., a subsidiary of Chevron, and served as the President of Texaco Lubricants Company from 1994 to 1998. As part of a joint enterprise between Texaco, Inc. and Saudi Aramco, Mr. Yosufzai was employed at Star Enterprise from 1988 to 1991 where he held a number of positions and prior to that began his career at Texaco, Inc., from 1975 to 1983. His past board memberships include Chairman of the Board of Directors of Caltex Lubricants Lanka Ltd.; Member of the Board of Directors of Caltex Australia Limited; and Member of the Management Committee of Star Enterprise. Mr. Yosufzai currently serves as Chair of the AIChE Foundation (The American Institute of Chemical Engineers) since November 2017, Chair of the Board of Directors of the California Chamber of Commerce and is an Executive Committee Member of the San Francisco Opera's Board of Directors. He previously served as Chair of the Board of the Association of Former Students of Texas A&M. Mr. Yosufzai also serves as Executive Sponsor of Chevron's University Partnership Program for the University of California, Berkeley, and Texas A&M University, and on the Advisory Board of Texas A&M's Dwight Look College of Engineering and on the Chancellor's Century Council of the Texas A&M University System. Named a Distinguished Graduate of the Chemical Engineering Department of Texas A&M University in 1998, in 1999 he became the first person to be honored by the school as both an Outstanding International Alumnus and a Distinguished Alumnus. In 2011, he served as Chair of the Board of the California Chamber of Commerce and was named an Outstanding Alumnus of the Dwight Look College of Engineering at Texas A&M. He attended Extensive Education schools at both Columbia University, Graduate School of Business at Arden House and McIntire School of Commerce, University of Virginia and received his B.S. in Chemical Engineering from Texas A&M University.

Biography of Sushil ("Sam") Kapoor

Sushil ("Sam") Kapoor, age 71, was the Chief Global Operations Officer of Equinix, Inc., a multinational company that specializes in internet connection and related services, since January 2008 until March 2018. As the Chief Operations executive at Equinix, Inc. since early 2001, Mr. Kapoor played a major role in steering the company from near bankruptcy to its current industry leading position. During this period Equinix, Inc. grew from 7 data centers in 6 markets in one country with annual revenue of less than \$20 million to more than 180 data centers in 44 metros across 25 major countries spread over 4 continents with annual revenues exceeding \$5 Billion. During the same period, the stock price grew from a split adjusted low of around \$5 to its current price of more than \$400. Mr. Kapoor served as Vice President of Operations of Equinix, Inc., from March 2001 to December 2006 and also served as its Senior Vice President of IBX Operations from December 2006 to January 2008. Prior to joining Equinix, Mr. Kapoor served as Vice President of hosting operations at UUNET Technologies, Inc., the Internet division of MCI (formerly known as WorldCom) from November 1999 to February 2001. He was responsible for the build-out and day-to-day operations of six hosting centers. From May 1995 to November 1999, he served as Vice President, Global Network Technology for Compuserve Network Services, an Internet access provider. Mr. Kapoor served as Senior Director of Telecommunications for over 10 years at Lexis-Nexis in Miamisburg. Mr. Kapoor holds an M.B.A. (Operations Research) from Miami University of Ohio and an M.S. in Electrical Engineering from the University of Cincinnati.

The Board has determined that Messrs. Yosufzai and Kapoor qualify as "independent directors" under applicable Nasdaq Stock Market rules.

Messrs. Yosufzai and Kapoor will receive the same compensation as the Company's other non-employee directors, as described in the Company's definitive proxy statement on Schedule 14A filed by the Company with the SEC on April 17, 2018.

Except as set forth above in this Item 5.02 and in Item 1.01 of this Current Report on Form 8-K, there are no arrangements or understandings pursuant to which Messrs. Yosufzai and Kapoor are to be appointed to the Board, nor are there any transactions or proposed transactions to which the Company and Messrs. Yosufzai or Kapoor are, or will be, a party. Except as set forth above in this Item 5.02 and in Item 1.01 of this Current Report on Form 8-K, as of the date hereof, the Company has not entered into any transactions involving Messrs. Yosufzai or Kapoor that would require disclosure under Item 404(a) of Regulation S-K under the Exchange Act.

Appointment of Stephen Cotton as President of the Company

In connection with the Settlement Agreement described under Item 1.01 of this Current Report on Form 8-K, on May 2, 2018, the Board appointed Stephen Cotton to serve as the Company's President, effective immediately. Mr. Cotton previously served as the Company's Chief Commercial Officer from January 2015 to June 2017. Mr. Cotton will be invited by the CEO Search Committee to interview for the position of CEO, together with all other candidates for such position during the pendency of the Company's permanent CEO search process.

Biography of Stephen Cotton

Stephen Cotton, age 51, served as Chief Commercial Officer of the Company from January 2015 to June 9, 2017. Previously, Mr. Cotton co-founded Canara, Inc. in December 2001 and served as its chief executive officer through the sale of the company to a private equity firm in June 2012, after which he served as executive chairman until April 2014. Canara is a global provider of stationary battery systems with integrated monitoring systems and cloud-based monitoring services to many of the largest data center operators. From April 2014 to January 2015 and June 9, 2017 to the present, Mr. Cotton managed his private investments.

Except as set forth above in this Item and in Item 1.01 of this Current Report on Form 8-K, there is no arrangement or understanding pursuant to which Mr. Cotton has been appointed President, nor are there any transactions or proposed transactions to which the Company and Mr. Cotton are, or will be, a party. Except as set forth above in this Item and in Item 1.01 of this Current Report on Form 8-K, as of the date hereof, the Company has not entered into any transactions involving Mr. Cotton that would require disclosure under Item 404(a) of Regulation S-K under the Exchange Act.

In connection with Mr. Cotton's appointment, the Company granted Mr. Cotton options to purchase up to 840,000 shares of its common stock. Options to purchase 420,000 common shares are exercisable over a five year period at an exercise price of \$3.00 per share. Options to purchase 210,000 common shares are exercisable over a five year period at an exercise price of \$5.00 per share and options to purchase 210,000 common shares are exercisable over a five year period at an exercise price of \$7.00 per share. The options vest in 1/36th increment during each of the first 12 months following the date of grant and thereafter the options vest in one-third increments on the second and third anniversary of the date of grant. The options are issued subject to the terms and conditions of the Company's Amended and Restated 2014 Stock Incentive Plan.

Item 8.01 Other Events.

Pursuant to the Settlement Agreement, the Kanen Group has agreed to irrevocably withdraw its previously delivered notice of its intention to nominate certain opposition candidates for election to the Board at the 2018 Annual Meeting, as described in Item 1.01 of this Current Report on Form 8-K. As a result, the election of directors at the 2018 Annual Meeting is no longer "contested." The Company plans to file with the SEC and mail to its stockholders, as soon as practicable after the date hereof, a revised definitive proxy statement that amends and restates the Company's definitive proxy statement filed by the Company with the SEC on April 17, 2018 and first mailed to the Company's stockholders on or about April 18, 2018, to reflect the matters set forth in the Settlement Agreement. In connection with the Settlement Agreement, the date of the 2018 Annual Meeting has been postponed from June 5, 2018 to June 12, 2018.

On May 2, 2018, the Company issued a press release announcing the Company's entry into the Settlement Agreement, the related changes to the composition of the Board and its committees, the appointment of Stephen Cotton as the Company's President, as well as the other transactions contemplated by the Settlement Agreement. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
<u>10.1</u>	<u>Settlement Agreement, dated as of May 2, 2018, by and among Aqua Metals, Inc., David L. Kanen and Kanen Wealth Management, LLC</u>
<u>10.2</u>	<u>Employment Agreement, dated May 2, 2018, by and between Aqua Metals, Inc. and Stephen Cotton</u>
<u>99.1</u>	<u>Press release dated May 2, 2018</u>

SIGNATURE

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 2, 2018

AQUA METALS, INC.

By: /s/ Thomas Murphy
Name: Thomas Murphy
Title: Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Settlement Agreement, dated as of May 2, 2018, by and among Aqua Metals, Inc., David L. Kanen and Kanen Wealth Management, LLC
10.2	Employment Agreement, dated May 2, 2018, by and between Aqua Metals, Inc. and Stephen Cotton
99.1	Press release dated May 2, 2018

SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT (this "**Agreement**") is made as of this 2nd day of May 2018, by and among David L. Kanen, Kanen Wealth Management LLC ("**Kanen Wealth Management**") (collectively, together with their respective affiliates and the other participants in their pending proxy solicitation and members of their "group" (as such term is defined in Rule 13d-5 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), the "**Kanen Group**", and each individually, a "**member**" of the Kanen Group), and Aqua Metals, Inc., a Delaware corporation (the "**Company**").

WHEREAS, as of the date hereof, the Kanen Group, directly and indirectly, beneficially owns 2,167,596 shares of common stock, \$.01 par value, of the Company (the "**Common Stock**"), which represents approximately 8.0% of the issued and outstanding shares of Common Stock, as disclosed by the Kanen Group in Amendment No. 4 to its statement on Schedule 13D jointly filed by the Kanen Group with the Securities and Exchange Commission (the "**SEC**") on April 25, 2018.

WHEREAS, pursuant to various correspondences and public announcements and filings with the SEC, the Kanen Group commenced a solicitation of proxies in opposition to the election of the director-candidates heretofore nominated by the Company's Board of Directors (the "**Board**") for election at the Company's 2018 Annual Meeting of Stockholders currently scheduled to be convened on June 5, 2018 (as such meeting may be postponed or adjourned as required by applicable law or as otherwise may be desired by the Company and the Kanen Group in order to facilitate the matters set forth in the Agreement, the "**2018 Annual Meeting**") and identified as such in the Company's definitive proxy materials first disseminated to the Company's stockholders on April 18, 2018;

WHEREAS, the Board and the Kanen Group believe that the continuation of a protracted and adversarial contested election in respect of the 2018 Annual Meeting is not in the best interests of the Company's stockholders and the Company, and in order to eliminate the continuation of such costly, time consuming and distracting proceedings the Board and the Kanen Group desire to reach a prompt, fair and equitable settlement with respect to the recomposition of the Board and certain other matters hereafter set forth which the Board has determined to be in the best interests of the Company's stockholders and the Company;

NOW, THEREFORE, in consideration of and reliance upon the mutual premises, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Board Matters: Board Appointments; 2018 Annual Meeting

(a) The Company agrees that the Board and all applicable committees of the Board shall, effective as of the date of this Agreement, take all necessary actions to (i) increase the size of the Board from five (5) to six (6) members; and (ii) appoint S. Shariq Yosufzai and Sushil ("Sam") Kapoor (the "**Kanen Designees**"), or any replacement nominees in accordance with Section 1(i) below, as directors of the Company and to the applicable Board committees pursuant to Section 1(d) below. Messrs. Yosufzai and Kapoor shall fill the vacancies created by the expansion of the Board and the resignation of Selwyn Mould, who the Company hereby represents has submitted a letter of resignation to the Board that will become effective upon the execution and delivery of this Agreement. Subject to Section 1(b) and Section 1(c) below, the Kanen Group and the Company agree that, until the earlier of (x) the second anniversary of the date hereof and (y) such date on which the Kanen Group no longer, directly or indirectly, beneficially owns at least 4.0% (subject to adjustment for share issuances, stock splits, reclassifications, combinations and similar actions by the Company that increase the number of outstanding shares) of the Company's outstanding Common Stock (the earlier of such events described in clauses (x) and (y) above being hereafter referred to as the "**Nomination Right Expiration Date**"), the Kanen Group shall have the right to submit to the Nominating and Corporate Governance Committee of the Board (the "**Nominating Committee**") two (2) nominees for inclusion as Board-recommended director candidates (the "**Kanen Nominees**") in the Company's definitive proxy materials disseminated to the Company's stockholders for their consideration with respect to (i) the 2018 Annual Meeting and (ii) each annual meeting of the Company's stockholders subsequently convened prior to the Nomination Right Expiration Date at which directors of the Company are to be elected (each such subsequent annual meeting being hereafter referred to as a "**Post-2018 Annual Meeting**"). Each Kanen Nominee submitted to the Nominating Committee pursuant to this Section 1(a) shall qualify as an "independent director" under applicable Nasdaq Stock Market rules.

(b) Prior to the date of this Agreement, the Nominating Committee has reviewed and evaluated the background and qualifications of each of the Kanen Designees, has determined that the appointment of the Kanen Designees as directors of the Company, and the Company's nomination of the Kanen Designees for election as directors of the Company at the 2018 Annual Meeting, would be in the best interests of the Company and its stockholders, and has recommended that the Board appoint the Kanen Designees as directors of the Company and include each of them as Board-recommended director candidates in the Company's definitive proxy materials disseminated to the Company's stockholders for their consideration with respect to the 2018 Annual Meeting. The Kanen Group acknowledges that each Kanen Nominee has submitted to the Company a fully completed copy of the Company's standard director and officer questionnaire and other reasonable and customary director onboarding documentation required by the Company in connection with their appointment and election as new Board members. Any substitute director recommended by the Kanen Group in accordance with Section 1(i) to replace a Kanen Nominee shall also promptly (but in any event prior to being appointed to the Board in accordance with this Agreement) submit to the Company a fully completed copy of the Company's standard director & officer questionnaire and other reasonable and customary director onboarding documentation required by the Company in connection with the appointment or election of new Board members.

(c) The Company agrees that it shall (i) promptly amend and/or supplement its definitive proxy materials heretofore disseminated to the Company's stockholders in respect of the 2018 Annual Meeting to include therein, among other things, the Kanen Designees as Board-approved and recommended director candidates for election by the Company's stockholders at the 2018 Annual Meeting, file such additional definitive proxy materials with the SEC and commence mailing on the date of such filing such additional materials to all holders of record of Common Stock as of April 25, 2018 (it being hereby acknowledged and agreed that the date for convening the Annual Meeting shall be reset to June 12, 2018 from June 5, 2018), (ii) recommend, support and solicit proxies for the Kanen Designees at the 2018 Annual Meeting in the same manner as it recommends, supports, and solicits proxies for the election of the other nominees nominated by the Board for election as directors at the 2018 Annual Meeting and (iii) to the extent required under applicable law or as otherwise mutually desired by the Kanen Group and the Company, take all necessary corporate action to postpone the 2018 Annual Meeting, including, without limitation, reestablishing the record date for the 2018 Annual Meeting in accordance with the Delaware General Corporation Law, as amended (the "DGCL"), and conducting a new broker search under Rule 14a-13 under the Exchange Act.

(d) The Company agrees that effective immediately upon their appointment to the Board as directors of the Company in accordance with Section 1(a), (i) one (1) of the Kanen Designees shall be appointed by the Board to each of the Nominating Committee and the Compensation Committee of the Board (the “**Compensation Committee**”), with such committees thereafter consisting of four (4) and three (3) directors, respectively, and (ii) both of the Kanen Designees shall be appointed by the Board, together with Messrs. Vincent L. DiVito and Mark Stevenson, to a newly constituted CEO Search Committee of the Board (the “**CEO Search Committee**”), which shall be vested with the authority to engage and work directly with a recognized external executive search and consulting firm to identify highly qualified permanent Chief Executive Officer (“**CEO**”) candidates and to evaluate and interview such candidates and make recommendations to the full Board with respect to the potential hiring of such candidates.

(e) The Company further agrees that effective immediately upon his appointment to the Board as a director of the Company in accordance with Section 1(a), Mr. Yosufzai shall be appointed by the Board to serve as Non-Executive Chairman (and the lead independent director) of the Board.

(f) The Company agrees that the Kanen Group Designees shall receive (i) the same benefits of director and officer insurance, and any indemnity arrangements available generally to all directors then serving on the Board, (ii) the same compensation for service as a director as the compensation received by other non-employee directors then serving on the Board and as established by the Compensation Committee, subject to any modification of the amount and form of such compensation as hereafter may be determined by the Compensation Committee, and (iii) such other health, welfare and other similar benefits on the same basis as are available to all other non-employee directors then serving on the Board.

(g) In order to exercise its right pursuant to Section 1(a) to deliver and submit to the Nominating Committee two (2) Kanen Nominees for inclusion as Board-recommended director candidates in the Company’s definitive proxy materials disseminated to the Company’s stockholders for their consideration with respect to each Post-2018 Annual Meeting, the Kanen Group shall either (i) confirm that the Kanen Designees will serve as the Kanen Nominees or (ii) submit such other Kanen Nominee(s) to the Nominating Committee in writing no more than 120 days nor less than 90 days prior to the date on which the Company’s definitive proxy materials were first released to the Company’s stockholders in respect of the prior year’s annual meeting of the Company’s stockholders, together with such information as the Nominating Committee may reasonably require to evaluate and investigate the background, reputation, business experience, education and professional credentials, and overall qualifications, of such Kanen Nominees. If, after completion of its evaluation and investigation of such other Kanen Nominee(s), the Nominating Committee determines that the Company’s nomination of the Kanen Nominees (to serve as Company directors) would be in the best interests of the Company and its stockholders, then not later than 24 hours after such determination, the Nominating Committee shall submit to the full Board the names of such Kanen Nominees, together with the Nominating Committee’s recommendation that such persons should be included in the Company’s definitive proxy materials as Board-approved and recommended director candidates for election by the Company’s stockholders at the applicable Post-2018 Annual Meeting.

(h) If (i) after completion of its evaluation of any Kanen Nominee, the Nominating Committee determines that the Board's nomination of such Kanen Nominee (to serve as a Company director) would not be in the best interests of the Company and its stockholders, or (ii) any Kanen Nominee previously nominated by the Board and elected by the Company's stockholders determines not to stand for re-election at any Post-2018 Annual Meeting, the Kanen Group shall have the right to submit to the Nominating Committee a substitute nominee, in lieu and stead of such Kanen Nominee, for inclusion as a Board-recommended director candidate in the Company's definitive proxy materials disseminated to the Company's stockholders for their consideration with respect to the 2018 Annual Meeting or such applicable Post-2018 Annual Meeting.

(i) If any Kanen Designee included in the Company's definitive proxy materials as a Board-approved and recommended director candidate for election by the Company's stockholders at the 2018 Annual Meeting or any Kanen Nominee included in the Company's definitive proxy materials as a Board-approved and recommended director candidate for election by the Company's stockholders at any Post-2018 Annual Meeting (i) is not elected to serve as a Company director by the Company's stockholders at such annual meeting (other than in the case of any such non-election resulting from a contested election) or (ii) is elected to serve as a Company director by the Company's stockholders at such annual meeting and subsequently resigns, is removed by the Company's stockholders or otherwise becomes unable or unavailable to serve during the term for which such Kanen Designee was theretofore elected, the Kanen Group shall have the right to submit to the Nominating Committee a substitute nominee to be appointed by the Board to fill the vacancy resulting from such resignation, removal or inability or unavailability to serve. If the Nominating Committee or the Board does not appoint such substitute recommended by the Kanen Group to the Board for any reason, the Kanen Group shall be permitted to continue to recommend substitute nominee(s) until a substitute director is elected to the Board. The Board and all applicable committees of the Board shall take all necessary actions to appoint such substitute Kanen Designee to any applicable committee of the Board of which the replaced director was a member, as applicable.

2. Standstill. The Kanen Group agrees that until the expiration of the Standstill Period, it shall not, and shall cause its controlled Affiliates and Associates (as such terms are defined in Rule 12b-2 under the Exchange Act) and its and their respective principals, directors, general partners, members, officers, employees, and agents and representatives acting on their behalf (collectively, the "**Kanen Affiliates**") not to, directly or indirectly, without the prior express written invitation or authorization by the Board:

(a) purchase or otherwise acquire, or agree to purchase or otherwise acquire, including through swap or hedging transactions or otherwise, any shares of Common Stock if, immediately after such purchase or acquisition, the Kanen Group, together with the Kanen Affiliates, would own, control or otherwise have any beneficial or other ownership interest in the aggregate of more than 9.9% of the then outstanding shares of Common Stock, provided that any shares of Common Stock granted or awarded to any of the Kanen Group Designees in their capacities as directors of the Company shall not be counted toward the 9.9% ownership limitation set forth in this Section 2(a);

(b) make, engage in or in any way participate in any “solicitation” (as such term is used in the proxy rules of the SEC, but without regard to the exclusion set forth in Rule 14a-1(1)(2)(iv) under the Exchange Act) of proxies, consents or voting authorizations with respect to the election or removal of directors of the Company or any other matter or proposal in respect of which the Company’s stockholders are requested or required to vote on, or become a “participant” (as such term is used in the proxy rules of the SEC) or assist any “participant” in any such solicitation of proxies, consents or voting authorizations from the Company’s stockholders;

(c) encourage, influence, induce or advise or assist any Person in so encouraging, influencing, inducing or advising any Person with respect to the giving, revocation or withholding of any proxy, consent or other authorization to vote any shares of Common Stock (other than solicitation activity that is consistent with the recommendation of and expressly authorized by the Board in connection with any matter submitted to the Company’s stockholders for their consideration and vote);

(d) form, join, encourage, influence, advise, act in concert with or in any way participate in any “group” (as defined pursuant to Section 13(d) of the Exchange Act), with respect to any Voting Securities (as defined below), other than solely with controlled Kanen Affiliates with respect to Voting Securities now or hereafter owned by them;

(e) (i) engage in, or become a party or counterparty to, any swap or hedging transaction or other derivative agreement of any nature with respect to Voting Securities or (ii) acquire, or offer, seek or agree to acquire, by purchase or otherwise, or direct any third party in the acquisition of, any Voting Securities, or rights or options to acquire any Voting Securities of the Company, or engage in any swap or hedging transactions or other derivative agreements of any nature with respect to Voting Securities, in each case of clause (i) or (ii) above;

(f) sell, offer or agree to sell, through swap or hedging transactions or otherwise, voting rights decoupled from the underlying Common Stock held by the Kanen Group or any Kanen Affiliate to any Third Party (as defined below);

(g) knowingly sell, offer or agree to sell to a Third Party, including through swap or hedging transactions or otherwise, any securities of the Company held by the Kanen Group or a Kanen Affiliate that would result in such Third Party, together with its affiliates and associates, owning, controlling or otherwise having any beneficial or other ownership interest in the aggregate of more than 4.9% of the then outstanding shares of Common Stock (including due to such Third Party, together with its affiliates and associates, owning, controlling or otherwise having any beneficial or other ownership interest of more than 4.9% of the outstanding shares of Common Stock prior to such sale, offer or agreement to sell), except in a transaction previously authorized and approved by the Board;

(h) effect or seek, offer or propose to effect, cause, make or participate in any tender offer, exchange offer, merger, consolidation, acquisition, business combination, recapitalization, business reorganization, spin-off/split-off, restructuring, liquidation, dissolution or other extraordinary transaction involving the Company or any of its subsidiaries or the Company's securities or a material amount of the assets of the Company and its subsidiaries, taken as a whole ("**Extraordinary Transaction**"), or frustrate or seek to frustrate the pendency or consummation of any Extraordinary Transaction approved, recommended, proposed or endorsed by the Board, or make any public statement with respect to an Extraordinary Transaction (it being understood and agreed that the foregoing shall not restrict the Kanen Group from tendering shares, receiving payment for shares or otherwise participating in any such transaction, pro rata, on the same basis as all other stockholders of the Company, or from participating in any such transaction that previously has been approved and recommended by the Board), or make any proposal, either alone or in concert with others, to the Company or the Board that would reasonably be expected to require or result in a public announcement regarding any of the types of matters set forth above in this Section 2;

(i) enter into a voting trust or proxy, arrangement or agreement or subject any Voting Securities to any voting trust or proxy, arrangement or agreement, in each case other than solely with other controlled Kanen Affiliates, with respect to Voting Securities now or hereafter owned by them and other than granting proxies in solicitations approved with respect to matters recommended and submitted by the Board to the Company's stockholders;

(j) engage in any short sale or any purchase, sale or grant of any option, warrant, convertible security, stock appreciation right, or other similar right (including any put or call option or "swap" transaction) with respect to any security (other than a broad-based market basket or index) that includes, relates to or derives any significant part of its value from a decline in the market price or value of the securities of the Company;

(k) make or be the proponent of any stockholder proposal (pursuant to Rule 14a-8 under the Exchange Act or otherwise);

(l) alone or in concert with others, (i) call or seek to call or convene any meeting of stockholders, including any proposed action by written consent, (ii) except as set forth in Section 1 of this Agreement, seek election or appointment to, or representation on, the Board, or nominate or propose the nomination of, or recommend the nomination of, any candidate to, the Board, (iii) seek the removal or resignation of any member of the Board, (iv) solicit consents from stockholders or otherwise act to seek or act by written consent, or (v) conduct a referendum (irrespective of whether binding or precatory) of stockholders;

(m) make any request for a stockholder list or for any other Company materials, books or records under Section 220 of the DGCL or other statutory or regulatory provisions providing for stockholder access to stockholder lists or Company books and records;

(n) make any public statement, announcement, or public proposal or request with respect to or take any action in support of (i) any change in the number or term of directors or the filling of any vacancies on the Board, (ii) any change in the capitalization or dividend policy of the Company, (iii) any change in the Company's management, business, operating strategy, governance policies or corporate structure, (iv) any waiver, amendment or modification to the Company's certificate of incorporation or By-Laws, or other actions which may impede the acquisition of control of the Company by any person, (v) causing any class or series of securities of the Company to be delisted from, or to cease to be authorized to be quoted on, any securities exchange or (vi) causing a class or series of equity securities of the Company to become eligible for termination of registration pursuant to Section 12(g)(4) of the Exchange Act;

(o) institute, solicit, assist, opt into, or join (or threaten to do so) any litigation, action, complaint, arbitration or other proceeding against or involving the Company or any of its current former or future directors, officers, employees, stockholders or Affiliates (including derivative actions, direct class actions or otherwise), in order to effect or take any of the actions expressly prohibited by this Section 2 or to assert any claims against the Company or any of its current or former or future directors, officers, employees, stockholders or Affiliates for breach of fiduciary duty, U.S. federal securities law disclosure violations or otherwise;

(p) make any statement or announcement that constitutes an *ad hominem* attack on, or otherwise disparages or causes to be disparaged, the Company, any of the Company's known Affiliates, or any of the Company's past, present or future officers or directors appointed during the term of this Agreement, or take any action that would reasonably be expected to result in any such statement or announcement being publicly made by the Company or any Third Party (including in order to comply with any disclosure obligations under the applicable SEC rules);

(q) make any public disclosure, announcement or statement regarding any intent, purpose, plan or proposal with respect to the Board, the Company, its management, policies or affairs, any of its securities or assets or this Agreement that is inconsistent with the provisions of this Agreement;

(r) enter into any discussions, negotiations, agreements or understandings with any Third Party to take any action that the Kanen Group is prohibited from taking pursuant to this Section 2;

- (s) make any request or submit any proposal to amend or waive the terms of this Agreement, in each case which would reasonably be expected to result in a public announcement of such request or proposal; or
- (t) disclose any intention, plan, commitment or arrangement to do any of the foregoing.

As used in this Section 2, the following terms shall have the following meanings: (i) “**Affiliate**” has the meaning set forth in Rule 12b-2 under the Exchange Act and shall include Persons who become Affiliates of any Person subsequent to the date of this Agreement; (ii) “**Person**” shall be interpreted broadly to include, among others, any individual, general or limited partnership, corporation, limited liability or unlimited liability company, joint venture, estate, trust, group, association or other entity of any kind or structure; (iii) “**Standstill Period**” means the period commencing on the date of this Agreement and terminating at 11:59 p.m., Eastern time, on December 31, 2019; provided that the Company shall not set a nomination deadline for stockholders to submit director candidates for election at the 2020 Annual Meeting of Stockholders for a date earlier than January 15, 2020; (iv) “**Third Party**” means any Person that is not the Kanen Group or an Affiliate of Associate of the Kanen Group; and (v) “**Voting Securities**” means the shares of Common Stock and any other securities of the Company entitled to vote generally in the election of directors, or securities convertible into, or exercisable or exchangeable for, such shares or other securities, whether or not subject to the passage of time or other contingencies.

3. Chief Executive Officer; Chief Financial Officer; Observer Rights; Corporate Governance.

(a) Simultaneously with the execution of this Agreement the Board has hired and appointed Steve Cotton to serve as the Company’s President. Mr. Cotton will be invited and entitled to submit to the CEO Search Committee his candidacy as permanent CEO, together with, and on the same basis as, all other permanent CEO candidates who are identified and evaluated for such position by the CEO Search Committee. It is hereby agreed that Selwyn Mould will resign from his current position as interim CEO of the Company immediately following the Company’s filing of its Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 and will continue to serve as Chief Operating Officer of the Company. Once a permanent CEO has been appointed by the Board, upon the recommendation of the CEO Search Committee and in accordance with this Section 3(a), he or she promptly shall be appointed by the Board to serve as a seventh (7th) director of the Company. The Company further agrees that at any time prior to the Nomination Right Expiration Date, the Board shall not take any action to increase the size of the Board to more than seven (7) members unless the Kanen Designees then serving on the Board consent to such action. It is hereby further agreed that Thomas M. Murphy shall resign as the Company’s interim Chief Financial Officer (“**CFO**”) and shall be succeeded by Frank Knuettel II as successor and permanent CFO of the Company on the first business day next following the Company’s public announcement of its earnings for the fiscal quarter ended March 31, 2018.

(b) The Company agrees that during the period commencing on the first day next following the final tabulation and certification (by the Company's inspector of elections) of voting results for the election of Company directors at the 2018 Annual Meeting and through the first anniversary of such date, David L. Kanen, upon each express invitation of the Board, shall have the right to attend all or any portions of meetings of the Board as an observer (with no voting rights), subject to Mr. Kanen's prior written agreement to comply with all of the Company's policies applicable to the directors and officers of the Company (including, without limitation, the Company's insider trading and other applicable policies) and the execution of and/or agreement by Mr. Kanen to be bound by all applicable confidentiality, U.S. federal securities law trading, "no hedge/no pledge/no short, no share loan," standstill, ethics and other agreements, policies and Company corporate governance and best practice directives to which the Company's directors are a party or otherwise subject.

(c) The Company agrees that within three (3) business days after the date of this Agreement, the Company shall publicly announce that (i) the Board will adopt a policy whereby, commencing with respect to the Company's 2019 annual meeting of stockholders (and at each subsequent annual meeting of the Company's stockholders at which directors of the Company are to be elected), any director who fails to receive a majority of the votes cast by the Company's stockholders at such meeting "for" his or her election as a Company director immediately shall (after the final tabulation and certification by the Company's inspector of elections of voting results), tender his or her resignation to the Nominating Committee for its consideration and acceptance or rejection (it being hereby agreed and acknowledged that any subsequent amendment or modification to such policy at any time prior to the Nomination Right Expiration Date shall require the consent of each of the Kanen Group Designees) and (ii) the Company shall continue to work with the independent executive search firm and corporate governance consultant referred to in clause (ii) of Section 1(d) hereof to address matters of Board diversity, including the addition of a new Board member within six (6) months after the date of this Agreement, who will replace one of the Board members who is serving on the Board prior to the date of this Agreement.

4. Withdrawal of Nomination; Voting of Shares.

(a) The Kanen Group hereby irrevocably withdraws its letter dated March 23, 2018 (as supplemented by its letter dated April 3, 2018 and its public announcement made on April 23, 2018) providing, in each case, notice to the Company of its intention to nominate certain individuals designated by it for election to the Board at the 2018 Annual Meeting (the "**Kanen Nomination**"). The Kanen Group also hereby agrees to immediately cease and terminate all mailing activities by it and its Affiliates, Associates, agents and representatives, and by Broadridge Financial Solutions, Inc., of its definitive opposition proxy materials, and to immediately cease and cause its Affiliates and Associates to cease all efforts, direct or indirect, in furtherance of the Kanen Nomination and all related solicitation activities in connection with the Kanen Nomination.

(b) Voting Commitment. From and after the date hereof and until the Nomination Right Expiration Date, the Kanen Group shall, and shall cause each of its Affiliates to, (i) appear at the 2018 Annual Meeting and each Post-2018 Annual Meeting or to otherwise cause all shares of Common Stock beneficially owned by the Kanen Group to be counted as present thereat for purposes of establishing a quorum; (ii) vote, or cause to be voted, all shares of Common Stock beneficially owned by the Kanen Group on the Company's proxy card or voting instruction form in favor of each of the nominees for election as directors nominated by the Board and recommended by the Board (and not in favor of any other nominees to serve on the Board), and, except in connection with any Opposition Matter (as defined below) or Other Voting Recommendation (as defined below), each of the proposals listed on the Company's proxy card or voting instruction form as identified in the Company's definitive proxy statement or supplement thereto in accordance with the Board's recommendations, including in favor of all matters recommended by the Board for stockholder approval and against all matters that the Board recommends against stockholder approval; *provided, however*, in the event that either Institutional Shareholder Services Inc. ("ISS") or Glass Lewis & Co. ("Glass Lewis") issues a recommendation with respect to any matter (other than with respect to the election of nominees as directors to the Board or the removal of directors from the Board) that is different from the recommendation of the Board, the Kanen Group shall have the right to vote its shares of Common Stock on the Company's proxy card or voting instruction form in accordance with either the ISS or Glass Lewis recommendation (the "Other Voting Recommendation"); and (C) not execute any proxy card or voting instruction form in respect of such stockholders' meeting other than the proxy card and related voting instruction form being solicited by or on behalf of the Company or the Board. No later than five (5) business days prior to the 2018 Annual Meeting and each Post-2018 Annual Meeting held prior to the expiration of the Standstill Period, the Kanen Group shall vote any shares of Common Stock beneficially owned by the Kanen Group in accordance with this Section 4(b). The Kanen Group shall not take any position, make any statement or take any action inconsistent with this Section 4(b). For purposes of this Agreement, "Opposition Matter" shall mean any of the following transactions, but only to the extent submitted by the Board to the Company's stockholders for approval: (A) the sale or transfer of all or substantially all of the Company's assets in one or a series of transactions; (B) the sale or transfer of a majority of the outstanding shares of the Company's Common Stock (through a merger, stock purchase, or otherwise); (C) any merger, consolidation, acquisition of control or other business combination; (D) any tender or exchange offer; or (E) any dissolution, liquidation, or reorganization; (F) any changes in the Company's capital structure.

5. Regulation FD. The Kanen Group hereby acknowledges and confirms that it is aware and that the Kanen Affiliates have been advised that the U.S. federal securities laws prohibit any person who is in possession of any material non-public information about an Exchange Act reporting company from purchasing, selling or trading securities of such issuer-company. The Kanen Group acknowledges that the provisions of the SEC's Regulation FD require the public announcement of previously non-public material information if that information is disclosed to anyone who has not agreed with an Exchange Act reporting issuer to maintain the confidentiality of that information. The Kanen Group agrees not to take, directly or indirectly, any action that would require the Company to make a public announcement pursuant to the requirements of Regulation FD.

5. Representations and Covenants.

(a) Representations and Covenants of the Kanen Group. The Kanen Group, jointly and severally, represent, warrant to and agree with the Company, as follows: (i) each member of the Kanen Group that is an entity is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, (ii) each member of the Kanen Group has the requisite power and authority (and, in the case of any natural person, legal capacity) to execute, deliver and perform the terms and provisions of this Agreement and to consummate the transactions contemplated hereby; (iii) this Agreement has been duly and validly authorized, executed and delivered by each member of the Kanen Group, constitutes a valid and binding obligation and agreement of each member of the Kanen Group and is enforceable against each member of the Kanen Group in accordance with its terms; (iv) the Kanen Group, together with the Kanen Affiliates, beneficially own, directly or indirectly, an aggregate of 2,167,596 shares of Common Stock and such shares of Common Stock constitute all of the Common Stock, directly or indirectly, beneficially owned by the Kanen Group and the Kanen Affiliates or in which the Kanen Group or the Kanen Affiliates have any interest or right to acquire, whether through derivative securities, voting agreements or otherwise; (v) Kanen and its Affiliates shall inform each party with shared voting or dispositive power over such securities of the terms of this Agreement; and (vi) as of the date of this Agreement, Kanen Wealth Management and its Affiliates beneficially own in the aggregate less than 10% of the outstanding shares of Common Stock.

(b) Representations and Covenants of the Company. The Company represents and warrants to the Kanen Group that (i) the Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, (ii) the Company has the requisite corporate power and authority to execute, deliver and perform the terms and provisions of this Agreement and to consummate the transactions contemplated hereby, and (iii) this Agreement has been duly and validly authorized, executed and delivered by the Company, constitutes a valid and binding obligation and agreement of the Company and is enforceable against the Company in accordance with its terms. The Company agrees that, during the Standstill Period, neither the Company nor any of its officers, directors or employees shall make any statement or announcement that constitutes an *ad hominem* attack on, or otherwise disparages or causes to be disparaged, the Kanen Group or any member of the Kanen Group.

6. Public Announcements. The parties shall make the following public announcements and/or filings with the SEC (which need not be jointly made):

(a) Promptly after the execution and delivery of this Agreement, the Company shall (i) issue a press release, in form and substance mutually acceptable to the Company and the Kanen Group, announcing the execution and delivery of this Agreement and the transactions contemplated hereby, and (ii) file with the SEC a Current Report on Form 8-K (the "Form 8-K") reporting the execution and delivery and material terms of this Agreement and appending or incorporating therein by reference this Agreement as an exhibit thereto.

(b) The Kanen Group shall promptly, but in no case prior to the date of the filing of the Form 8-K by the Company pursuant to Section 7(a) hereof, prepare and file an amendment to its Schedule 13D with respect to the Company, reporting the beneficial ownership reflected in this Agreement and the execution and delivery of this Agreement, withdrawing the Kanen Nomination and the cessation of the other activities referred to in Section 4(a) hereof, and amending the applicable items of its Schedule 13D to conform to the obligations hereunder.

(c) None of the Kanen Group or the Kanen Affiliates shall (i) issue a press release or make any public announcement or filing in connection with this Agreement or the actions contemplated hereby or (ii) except as contemplated by this Section 7, otherwise make any public statement, filing, disclosure or announcement with respect to this Agreement or the actions contemplated hereby, other than as mutually agreed to by the Company and the Kanen Group.

7. Miscellaneous. The parties agree that irreparable damage could occur in the event any of the provisions of this Agreement were not performed in accordance with the terms hereof and that such damage may not be adequately compensable in monetary damages. Accordingly, the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement exclusively in the federal or state courts in Delaware, in addition to any other remedies at law or in equity, and each party agrees it will not take any action, directly or indirectly, in opposition to another party seeking relief. Each of the parties hereto agrees to waive any bonding requirement under any applicable law, in the case any other party seeks to enforce the terms by way of equitable relief. Furthermore, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of such federal or state courts in Delaware in the event any dispute arises out of this Agreement or the transactions contemplated by this Agreement, (b) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (c) agrees that it shall not bring any action relating to this Agreement or the transactions contemplated by this Agreement in any court other than such federal or state courts in Delaware. THIS AGREEMENT SHALL BE GOVERNED IN ALL RESPECTS, INCLUDING VALIDITY, INTERPRETATION AND EFFECT, BY THE INTERNAL SUBSTANTIVE AND PROCEDURAL LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS EXECUTED AND TO BE PERFORMED WHOLLY WITHIN SUCH STATE WITHOUT GIVING EFFECT TO ANY CONFLICT OR CHOICE OF LAW PRINCIPLES THAT MAY RESULT IN THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

8. Expenses. The Company will reimburse the Kanen Group for its reasonable, documented fees and expenses (including legal expenses and proxy solicitation expenses) in an amount up to \$200,000 incurred in connection with matters relating to the 2018 Annual Meeting and the negotiation and execution of this Agreement. Such expense reimbursement, together with all legal, proxy solicitation, investor relations, printing and mailing and other fees and expenses incurred by the Company with respect to its professional advisors and consultants in connection with Company matters relating to the 2018 Annual Meeting and the transactions contemplated by the Agreement, shall be paid in full by the Company not later than May 31, 2018. In the event that any legal action becomes necessary to enforce the Company's rights under this Agreement, the Company, if successful, shall be entitled, in addition to its court costs, to its reasonable attorneys' fees, expert witness fees and legal expenses.

9. Entire Agreement; Amendment. This Agreement contains the entire agreement and understanding of the parties with respect to the subject matter hereof and supersede any and all prior and contemporaneous agreements, memoranda, arrangements and understandings, both written and oral, between the parties, or any of them, with respect to the subject matter hereof. This Agreement may be amended only by an agreement in writing executed by the parties hereto, and no waiver of compliance with any provision or condition of this Agreement and no consent provided for in this Agreement shall be effective unless evidenced by a written instrument executed by the party against whom such waiver or consent is to be effective. No failure or delay by a party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder.

10. Notices. All notices, consents, requests, instructions, approvals and other communications provided for herein and all legal process in regard hereto shall be in writing and shall be deemed validly given, made or served, if (a) delivered in person or sent by overnight courier, when actually received during normal business hours at the address specified in this subsection, or (b) if given by e-mail, when such e-mail is transmitted to the e-mail address set forth below and the appropriate confirmation is received:

if to the Company, to:

Aqua Metals, Inc.
1010 Atlantic Avenue
Alameda, CA 94501
Attention: Chief Financial Officer

With copies (which shall not constitute notice pursuant to this Section 11) to:

Greenberg Traurig, LLP
MetLife Building
200 Park Avenue
New York, NY 10166
Attention: Clifford E. Neimeth, Esq.
E-mail: neimethc@gtlaw.com

and

Greenberg Traurig, LLP
3161 Michelson Drive, Suite 1000
Irvine, CA 92612
Attention: Daniel Donahue, Esq.
E-mail: donahued@gtlaw.com

if to the Kanen Group, to:

Kanen Wealth Management LLC
5850 Coral Ridge Drive Suite 309
Coral Springs, FL 33076
Attention: David Kanen

With a copy (which shall not constitute notice pursuant to this Section 11) to:

Olshan Frome Wolosky LLP
1325 Avenue of the Americas
New York, NY 10019
Attention: Andrew Freedman, Esq.
E-mail: afreedman@olshanlaw.com

11. Severability. If at any time subsequent to the date hereof, any provision of this Agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the illegality or unenforceability of such provision shall have no effect upon the legality or enforceability of any other provision of this Agreement.

12. Counterparts. This Agreement may be executed in two or more counterparts either manually or by electronic or digital signature (including by facsimile or electronic mail transmission), each of which shall be deemed to be an original and all of which together shall constitute a single binding agreement on the parties, notwithstanding that not all parties are signatories to the same counterpart.

13. No Third-Party Beneficiaries; Assignment. This Agreement is solely for the benefit of the parties hereto and is not binding upon or enforceable by any other persons. No party to this Agreement may assign its rights or delegate its obligations under this Agreement, whether by operation of law or otherwise, and any assignment in contravention hereof shall be null and void. Nothing in this Agreement, whether express or implied, is intended to or shall confer any rights, benefits or remedies under or by reason of this Agreement on any persons other than the parties hereto, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party.

14. Interpretation and Construction. When a reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement, unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” and “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The word “will” shall be construed to have the same meaning as the word “shall.” The words “dates hereof” will refer to the date of this Agreement. The word “or” is not exclusive. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms. Any agreement, instrument, law, rule or statute defined or referred to herein means, unless otherwise indicated, such agreement, instrument, law, rule or statute as from time to time amended, modified or supplemented. Each of the parties hereto acknowledges that it has been represented by counsel of its choice throughout all negotiations that have preceded the execution of this Agreement, and that it has executed the same with the advice of said independent counsel. Each party cooperated and participated in the drafting and preparation of this Agreement and the documents referred to herein, and any and all drafts relating thereto exchanged among the parties shall be deemed the work product of all of the parties and may not be construed against any party by reason of its drafting or preparation. Accordingly, any rule of law or any legal decision that would require interpretation of any ambiguities in this Agreement against any party that drafted or prepared it is of no application and is hereby expressly waived by each of the parties hereto, and any controversy over interpretations of this Agreement shall be decided without regards to events of drafting or preparation.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

AQUA METALS, INC.

By: /s/ Thomas Murphy

Name: Thomas Murphy

Title: Chief Financial Officer

/s/ David L. Kanen

David L. Kanen

KANEN WEALTH MANAGEMENT LLC

By: /s/ David L. Kanen

Name: David L. Kanen

Title: Managing Member

[Signature page to Settlement Agreement]

AQUA METALS, INC.

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT is entered into effective as of May 2, 2018 between AQUA METALS, INC., a Delaware corporation ("*Company*"), and STEPHEN COTTON ("*Employee*").

1. EMPLOYMENT.

1.1 General. Company hereby employs Employee in the capacity of President, in accordance with the terms of this Agreement, the Amended and Restated Bylaws of the Company, as further amended from time to time ("*Bylaws*"), and all the policies and procedures set forth in the Company's employee handbook as in effect as of the date of this Agreement and as it may be modified or amended in the future ("*Employee Manual*"), and other Company policies or procedures currently in effect or subsequently implemented. Employee acknowledges that Employee is not employed for a specific term but is an at-will employee who may resign at any time without notice. Likewise, the Company may terminate the Employee at any time, with or without notice, and with or without cause or reason, provided that the Company may not terminate the Employee without Cause (as defined below) except upon the approval of the the Board of Directors of the Company ("*Board*"), which approval must include the affirmative vote of at least one Kanen Nominee (as such term is defined in that Settlement Agreement dated May 2, 2018 by and among the Company, David L. Kanen and Kanen Wealth Management LLC) to the Board

1.2 Effective Time of Appointment. Employee shall commence his full-time employment by the Company effective as of May 7, 2018, however, Employee shall not assume the position or duties of President of the Company until immediately following the Company's filing with the Securities Exchange Commission of its Quarterly Report on Form 10-Q for the period ended March 31, 2018, which is expected to take place on or about May 9, 2018. Pending Employee's formal assumption of the position and duties of President of the Company, Employee shall devote his services hereunder to familiarizing himself with the Company's operations and finance and other matters relative to his assumption of the office of President.

1.3 Work Location. Employee shall provide his services hereunder from the Company's facilities in Alameda, California or McCarran, Nevada, as appropriate.

2. GENERAL WORK RESPONSIBILITIES.

2.1 General. In the absence of a Chief Executive Officer appointed by the Board, Employee shall serve as the principal executive officer of the Company and, except as otherwise provided by the Board, shall be responsible for the executive management and oversight of the Company including all technical research and development, operations, marketing, finance and corporate governance pertaining to all Company operations, including reporting all aspects of financial performance to investors and members of the Board as required by federal and state law and other national and international regulatory agencies. At all other times, the Employee has the active management of the business of the Company under the general supervision of the Chief Executive Officer of the Company and the Board.

2.2 Assignments. Work assignments are made at the exclusive discretion of the Chief Executive Officer and Board and the Chief Executive Officer and Board have the absolute right to assign Employee new or different job duties as deemed appropriate by either.

3. EMPLOYEE'S OBLIGATIONS. Employee covenants and agrees, as a condition of accepting or continuing employment with the Company, to all the terms and conditions in the Employee Manual, other agreements executed by Employee and all Company policies, procedures and other agreements now in existence or hereafter implemented, including, without limitation, the duty to:

3.1 Comply with all Company policies and procedures as set forth in the Employee Manual, policy and procedure manuals, safety manuals and other sources (as amended from time to time);

3.2 Devote his full time and attention to meet the requirements set forth in the job description which objectives or duties may change from year to year;

3.3 Follow the direction and recommendations of the Chief Executive Officer and the Board;

3.4 Refrain from investing in any direct competitor of the Company except that Employee may at any time own beneficially up to one (1%) of the stock of any competing corporation whose securities are listed on a national securities exchange or regularly traded in the national over-the-counter-market; and

3.5 To observe and comply at all times with the provisions of the Company's insider trading policy (as amended, from time to time) and with every rule of law and every regulation in force in relation to dealings in stock, shares, debentures or other securities of the Company (including in relation to unpublished price sensitive information affecting such securities), in whatever jurisdiction, and to observe and comply with all laws and regulations of any stock exchange, market or dealing system in which such dealings take place.

4. COMPENSATION.

4.1 Salary. The Employee will be paid an annual salary of Four Hundred Ten Thousand Dollars (\$410,000). Salary shall be paid on a bi-weekly basis as adjusted from time to time. During employment, the Company will pay Employee the base salary in accordance with the terms of the Employee Manual, less state and federal withholding and authorized deductions.

4.2 Annual Performance Bonuses. Employee shall be eligible to receive annual performance-based bonuses of up to 50% of his then current salary based upon achievement of specific milestones established by the Compensation Committee ("**Committee**") of the Board in advance and at its discretion. The bonus shall be paid in restricted stock units ("**RSUs**") under the Company's Amended and Restated 2014 Stock Incentive Plan, as it may be amended from time to time, or any successor equity incentive plan ("**Plan**"). Each RSU shall entitle the Employee to receive one (1) share of the Company's \$0.001 par value common stock ("**Common Stock**") based on satisfaction of the performance milestones. Upon the Committee's determination of the bonus milestones for any annual bonus period, the Committee shall provide the Employee with an award of RSU's, including terms of settlement of the RSUs based on satisfaction of the performance milestones, in an amount equal to 50% of the Employee's then current annual salary divided by the Fair Market Value (as such term is defined in the Plan) as of the award date.

4.3 Contingent Share Bonus. The Company agrees to issue to the Employee under the Plan 100,000 shares of Common Stock (subject to adjustment for splits, combinations and the like) subject to and contingent upon upon the volume-weighted average price of the Common Stock trading on its principal stock market or stock exchange equaling or exceeding \$7.00 per share (subject to adjustment for splits, combinations and the like) over any thirty (30) consecutive trading days during the first 12 months of the Employee's employment by the Company (or through the date of termination of Employee's service to the Company if sooner).

4.4 Benefits. Employee shall be entitled to the insurance and employee benefits set forth in the Employee Manual and such other benefits that are made available generally to senior management of the Company ("**Benefits**"). The Company does not warrant that it will continue to offer the same or similar medical insurance benefits or other related Benefits in the future and reserves the right to modify, reduce or eliminate benefits at its sole discretion.

4.5 Equity Awards. Concurrent with the execution of this Agreement, Employee shall be granted an award of options to purchase up to 840,000 shares of Common Stock, on the terms and subject to the conditions set forth in the Stock Option Agreements of even date herewith between the Company and Employee. The Employee may be eligible for such other equity awards granted by the Committee, at its discretion from time to time, in each case subject to a written equity award agreement signed by the Company and Employee independent of this Agreement. The execution of any such equity award agreements will not alter the at-will status of the Employee or the terms and conditions of this Agreement and the rights of the Employee under this Agreement shall not be effected by virtue of the adoption, amendment, termination or enforceability of any equity award agreement or other related documents.

4.6 Withholding. The Employee shall make arrangements satisfactory to the Company to pay to the Company any federal, state or local income taxes required to be withheld with respect to any equity awards. If the Employee shall fail to make such tax payments as are required, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Employee any federal, state or local taxes of any kind required by law to be withheld with respect to any such equity award.

4.7 Severance on Termination Without Cause Or For Good Reason . If the Company terminates the Employee for any reason without Cause (including death or Disability) or Employee resigns from the Company for Good Reason, the Employee shall continue to receive the salary and Benefits set forth in Section 4.1 and Section 4.4, respectively, less all federal and state withholding, for a period of 12 months following the effective date of termination. The receipt of any severance pursuant to this Section 4.7 will be subject to Employee signing, and not revoking, a customary separation agreement and release of claims in a form acceptable to the Company in its reasonable discretion. No severance will be paid or provided until the separation agreement and release agreement becomes effective.

5. CONFIDENTIAL INFORMATION, NON DISCLOSURE, AND TRADE SECRETS AGREEMENT.

5.1 Confidentiality. Employee expressly agrees that he will never disclose to a third party or make unauthorized use of any “*Confidential Information*” as defined in the Confidential Information, Non-Disclosure, and Trade Secrets Agreement attached hereto as Exhibit A to this Agreement.

5.2 Exclusivity. Employee shall not during his employment directly or indirectly render any services of a business, commercial or professional nature to any other person or organization, whether for compensation or otherwise, which would be in competition with the Company, or which would prevent Employee from rendering the agreed services to Company during the tenure of his employment.

6. TERMINATION. Upon termination of employment, Employee shall return all Company’s property such as cell phones, lap tops, or other tangible and intangible property including, without limitation, customer lists, manuals, contract forms, documents or any other tangible or intangible documents or information used by the Company in the Employee’s possession at the time of termination, in a manner consistent with Company policy.

7. SURVIVAL OF PROVISIONS OF AGREEMENT POST TERMINATION . All the obligations set forth in Sections 4, 5.1, 6 and 8 shall survive the termination of the Agreement and the termination of Employee’s employment with the Company.

8. MISCELLANEOUS.

8.1 Notices. All notices required or permitted hereunder shall be in writing and deemed properly given when delivered in person to Employee or to a corporation officer of Company, as the case may be, or when deposited in the United States mail, postage prepaid and properly addressed to the party to be notified, if to Employee, to his residence, and if to Company, to its Secretary, at the home office, Alameda, California, or to any such other address as shall have last been given by the party to be notified.

8.2 Parties Benefited. This Agreement shall inure to the benefit of, and be binding on Employee, his heirs, executors and administrators and on Company, its successors and assigns.

8.3 Assignments. This Agreement may be assigned at any time by Company to any related corporation or a successor corporation. In the event of such an assignment, the assignee corporation to which the Agreement is assigned shall automatically be substituted for the assignor Company for all intentions and purposes and to the same extent as if this assignee were the Company that had originally executed this Agreement. This is a personal contract and the Employee cannot assign or transfer all or any portion of the contract, except that in the event of the Employee’s death the compensation due and owing the Employee can be paid in accordance with any assignment of death benefits.

8.4 Waiver. The waiver by either party of a default or a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent default or breach.

8.5 Modifications. The provisions of this Agreement shall constitute the entire agreement between the parties, with respect to the specific terms set forth herein, and may only be modified by an agreement in writing signed by the party against whom enforcement is sought. Modifications to this Agreement do not change or alter the at-will status of the Employee.

8.6 Construction of Agreement. This Agreement shall be construed consistently with the terms and conditions of all other Company policies and procedures, which are referenced in this Agreement. If there is any conflict with the terms of this Agreement and Company policy or procedure, this Agreement shall be interpreted to comply with Company policies or procedures.

8.7 Supersedes Prior Agreements. This Agreement and all the terms thereof supersede all prior employment agreements executed by Employee but shall be interpreted consistent with the Employee Manual and other policies and procedures of the Company. This Agreement will be interpreted independently of any and all agreements executed by Employee pertaining to equity awards.

8.8 Attorneys Fees. The prevailing party in any action brought to enforce this Agreement may recover reasonable attorneys' fees and costs including all costs and fees incurred in the preparation, trial and appeal of an action brought to enforce this Agreement.

8.9 Applicable Law. It is the intent of the parties that all provisions of this Agreement be enforced to the fullest extent permissible under the law and public policy of the state of California, unless prohibited by law in which case this Agreement shall be enforced in accordance with the laws where the action for enforcement is filed. If any section is determined by a court of law to be unenforceable, that section shall be severed from the Agreement and the balance of the Agreement shall be enforced according to its terms.

9. DEFINITIONS. Capitalized terms used in this Agreement but not otherwise defined herein shall have the meaning hereby assigned to them as follows:

9.1 "Disability." The Employee shall be deemed to have a Disability for purposes of this Agreement if either (i) the Employee is deemed disabled for purposes of any group or individual disability policy or (ii) in the good faith judgment of the Board, the Employee is substantially unable to perform the Employee's duties under this Agreement for more than ninety (90) days, whether or not consecutive, in any twelve (12) month period, by reason of a physical or mental illness or injury.

9.2 "Cause" shall mean (i) Employee's conviction of, or plea of nolo contendere to, a felony; (ii) a willful act by the Employee which constitutes gross misconduct and which is injurious to the Company; (iii) any act or acts of dishonesty by Employee intended or reasonable expected to result in any gain or personal enrichment of Employee at the expense of the Company; or (iv) if Employee fails to perform the duties and responsibilities of his position after a written demand from the Board which describes the basis for the Board's belief that Employee has not substantially performed his duties and provides Employee with thirty (30) days to take corrective action.

9.3 “Good Reason” shall mean, in the context of a resignation by the Employee, a resignation that occurs within thirty (30) days following the occurrence, without the written consent of the Employee, of one or more of the following events: (i) any adverse change in the Employee’s base salary then in effect; (ii) a significant reduction of the Employees responsibilities relative to Employee’s responsibilities in effect immediately prior to such reduction; provided, however, that “Good Reason” shall not be deemed to exist hereunder if such change in Base Salary or reduction of responsibilities occurs in connection with (x) changes or reductions generally applicable to the Company’s management group, (y) Employee’s engagement in any action or any inaction that would otherwise enable the Company to terminate the Employee for Cause or (z) the Board’s appointment of a Chief Executive Officer.

10. EMPLOYEE CERTIFICATION. Employee hereby certifies that he has had an adequate opportunity to review, and understands all the terms and conditions of, this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

EMPLOYEE

/s/ Stephen Cotton

Stephen Cotton

COMPANY

Aqua Metals, Inc.,
A Delaware corporation

By: /s/ Thomas Murphy

Thomas Murphy,
Chief Financial Officer

Aqua Metals and Kanen Wealth Management Reach Agreement to Strengthen Company's Board and Management Team

KWM Director Nominees S. Shariq Yosufzai and Sushil (“Sam”) Kapoor Are Appointed to Aqua Metals Board

Steve Cotton Rejoins Aqua Metals as President

ALAMEDA, CA., May 2, 2018 -- Aqua Metals, Inc. (NASDAQ: AQMS) , which is commercializing a non-polluting electrochemical lead recycling technology called AquaRefining™, today announced that it has entered into a settlement agreement with Kanen Wealth Management, LLC (“KWM”).

Under the agreement, Aqua Metals has expanded the Board from five (5) to six (6) directors and has appointed KWM nominees - - Mr. S. Shariq Yosufzai and Mr. Sushil (“Sam”) Kapoor - - to the Board, effective immediately. Aqua’s Nominating Committee has determined that Messrs. Yosufzai and Kapoor are “independent directors” under applicable Nasdaq Stock Market rules, and Mr. Yosufzai will serve as Aqua’s new Non-Executive Chairman and lead independent director. With the addition of Messrs. Yosufzai and Kapoor, Aqua’s Board now consists of six directors, all of whom are independent directors. Upon completion of Aqua’s CEO search, the new permanent CEO will join the Board as the seventh director. Each of Messrs. Vincent L. DiVito, Mark Slade, Eric Prouty, Mark Stevenson, Shariq Yosufzai and Sushil (“Sam”) Kapoor has been nominated to stand for election at Aqua’s 2018 Annual Meeting of Stockholders scheduled to be held on June 5, 2018.

Messrs. Yosufzai and Kapoor have been appointed, with Messrs. DiVito and Stevenson, to serve on the Board’s newly constituted CEO Search Committee, which is charged with overseeing and executing Aqua’s previously announced permanent CEO search process, in consultation with an external executive search firm and with authority to make hiring recommendations to the full Board. Mr. Yosufzai has also been appointed to the Board’s Nominating Committee and Mr. Kapoor has been appointed to the Board’s Compensation Committee.

Steve Cotton, the Company’s former Chief Commercial Officer (from January 2015 to June 2017) rejoins Aqua as its new President and will be invited by the CEO Search Committee to interview for the position of CEO together with all other candidates for such position during the pendency of the Company’s permanent CEO search process. Mr. Selwyn Mould, who served briefly as Aqua’s interim CEO, has agreed to step down from such capacity immediately following the Company’s filing of its Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 and has resigned as a director of the Company, effective immediately. Mr. Mould will remain Aqua’s Chief Operating Officer. Although there can be no assurance, the Board expects to complete its search process and to hire a permanent CEO before Q4 2018.

Aqua and KWM are committed to establishing certain corporate governance “best practices” going forward and, in that regard, have agreed to institute a “majority voting” policy for the election of directors which will be effective commencing with the 2019 Annual Meeting of stockholders. The Company will also continue to focus on further refreshing the Board to improve its overall diversity.

In addition, KWM has agreed to certain customary standstill and voting provisions, including voting for the election of the Board's slate of six (6) directors at the Company's 2018 Annual Meeting of Stockholders.

"We are very pleased to welcome Shariq and Sam as our two newest independent directors," said independent director Vincent L. DiVito. "Over the past week, we've had very open and positive discussions with Shariq and Sam, and it's clear that their stellar credentials and strong executive management experience will be most valuable as Aqua enters the next critical phase of commercializing our AquaRefining™ technology.

"We also welcome back Steve Cotton, and greatly appreciate his willingness to join Aqua as our new President to help lead our executive team during this important time of transition and work side-by-side with our Chief Operating Officer and the entire AquaRefining operations team. Steve has considerable institutional knowledge about Aqua from his prior leadership role as Chief Commercial Officer and has built valuable relationships with the Company's vendors and customers. "

David Kanen, managing member of KWM, stated, "We are pleased to have reached an amicable resolution that enhances Aqua's board and management team. We believe a solid foundation exists and can be built upon to monetize our revolutionary Aqua refining technology. We are looking forward to executing a strategy that we are hopeful will lead to value creation for all shareholders."

Steve Cotton noted, "I am looking forward to hitting the ground running by reigniting my existing relationships and developing new ones with Aqua Metals employees, partners, industry and other stakeholders to build momentum and maximize shareholder value."

As previously announced, Frank Knuettel II will formally assume the CFO role immediately following the filing of the Company's second quarter. As CFO, Mr. Knuettel will succeed Thomas Murphy, who was named interim CFO after the departure of Mark Weinswig in March 2018.

Biography of S. Shariq Yosufzai

S. Shariq Yosufzai, age 65, was most recently the Vice President, Global Diversity for the Chevron Corporation ("Chevron")(CVX), a multinational energy corporation, from 2013 to March 2018. He held a number of positions at Chevron and its various affiliates, including Vice President (from 2010 to 2013); President of Chevron Global Marketing, a business unit within Chevron (from 2004 to 2010); Co-President of Chevron Products Company, North America, Chevron's North America Refining & Marketing operations (from 2003 to 2004); and President of Chevron Texaco Global Lubricants (from 2001 to 2003). Prior to that, he worked at Caltex Corporation, a joint venture between Chevron and Texaco, Inc., as the Corporate Vice President, Caltex Corporation & President, Caltex Lubricants & New Business Development (from 2000 to 2001) and held a number of other senior level management positions at Caltex Corporation from 1998 to 2000. From 1991 to 1998, he worked at Texaco Inc., a subsidiary of Chevron, and served as the President of Texaco Lubricants Company from 1994 to 1998. As part of a joint enterprise between Texaco, Inc. and Saudi Aramco, Mr. Yosufzai was employed at Star Enterprise from 1988 to 1991 where he held a number of positions and prior to that began his career at Texaco, Inc., from 1975 to 1983. His past board memberships include Chairman of the Board of Directors of Caltex Lubricants Lanka Ltd.; Member of the Board of Directors of Caltex Australia Limited; and Member of the Management Committee of Star Enterprise. Mr. Yosufzai currently serves as Chair of the AIChE Foundation (The American Institute of Chemical Engineers) since November 2017, Chair of the Board of Directors of the California Chamber of Commerce and is an Executive Committee Member of the San Francisco Opera's Board of Directors. He previously served as Chair of the Board of the Association of Former Students of Texas A&M. Mr. Yosufzai also serves as Executive Sponsor of Chevron's University Partnership Program for the University of California, Berkeley, and Texas A&M University, and on the Advisory Board of Texas A&M's Dwight Look College of Engineering and on the Chancellor's Century Council of the Texas A&M University System. Named a Distinguished Graduate of the Chemical Engineering Department of Texas A&M University in 1998, in 1999 he became the first person to be honored by the school as both an Outstanding International Alumnus and a Distinguished Alumnus. In 2011, he served as Chair of the Board of the California Chamber of Commerce and was named an Outstanding Alumnus of the Dwight Look College of Engineering at Texas A&M. He attended Extensive Education schools at both Columbia University, Graduate School of Business at Arden House and McIntire School of Commerce, University of Virginia and received his B.S. in Chemical Engineering from Texas A&M University. The Company believes that Mr. Yosufzai's extensive managerial, operational and financial experience makes him a well-qualified addition to the Board.

Biography of Sushil (“Sam”) Kapoor

Sushil (“Sam”) Kapoor, age 71, was the Chief Global Operations Officer of Equinix, Inc., a multinational company that specializes in internet connection and related services, since January 2008 until March 2018. As the Chief Operations executive at Equinix, Inc. since early 2001, Mr. Kapoor played a major role in steering the company from near bankruptcy to its current industry leading position. During this period Equinix, Inc. grew from 7 data centers in 6 markets in one country with annual revenue of less than \$20 million to more than 180 data centers in 44 metros across 25 major countries spread over 4 continents with annual revenues exceeding \$5 Billion. During the same period, the stock price grew from a split adjusted low of around \$5 to its current price of more than \$400. Mr. Kapoor served as Vice President of Operations of Equinix, Inc., from March 2001 to December 2006 and also served as its Senior Vice President of IBX Operations from December 2006 to January 2008. Prior to joining Equinix, Mr. Kapoor served as Vice President of hosting operations at UUNET Technologies, Inc., the Internet division of MCI (formerly known as WorldCom) from November 1999 to February 2001. He was responsible for the build-out and day-to-day operations of six hosting centers. From May 1995 to November 1999, he served as Vice President, Global Network Technology for Compuserve Network Services, an Internet access provider. Mr. Kapoor served as Senior Director of Telecommunications for over 10 years at Lexis-Nexis in Miamisburg. Mr. Kapoor holds an M.B.A. (Operations Research) from Miami University of Ohio and an M.S. in Electrical Engineering from the University of Cincinnati.

About Aqua Metals

Aqua Metals, Inc. (NASDAQ:AQMS) is reinventing lead recycling with its patented and patent-pending AquaRefining™ technology. Unlike smelting, AquaRefining is a room temperature, water-based process that is fundamentally non-polluting. These modular systems allow the Company to vastly reduce environmental impact and scale lead acid recycling production capacity both by building its own AquaRefineries and licensing the AquaRefining technology to partners. Aqua Metals is based in Alameda, California, and has built its first recycling facility in Nevada’s Tahoe Reno Industrial Complex. To learn more, please visit www.aquametals.com.

Important Additional Information and Where to Find It

This press release may be deemed to contain solicitation material in respect of the solicitation of proxies from the Company's stockholders in connection with the Company's 2018 Annual Meeting (the "Annual Meeting"). The Company has filed with the SEC, and mailed to the Company's stockholders, its definitive proxy statement relating to the Annual Meeting, as well as the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on March 15, 2018 (the "Annual Report"). The definitive proxy statement contains important information about the Company, the Annual Meeting and related matters. The Company intends to file with the SEC, and mail to the Company's stockholders, an amendment to its definitive proxy statement that will reflect the nomination by the Company of S. Shariq Yosufzai and Sushil ("Sam") Kapoor for election as directors of the Company at the Annual Meeting. Stockholders may obtain a free copy of the Company's definitive proxy statement, including any amendments and supplements thereto, and other documents that the Company files with the SEC on the SEC's website, at www.sec.gov. INVESTORS AND STOCKHOLDERS ARE URGED TO READ THE DEFINITIVE PROXY STATEMENT (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO), AND ANY OTHER RELEVANT SOLICITATION MATERIALS BECAUSE THESE DOCUMENTS CONTAIN IMPORTANT INFORMATION.

Aqua Metals, its directors, Messrs. Yosufzai and Kapoor, who have been nominated by the Company for election as directors of the Company at the Annual Meeting, and certain of the Company's executive officers may be deemed to be participants in the solicitation of proxies from the Company's stockholders in connection with the Annual Meeting. Information regarding the names of the Company's directors and executive officers and their respective interests in the Company was set forth in the Company's definitive proxy statement filed with the SEC on April 17, 2018 and other relevant solicitation materials filed by the Company. Additional information regarding the participants in the solicitation of proxies from the Company's stockholders in connection with the Annual Meeting (including Messrs. Yosufzai and Kapoor), including updated information as to their direct or indirect interests, by security holdings or otherwise, will be included in the Company's amended definitive proxy statement and other relevant documents to be filed by the Company with the SEC in connection with the Annual Meeting. These documents, and any and all other documents filed by the Company with the SEC, may be obtained by investors and stockholders free of charge on the SEC's website at www.sec.gov. Copies will also be available at no charge on the Company's website at www.aquametals.com.

Safe Harbor

This press release contains forward-looking statements concerning Aqua Metals. Forward-looking statements include, but are not limited to our plans, objectives, expectations and intentions and other statements that contain words such as "expects," "contemplates," "anticipates," "plans," "intends," "believes" and variations of such words or similar expressions that predict or indicate future events or trends, or that do not relate to historical matters. The forward looking statements in this release include the strength and efficacy of Aqua Metals' portfolio of patent applications and issued patents, the lead acid battery recycling industry, the future of lead acid battery recycling via traditional smelters, the Company's development of its commercial lead acid battery recycling facilities and the quality and efficiency of the Company's proposed lead acid battery recycling operations. Those forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially. Among those factors are: (1) the risk that the Company may not be able to produce and market AquaRefined lead on a commercial basis or, if the Company achieves commercial operations, that such operations will be profitable, (2) the fact that the Company only recently commenced production and has not generated any significant revenue to date, thus subjecting the Company to all of the risks inherent in a pre-revenue start-up; (3) the risk no further patents will be issued on the Company's patent applications or any other application that it may file in the future and that those patents issued to date and any patents issued in the future will be sufficiently broad to adequately protect the Company's technology, (4) the risk that the Company's initial patents and any other patents that may be issued to it may be challenged, invalidated, or circumvented, (5) risks related to Aqua Metals' ability to raise sufficient capital, as and when needed, to develop and operate its recycling facilities and fund continuing losses from operations as the Company endeavors to achieve profitability; (6) changes in the federal, state and foreign laws regulating the recycling of lead acid batteries; (7) the Company's ability to protect its proprietary technology, trade secrets and know-how and (8) those other risks disclosed in the section "Risk Factors" included in the Company's Annual Report on Form 10-K filed on March 15, 2018. Aqua Metals cautions readers not to place undue reliance on any forward-looking statements. The Company does not undertake, and specifically disclaims any obligation, to update or revise such statements to reflect new circumstances or unanticipated events as they occur, except as required by law.

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