

Elio Motors, Inc.
Compensation Committee of the Board of Directors — Charter

I. Membership

The Compensation Committee (the "Committee") of the board of directors (the "Board") of Elio Motors, Inc. (the "Company") shall consist of two or more directors. Subject to any applicable exceptions, exemptions, phase-in periods and cure periods, each member of the Committee shall be independent in accordance with the rules of the NASDAQ Stock Market.

In connection with the determination of independence of any director who will serve on the Committee, if the Company is not a "smaller reporting issuer" as defined in Rule 10 of Regulation S-K under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and subject to any applicable exceptions, exemptions, phase-in periods, transition periods and cure periods, the Board must consider all factors specifically relevant to determining whether a director has a relationship to the Company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to:

(i) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director; and

(ii) whether such director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

At least two members of the Committee must qualify as "non-employee directors" for the purposes of Rule 16b-3 under the Exchange Act and as "outside directors" for the purposes of Section 162(m) of the Internal Revenue Code, as amended.

The members of the Committee shall be appointed by the Board. The members of the Committee shall be appointed for one-year terms and shall serve for such term or terms as the Board may determine or until earlier resignation or death. The Board may remove any member from the Committee at any time with or without cause.

II. Purpose

The purpose of the Committee is to carry out the responsibilities delegated by the Board relating to the review and determination of executive compensation.

III. Duties and Responsibilities

The Committee shall have the following authority and responsibilities:

- To review and approve annually the corporate goals and objectives applicable to the compensation of the chief executive officer ("CEO"), evaluate at least annually the CEO's performance in light of those goals and objectives, and determine and approve the CEO's

compensation level based on this evaluation. The CEO cannot be present during any voting or deliberations by the Committee on his or her compensation.

- To review and make recommendations to the Board regarding the compensation of all other executive officers.
- To review, approve and, when appropriate, recommend to the Board for approval, incentive compensation plans and equity-based plans, and where appropriate or required, recommend for approval by the stockholders of the Company, which includes the ability to adopt, amend and terminate such plans. The Committee shall also have the authority to administer the Company's incentive compensation plans and equity-based plans, including designation of the employees to whom the awards are to be granted, the amount of the award or equity to be granted and the terms and conditions applicable to each award or grant, subject to the provisions of each plan.
- To review and discuss the Compensation Discussion and Analysis (the "CD&A") required to be included in the Company's proxy statement and annual report on Form 10-K by the rules and regulations of the Securities and Exchange Commission (the "SEC") with management, and, based on such review and discussion, determine whether to recommend to the Board that the CD&A be so included.
- To review, and approve and, when appropriate, recommend to the Board for approval, any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the CEO and other executive officers, which includes the ability to adopt, amend and terminate such agreements, arrangements or plans.
- To review, approve and, when appropriate, recommend to the Board for approval, all employee benefit plans for the Company, which includes the ability to adopt, amend and terminate such plans.
- To review, approve and, when appropriate, recommend to the Board for approval, any other equity compensation arrangements under NASDAQ Rule 5635(c) for which Committee approval is permitted or required.
- To oversee the Company's compliance with SEC rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, and the requirement under the NASDAQ rules that, with limited exceptions, shareholders approve equity compensation plans.
- To monitor the Company's compliance with the requirements under the Sarbanes-Oxley Act of 2002 relating to loans to directors and officers, and with all other applicable laws affecting employee compensation and benefits.
- To review all director compensation and benefits for service on the Board and Board committees at least once a year and to recommend any changes to the Board as necessary.

- To receive periodic reports on the Company's compensation programs as they affect all employees.
- To make regular reports to the Board pertaining to the foregoing responsibilities.
- To perform any other activities consistent with this charter, the Company's bylaws, governing laws and regulations, and exchange polices and regulations that the Board or the Committee determines are necessary or appropriate.

IV. Outside Advisors

The Committee shall have the authority, in its sole discretion, to select, retain and obtain the advice of a compensation consultant as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Committee shall set the compensation, and oversee the work, of the compensation consultant. The Committee shall have the authority, in its sole discretion, to select, retain and obtain the advice and assistance of outside legal counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of its outside legal counsel and other advisors. The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to its compensation consultants, outside legal counsel and any other advisors. However, the Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant, legal counsel or other advisor to the compensation committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter.

In retaining or seeking advice from compensation consultants, outside counsel and other advisors (other than the Company's in-house counsel), the Committee must take into consideration the factors specified in NASDAQ Rule 5605(d)(3)(D), or any successor thereto. The Committee may retain, or receive advice from, any compensation consultant, legal counsel, or other advisor they prefer, including ones that are not independent, after considering the specified factors. The Committee is not required to assess the independence of any compensation consultant, legal counsel or other advisor that acts in a role limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors and that is generally available to all salaried employees or providing information that is not customized for a particular company or that is customized based on parameters that are not developed by the consultant, legal counsel or advisor, and about which the consultant, legal counsel or advisor does not provide advice. Notwithstanding the foregoing, the provisions of this paragraph shall not apply to the Committee as long as the Company is a "smaller reporting issuer" as defined in Rule 10 of Regulation S-K under the Exchange Act or during any permitted phase-in or transition period under the Exchange Act and/or the rules of the NASDAQ Stock Market and the SEC.

The Committee shall evaluate whether any compensation consultant retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K.

V. Structure and Operations

The Board shall designate a member of the Committee as the chairperson. The Committee shall meet as often as may be deemed necessary or appropriate, in its judgment, and at such times and places as it deems necessary, in order to fulfill its responsibilities. The Committee shall report regularly to the Board regarding its actions and make recommendations to the Board as appropriate. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

The Committee may invite such members of management to its meetings as it deems appropriate. However, the Committee shall meet regularly without such members present, and in all cases the CEO and any other such officers shall not be present at meetings at which their compensation or performance is discussed or determined.

The Committee may form and delegate its authority to one or more subcommittees, as it deems appropriate in its sole discretion provided such delegation is allowed by applicable law, rules and regulations and the NASDAQ Rules.

The Committee shall review this Charter at least annually and recommend any proposed changes to the Board for approval.

VI. Performance Evaluation

The Committee shall conduct an annual evaluation of the performance of its duties under this charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.