

ISRAMCO INC
Form DEF 14A
May 02, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the
Commission Only(as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to
§240.14a-12

Isramco, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

ISRAMCO, INC.

2425 West Loop South Suite 810

Houston Texas 77027

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the 2016 annual meeting (the “**Annual Meeting**”) of the shareholders of Isramco, Inc. (the “**Company**”) will be held at the Company’s offices at 2425 West Loop South, Suite 810, Houston Texas 77027, on June 27, 2016 at 9:00 A.M., local time, for the following purposes:

- (i) to elect six directors of the Company to hold office until the next annual meeting of the shareholders and until their respective successors shall have been duly elected and qualified;

- (ii) to ratify the appointment of Malone Bailey, LLP as the Company’s independent public accounting firm for the year ending December 31, 2016; and

- (ii) to transact such other business as may properly come before the Annual Meeting and any adjournment thereof.

The Board of Directors has fixed the close of business on May 13, 2016, as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof. A complete list of shareholders entitled to vote at the meeting will be available for examination at the offices of the Company for ten (10) days prior to the meeting. Only shareholders of record at the close of business on May 13, 2016 (the “**Record Date**”) are entitled to vote at the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Haim Tsuff

Chairman of the Board

Chief Executive Officer

President

April 29, 2016

PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY AND PROMPTLY RETURN IT IN THE ENVELOPE PROVIDED. NO POSTAGE IS NECESSARY IF MAILED IN THE UNITED STATES.

ISRAMCO, INC.

2425 West Loop South Suite 810

Houston Texas 77027

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 27, 2016

INTRODUCTION

This Proxy Statement (the “Proxy Statement”) is furnished in connection with the solicitation of proxies by the Board of Directors (the “**Board of Directors**” or the “**Board**”) of Isramco, Inc., a Delaware corporation (the “**Company**”) for use at the 2016 annual meeting (the “**Annual Meeting**”) of the Company’s shareholders (the “**Shareholders**”) to be held at the Company’s offices at 2425 West Loop South, Suite 810, Houston, Texas 77027, on Monday, June 27, 2016, at 9:00 A.M., local time, and any adjournment(s) thereof.

In addition to mailing the proxy materials to each of our shareholders, our Board of Directors has made these proxy materials available to you on the Internet on or about May 17, 2016, at its transfer agent, American Stock Transfer, at www.amstock.com/proxyservices/viewmaterial.asp?CoNumber=03348 as described in the Notice of Internet Availability of Proxy Materials (the “**Notice**”), mailed to Shareholders of record and beneficial holders. Printed versions of these proxy materials have been delivered to you by mail, in connection with the Board of Directors’ solicitation of proxies for use at our 2016 Annual Meeting of Shareholders. Our Shareholders are invited to attend the annual meeting and are requested to vote on the proposals described in this proxy statement. These proxy materials include: our proxy statement for (and notice of) the Annual Meeting; and our Annual Report on Form 10-K for the year ended December 31, 2015, which includes our annual audited financial statements for fiscal 2015. If you requested printed versions of these proxy materials by mail, these proxy materials also include our 2016 annual meeting proxy card or a voting information card for submitting your vote in writing to us or your broker, as the case may be.

Purposes of the 2016 Annual Meeting

At the Annual Meeting, the Shareholders will be asked to:

(i) elect six directors of the Company to hold office until the next annual meeting of the Shareholders and until their respective successors shall have been duly elected and qualified;

(ii) ratify the appointment of Malone Bailey, LLP as the Company's independent public accounting firm for the year ending December 31, 2016; and

(iii) transact such other business as may properly come before the Annual Meeting and any adjournment thereof.

Voting Rights

To have a valid meeting of the Shareholders, a quorum of the Company's Shareholders is necessary. A quorum consists of Shareholders holding a majority of the shares of the common stock of the Company (the "**Common Stock**") issued and outstanding and entitled to vote on the Record Date present in person or by proxy at the Annual Meeting. Shareholders who execute proxies retain the right to revoke them at any time by notice in writing to the Secretary of the Company, by revocation in person at the meeting or by presenting a later-dated proxy. Unless so revoked, the shares represented by proxies will be voted at the meeting. The shares represented by the proxies solicited by the Board of Directors of the Company will be voted in accordance with the directions given therein, but if no direction is given, such shares will be voted in accordance with the Board's recommendations.

All voting rights are vested exclusively in the holders of Common Stock. Only holders of Common Stock at the close of business on May 13, 2016, (the "**Record Date**") are entitled to receive notice of and to vote at the Annual Meeting. As of the Record Date, there were a total of 2,717,691 shares of Common Stock outstanding. Each holder of Common Stock entitled to vote at the Annual Meeting is entitled to one vote for each share held.

Shareholders representing a majority of the Common Stock issued and outstanding as of the Record Date, present in person or by proxy at the Annual Meeting, will constitute a quorum for the transaction of business at the Annual Meeting or any adjournment(s) thereof. Abstentions and shares held of record by a broker for which the broker has discretionary authority or instructions to vote the shares are counted as shares that are present at the Annual Meeting for purposes of determining a quorum.

Abstentions occur when Shareholders are present at the Annual Meeting but fail to vote or voluntarily withhold their vote for any of the matters upon which the Shareholders are voting. There are also non-discretionary matters for which brokers and other nominees do not have discretionary authority to vote unless they receive timely instructions from you. For Proposal 1 (*Election of Directors*), to be voted on at the Annual Meeting, you must provide timely instructions on how the broker or other nominee should vote your shares. When a broker or other nominee does not have discretion to vote on a particular matter, you have not given timely instructions on how the broker or other nominee should vote your shares and the broker or other nominee indicates it does not have authority to vote such shares on its proxy, a "**broker non-vote**" results. Although any broker non-vote will be counted as present at the meeting for purposes of determining a quorum, it would be treated as not entitled to vote with respect to non-discretionary matters.

Assuming a quorum is present at the Annual Meeting, the following is a summary of the vote required to approve each proposal, as well as the effect of broker non-votes and abstentions.

Proposal 1 (*Election of Directors*): To be elected, each nominee for election as a director must receive the affirmative vote of a majority of the votes of the Company's Common Stock, present in person or by proxy at the meeting and entitled to vote on the proposal. Abstentions may not be specified as to the election of directors, but you may withhold your vote as to any nominee. Votes that are withheld from a director's election will be counted toward a quorum, but will not affect the outcome of the vote on the election of a director. Broker non-votes will be counted toward a quorum, but will not be taken into account in determining the outcome of the election.

Proposal 2 (*Ratify Appointment of Outside Auditors*): To ratify the appointment of Malone Bailey, LLP as the company's independent Public accounting firm for the year ending December 31, 2016. To be ratified, Malone Bailey, LLP must receive the affirmative vote of a majority of the votes of the Company's Common Stock, present in person or by proxy at the meeting and entitled to vote on the proposal. Broker non-votes will not be taken into account in determining the outcome of the election.

How Can I Vote Without Attending the Annual Meeting?

There are three methods for registered Stockholders to direct their vote by proxy without attending the Annual Meeting:

- **Vote by Internet.** You can vote via the Internet. The website address for Internet voting is provided on your Notice or proxy card. You will need to use the control number appearing on your Notice or proxy card to vote via the Internet. You can use the Internet to transmit your voting instructions up until 11:59 P.M. Eastern Time on Sunday, June 26, 2016. Internet voting is available 24 hours a day. If you vote via the Internet you do NOT need to vote by telephone or return a proxy card.
- **Vote by Telephone.** You can also vote by telephone by calling the toll-free telephone number provided on the Internet link on your Notice or on your proxy card. You will need to use the control number appearing on your Notice or proxy card to vote by telephone. You may transmit your voting instructions from any touch-tone telephone up until 11:59 P.M. Eastern Time on Sunday, June 26, 2016. Telephone voting is available 24 hours a day. If you vote by telephone you do NOT need to vote over the Internet or return a proxy card.
- **Vote by Mail.** If you received a printed copy of the proxy card, you can vote by marking, dating and signing it, and returning it in the postage-paid envelope provided. Please promptly mail your proxy card to ensure that it is received prior to the closing of the polls at the Annual Meeting.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information, as of the Record Date, concerning the ownership of the Company's Common Stock by (a) each of the Company's directors, (b) the Company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, General Counsel & Corporate Secretary, and former Legal Counsel and Corporate Secretary (the "**Named Executive Officers**"), (c) all current directors, executive officers of the Company as a group; and (d) each person who beneficially owns more than five percent of the Company's Common Stock.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership	Percent of
--	---	---------------

Edgar Filing: ISRAMCO INC - Form DEF 14A

	(2)		Class (2)	
Haim Tsuff, Chairman, CEO, and President	1,992,000	(3) (4) (5) (6)	73.30	%
United Kingsway Ltd.	1,930,321	(4)(6)	71.03	%
YHK Investment L.P.	1,930,321	(4)(6)	71.03	%
Equital Ltd.	1,930,321	(4)(6)	71.03	%
J.O. E. L. Jerusalem Oil Exploration Ltd.	1,930,321	(4)(6)	71.03	%
Naphtha Israel Petroleum Corporation, Ltd.	1,930,321	(4)(6)	71.03	%
Naphtha Holding Ltd.	1,592,841	(4)	58.61	%
Naphtha Exploration LP	7,804	(5)	00.29	%
I.O.C.- Israel Oil Company, Ltd	329,676	(6)	12.13	%
Joseph From, Director	—		—	
Max Pridgeon, Director	—		—	
Itai Ram, Director (7)	—		—	
Frans Sluiter, Director	—		—	
Asaf Yarkoni, Director	—		—	
Nir Hasson, Director (8)	—		—	
Edy Francis, Chief Financial Officer	—		—	
Zeev Koltovskoy, Chief Accounting Officer (9)	—		—	
Anthony James, General Counsel & Secretary (10)	—		—	
Curt L. Warnock, Legal Counsel and Corporate Secretary (11)	—		—	
All directors and executive officers as a group	1,992,000	(1-11)	73.30	%

(1) Unless otherwise specified, the address of such person is c/o Isramco, Inc., 2425 West Loop South, Suite 810, Houston, Texas 77027.

(2) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the “SEC”) and generally includes voting or investment power with respect to securities. In accordance with SEC rules, shares of Common Stock issuable upon the exercise of options or warrants which are currently exercisable or which become exercisable within 60 days of the Record Date are deemed to be beneficially owned by, and outstanding with respect to, the holder of such option or warrant. Except as indicated by footnote, and subject to community property laws where applicable, to the knowledge of the Company, each person listed is believed to have sole voting and investment power with respect to all shares of Common Stock owned by such person.

(3) Haim Tsuff, the Company’s Chairman of the Board, Chief Executive Officer and President, holds directly 61,679 shares of the Company. Also, as described in Notes 4, 5, and 6 below, he may be deemed to control an additional 1,930,321 shares of Common Stock.

(4) Naphtha Israel Petroleum Corporation Ltd. (“**Naphtha Petroleum**”), an Israeli public company whose shares are listed on the Tel Aviv Exchange, holds all of the outstanding voting shares of Naphtha Holding Ltd. (“**Naphtha Holding**”), a private Israeli company. Haim Tsuff, the Company’s Chairman of the Board, Chief Executive Officer and President, may be deemed to beneficially own any shares held by Naphtha Holding within the meaning of Rule 13d-3 of the Exchange Act, by virtue of the control that he exercises over Naphtha Petroleum. The nature Mr. Tsuff’s control over Naphtha Petroleum is described in the succeeding paragraphs. The address of Naphtha Petroleum and Naphtha Holding is 8 Granit Street, P. O. Box 10188, Petach Tikva, 49002 Israel.

Mr. Tsuff holds all of the outstanding voting shares of United Kingsway Limited (“**United Kingsway**”), a Bahamian private company. He also serves as the sole director of United Kingsway. United Kingsway holds 74% of the outstanding membership interests in each of YHK Investment L.P. (“**YHK LP**”), an Israeli limited partnership and YHK General Manager Ltd. (“**YHK Manager**”), a private Israeli company that serves as the general partner of YHP LP. YHK LP holds 44.5% of the outstanding voting securities of Equital Ltd. (“**Equital**”), an Israeli public company listed on the Tel Aviv Exchange. The address of United Kingsway is Spaarneweg 14, Cruquius 2142 EN, The Netherlands. The address of YHK LP and YHK Manager is 8 Granit Street, P. O. Box 10188, Petach Tikva, 49002 Israel. The address of Equital is 8 Granit Street, P. O. Box 10188, Petach Tikva, 49002 Israel.

Equital holds 37% of the outstanding voting securities of Jerusalem Oil Exploration Ltd. (“**J.O.E.L.**”), an Israeli public company.

J.O.E.L. holds 65% of the outstanding voting securities Naphtha Petroleum which, as noted above, holds all of the outstanding voting securities of Naphtha Holding and also controls Israel Oil Company Ltd., an Israeli private company (“**I.O.C.**”). The address of J.O.E.L. is 8 Granit Street, P. O. Box 10188, Petach Tikva, 49002 Israel.

The 1,592,841 shares of Common Stock noted in the table above are held in the name of Naphtha Holding and 329,676 shares are held in the name of I.O.C. None of United Kingsway, YHP LP, YHK Manager, Equital or J.O.E.L. holds, directly, any shares of the Company’s Common Stock. However, due to the controlling ownership structure described above, each of these entities may be deemed to beneficially own such shares.

(5) Haim Tsuff, the Company’s Chairman of the Board, Chief Executive Officer and President, may be deemed to control the 7,804 shares of the Company’s Common Stock held directly by Naphtha Exploration LP., an Israeli limited partnership listed on the Tel Aviv Exchange, through control of its general partner, Naphtha Partnerships Management Ltd. The address of Naphtha Exploration LP is 8 Granit Street, P. O. Box 10188, Petach Tikva, 49002 Israel.

(6) Haim Tsuff, the Company's Chairman of the Board, Chief Executive Officer and President, may be deemed to control the 329,676 shares of the Company's Common Stock held directly by I.O.C.- Israel Oil Company Ltd., an Israeli private company ("I.O.C.") through control of J.O.E.L. and Naphtha Petroleum, which in turn control I.O.C. The address of I.O.C. is 8 Granit Street, P. O. Box 10188, Petach Tikva, 49002 Israel. Mr. Tsuff's control of J.O.E.L. and Naphtha Petroleum is more particularly described in footnote (4) above.

(7) Mr. Ram resigned from the Board of Directors in 2014.

(8) Mr. Hasson was appointed to the Board of Directors in 2014.

(9) Mr. Koltovskoy joined the Company in September 2012 as Director of Finance and was named Chief Accounting Officer in December 2012.

(10) Mr. James joined the Company in May of 2013 and was appointed Corporate Secretary in August of 2013.

(11) Curt L. Warnock resigned in 2013.

Performance Graph

The following graph compares the cumulative return on a \$100 investment in our common stock from December 31, 2010, through December 31, 2015, to that of the cumulative return on a \$100 investment in the Standard & Poor's 500 ("S&P 500") index and the Dow Jones U.S. Exploration & Production Total Stock Market index for the same period. In calculating the cumulative return, reinvestment of dividends, if any, is assumed. This graph is not "soliciting material," is not deemed filed with the SEC and is not to be incorporated by reference in any of our filings under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing. This graph is included in accordance with the SEC's disclosure rules. This historic stock performance is not indicative of future stock performance.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN

Among Isramco, Inc., the S&P 500 Index and the Dow Jones U.S. Exploration &

Production Total Stock Market Index

	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
S&P 500	\$ 100.00	\$ 100.00	\$ 113.40	\$ 146.97	\$ 163.71	\$ 162.52
ISRL	\$ 100.00	\$ 106.24	\$ 123.36	\$ 150.71	\$ 163.70	\$ 105.94
Dow Jones U.S. Exploration & Production	\$ 100.00	\$ 97.12	\$ 101.79	\$ 133.59	\$ 117.64	\$ 88.83

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis is intended to provide you with a detailed description of the Company's executive compensation philosophy and objectives, the compensation decisions that the Company's Compensation Committee has made pursuant to those objectives and the factors considered in making those decisions. The Company's compensation program for senior executives is governed by the Compensation Committee, which determines the compensation of all of the Company's executive officers. We note that the Compensation Committee does not tie compensation to any performance metric targets of the Company and, accordingly, sets compensation through a discretionary approach based on factors that are discussed herein below. This discussion and analysis focuses on the Company's named executive officers – the Company's (i) Chairman, Chief Executive Officer and President, (ii) Senior Vice President and Chief Financial Officer, (iii) Chief Accounting Officer, (iv) General Counsel

and Secretary, (v) former Legal Counsel and Secretary.

Compensation Philosophy and Objectives

The primary objectives of our market based compensation program for Haim Tsuff, Chairman of the Board, Chief Executive Officer and President; Edy Francis, Chief Financial Officer; Zeev Koltovskoy, Chief Accounting Officer; Anthony James, General Counsel and Secretary; and Curt L. Warnock, the Company's former Legal Counsel and Corporate Secretary (collectively the "**Named Executive Officers**") were and are to attract and retain qualified and experienced executive talent, provide appropriate incentives for the Named Executive Officers to apply their efforts in such a way that supports our financial performance objectives and business strategy, and to align their incentives with enhancement of shareholder value. In particular, our compensation program for Named Executive Officers is designed to reward superior job performance and individual initiative to help increase the Company's oil and gas reserves, production rates, earnings per share and to manage operating costs. Approximately 96% of the shares of Common Stock present at the Company's 2014 annual meeting of Shareholders voted in favor of the Company's executive compensation. The Company believes that its compensation philosophy and objectives align with the latest shareholder advisory vote on compensation by incorporating the sentiment of the shareholder advisory vote into decision making regarding the objectives and goals of the Company's compensation program. This consideration of the shareholder sentiment was utilized in determining discretionary cash bonuses and setting salaries for Named Executive Officers.

The Compensation Committee is developing metrics by which executive cash incentives and stock-related incentives will be awarded through the Company's incentive plans. In that effort, the Compensation Committee seeks to compensate the Company's Named Executive Officers so that their aggregate cash and equity compensation is adequate to attract and retain skilled and competent executives. However, to date, the Company has not issued any stock-related incentives to its Named Executive Officers and instead relies solely upon cash compensation with respect to its Named Executive Officers.

Role of the Compensation Committee, its Consultants and Management

The Company's Board has entrusted the Compensation Committee to carry out the Board's overall responsibility relating to the compensation of our Named Executive Officers. Our Chief Executive Officer also plays an important role in the executive compensation process, in overseeing the performance and dynamics of the executive team and generally keeping the Compensation Committee informed of business objectives and the performance of the Named Executive Officers other than the Chief Executive Officer. All final approvals regarding the Named Executive Officers' compensation remain with the Compensation Committee. Finally, the Company or the Compensation Committee may retain an independent consulting firm and/or legal counsel experienced in executive and overall compensation practices and policies to assist the Compensation Committee in calibrating the form and amount of executive compensation. No such consulting firms or legal counsel were engaged by the Compensation Committee in

2015.

7

The Compensation Committee, together with the assistance and recommendation of our Chief Executive Officer, and other advisors deemed appropriate by the Compensation Committee, typically reviews and discusses each particular executive compensation component presented and approves the compensation of the other Named Executive Officers. In the case of our Chief Executive Officer, the Compensation Committee, together with the full Board and the Lead Independent Director (Max Pridgeon), reviews and discusses each compensation component (together with compensation consultants and any counsel, other advisors or members of management deemed appropriate by the Compensation Committee). Following this review, the Compensation Committee sets the salary and other compensation of our Chief Executive Officer.

Market Analysis

When making compensation decisions, the Compensation Committee considers comparative compensation information of select peer and industry companies as a reference in its review and approval of compensation for the Named Executive Officers. This review is done with respect to both the structure of our executive compensation program as well as the targeted amount of compensation. The company has selected the following companies as peers for such review

STONE ENERGY CORP

VANGUARD NATURAL RESOURCES

EXCO RESOURCES INC.

MEMORIAL PRODUCTION PARTNERS LP

TRANSGLOBE ENERGY CORP.

APPROACH RESOURCES

PETROQUEST ENERGY INC

GASTAR EXPLORATION LIMITED (USA)

CALLON PETROLEUM COMPANY

PRIMEENERGY CORPORATION

ABRAXAS PETROLEUM CORP

MID-CON ENERGY PARTNERS LP

SANCHEZ PRODUCTION PARTNERS LLC

FX ENERGY

Because the comparative compensation information is just one of the several analytic tools that are used in setting executive compensation, the Compensation Committee has discretion in determining the nature and extent of its use of any or all of the comparative companies. When exercising its discretion, the Compensation Committee may consider factors such as the nature of officer's duties and responsibilities as compared to the corresponding position in the peer companies, the experience and value the officer brings to the role, the officer's performance results, demonstrated success in meeting key financial and other business objectives and the amount of the officer's pay relative to the pay of his or her peers within our company.

Elements of Executive Compensation

Setting Executive Compensation in 2015

Base Salary. The base salary of each Named Executive Officer is reviewed annually by the Compensation Committee. For our Named Executive Officers other than the Chairman, Chief Executive Officer and President, our the Chairman, Chief Executive Officer, and President recommends salary increases, which are reviewed and approved by the Compensation Committee.

For 2015, the primary factor in determining the amount of increase in base salary was the Compensation Committee's subjective assessment of individual performance of each of our Named Executive Officers. The Compensation Committee also reviewed the comparative compensation data discussed above to assess the reasonableness of the base salary amounts in light of the officer's duties and responsibilities as compared to similarly situated officers. The following table reflects annualized base salary amounts for the Named Executive Officers for 2015, 2014 and 2013:

Name	2015 Base Salary	2014 Base Salary	2013 Base Salary
Haim Tsuff	\$ 360,000	\$ 360,000	\$ 360,000
Edy Francis	110,000	110,000	85,685
Zeev Koltovskoy	80,000	79,583	70,000
Anthony James (1)	175,000	158,958	140,000
Curt L. Warnock (2)	—	—	155,000

1. Mr. James joined the Company in May 2013.
2. Mr. Warnock resigned in June 2013.

Annual Cash Incentive Compensation.

In connection with its review of the performance of each of the Named Executive Officers, the Compensation Committee specifically considered each executive's leadership in the performance of his duties and within the Company as a whole. While no specific performance goals or metrics were set out for any Named Executive Officer with regard to annual cash incentive compensation, the Compensation Committee also considered the difficulty of each Named Executive Officer's duties in light of the challenging and competitive nature the Company's operations and the overall economy. The following is a discussion of the material factors the Compensation Committee considered in assessing each Named Executive Officer's contribution and achievement in the performance of his or her individual duties:

- **Haim Tsuff:** In assessing Mr. Tsuff's performance, the Compensation Committee, together with the Lead Independent Director, considered the leadership and strategic vision that Mr. Tsuff provides for the continued growth of the Company as Chief Executive Officer and President. As a result of his significant ownership position in the Company, the Company believes that Mr. Tsuff's objectives are closely aligned with those of our stockholders.
- **Edy Francis:** In assessing Mr. Francis' performance, the Compensation Committee considered his role as Chief Financial Officer, including his management of financial restructuring and accounting management that impacted the Company's business.

- Zeev Koltovskoy: In assessing Mr. Koltovskoy' performance, the Compensation Committee considered his role as Chief Accounting Officer, including his familiarity with Sarbanes-Oxley compliance procedures and accounting management that impacted the Company's business.

- Anthony James: In assessing Mr. James's performance, the Compensation Committee considered his role as in-house counsel, and his roles in Land and Human Resources, including his management of issues that impacted the Company's business.

Accordingly, the following chart presents information about the awards earned by each of the Named Executive Officers:

Named Executive Officer	2015 Incentive Payout		\$ Amount Earned
	as a % of Base Salary	%	
Haim Tsuff	0	%	0
Edy Francis	114	%	125,000
Zeev Koltovskoy	50	%	40,000
Anthony James	26	%	45,000

For more information on total compensation paid to our Named Executive Officers, see “Executive Compensation and Related Information— 2015 Summary Compensation Table.”

Compensation Policies

Adjustment or Recovery of Awards upon Restatement of Company Performance. The Company does have a formal policy requiring its Named Executive Officers to return cash and equity incentive awards if the relevant metrics upon which the awards are based are ever restated or otherwise adjusted in a manner that would reduce the size of an award or payment. The Company also has a provision in its employment contracts with Named Executive Officers allowing the company to force the return of any cash and equity incentive awards if the relevant metrics upon which the awards are based are ever restated or otherwise adjusted in a manner that would reduce the size of an award or payment.

Stock Ownership Guidelines. The Company has no stock ownership guidelines for its Named Executive Officers or for its Directors.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with management. Based on the Compensation Committee’s review of and discussions with management with respect to the Compensation Discussion and Analysis, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee.

Frans Sluiter – Chairman

Nir Hasson

Joseph From

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Frans Sluiter, Nir Hasson and Joseph From served on the Compensation Committee in 2015. No member of the Compensation Committee has served as one of our officers or employees at any time. None of our executive officers served, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving on our Board of Directors or Compensation Committee.

The following table sets forth information for the fiscal years ended December 31, 2013, December 31, 2014, and December 31, 2015, and concerning compensation of the Company's Named Executive Officers:

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards	Non-Equity	Nonqualified	All Other Compensation (\$)	Total (\$)
						Incentive Plan Compensation (\$)	Deferred Compensation (\$)		
Haim Tsuff Chairman, Chief Executive Officer, President	2015	\$360,000	\$—	\$ —	\$ —	\$ —	\$ —	\$ —	\$360,000
	2014	360,000	—	—	—	—	—	—	360,000
	2013	360,000	—	—	—	—	—	—	360,000
Edy Francis (2) Senior Vice President, Chief Financial Officer	2014	110,000	125,000	—	—	—	—	51,229	286,229
	2014	110,000	125,000	—	—	—	—	49,660	284,660
	2013	85,658	125,000	—	—	—	—	44,983	255,641
Zeev Koltovskoy (3) Chief Accounting Officer	2015	80,000	40,000	—	—	—	—	33,680	153,680
	2014	79,583	35,000	—	—	—	—	33,799	148,382
	2013	63,750	30,000	—	—	—	—	29,642	123,392
Anthony James (4) General Counsel & Secretary	2015	175,000	45,000	—	—	—	—	9,269	229,269
	2014	158,958	40,000	—	—	—	—	10,237	209,195
	2013	82,727	20,000	—	—	—	—	1,553	104,280
Curt Warnock (5) Legal Counsel & Secretary	2013	83,958	—	—	—	—	—	5,787	89,745
	2012	155,000	—	—	—	—	—	10,280	165,280

(1) "All Other Compensation" is mainly composed of contributions to the Company's 401(K) plan and contributions to employee benefit plans, such as medical, dental, vision, short term disability, long term disability, voluntary life, and dependent life. In addition, certain specific allowances (e.g., cellular phones, plane tickets) specifically identified in an Executive's employment agreement with the Company are also included in this category.

(2) In the category of "All Other Compensation," in 2015 Mr. Francis received the following: \$18,908 in medical insurance benefits; \$20,165 as housing allowance; \$3,736 as car allowance; \$5,500 in employer contributions to the Company's 401(K) plan; \$1,200 as cellular phone service allowance; and de minimis Company contributions toward dental, vision and life insurance benefits. In 2014 Mr. Francis received the following: \$15,864 in medical insurance benefits; \$20,165 as housing allowance; \$3,736 as car allowance; \$7,500 in employer contributions to the Company's

401(K) plan; \$1,200 as cellular phone service allowance; and de minimis Company contributions toward dental, vision and life insurance benefits. In 2013, Mr. Francis received: \$15,545 in medical insurance benefits; \$20,165 as housing allowance; \$3,736 as car allowance; \$4,106 in employer contributions to the Company's 401(K) plan; \$1,200 as cellular phone service allowance; and de Company contributions toward dental, vision and life insurance benefits.

(3) Mr. Koltovskoy joined the Company in 2012 and was named Chief Accounting Officer in December 2012. In the category of "All Other Compensation," Mr. Koltovskoy received the following in 2015: \$6,167 in medical insurance benefits; \$14,052 as housing allowance; \$7,800 as car and fuel allowance; \$4,800 in employer contributions to the Company's 401(K) plan; \$1,200 as cellular phone service allowance; and de minimis Company contributions toward dental, vision and life insurance benefits. 2014: \$6,348 in medical insurance benefits. In 2014, Mr. Koltovskoy received the following: \$14,052 as housing allowance; \$7,800 as car and fuel allowance; \$3,979 in employer contributions to the Company's 401(K) plan; \$1,200 as cellular phone service allowance; and de minimis Company contributions toward dental, vision and life insurance benefits. In 2013 Mr. Koltovskoy received the following: \$6,407 in medical insurance benefits; \$14,052 as housing allowance; \$4,800 as car allowance; \$3,052 in employer contributions to the Company's 401(K) plan; \$1,200 as cellular phone service allowance; and de minimis Company contributions toward dental, vision and life insurance benefits.

(4) Mr. James joined the Company in May 2013 and was named Secretary in August of 2013. In the category of “All Other Compensation,” all benefits reflected for Mr. James are for employer contributions to the Company’s 401(K) plan and de minimis Company contributions life and disability insurance benefits.

(5) Mr. Warnock joined the Company in November 2011 and resigned in June of 2013. In the category of “All Other Compensation,” all of the benefits reflected for Mr. Warnock are for medical insurance benefits.

EMPLOYMENT/CONSULTING AGREEMENTS

The base salary received by the Company’s Chairman, Chief Executive Officer, and President through May 1, 2014, was governed the Consulting Agreement between the Company and Goodrich Global Ltd. (“**Goodrich**”), a company owned and controlled by Mr. Haim Tsuff, the Company’s Chairman, Chief Executive Officer and President. On November 17, 2008, the Company and Goodrich entered into an Amended and Restated Agreement, as subsequently amended on November 24, 2008, and January 1, 2011 (the “**Goodrich Agreement**”). The Goodrich Agreement replaced the consulting agreement entered into in May 1996 between the Company and Goodrich which terminated on May 31, 2008, pursuant to which the Company paid \$240,000 per annum in installments of \$20,000 per month. Under the Goodrich Agreement, as of June 1, 2008, the Company paid Goodrich \$360,000 per annum in installments of \$30,000 per month in addition to reimbursing Goodrich for all reasonable expenses incurred in connection with services rendered to the Company. The Company’s payment of \$360,000 per year under the Goodrich Agreement is herein reflected as the salary of Haim Tsuff, the Company’s Chairman, Chief Executive Officer and President. The Goodrich Agreement had an initial term through May 31, 2011, and automatically extended by its terms for an additional three-year period. The Goodrich Agreement contained certain customary confidentiality and non-compete provisions. The Company and Goodrich entered into a Consulting Agreement dated effective June 1, 2014 (the “**2014 Consulting Agreement**”), which replaced the Goodrich Agreement. However, the 2014 Consulting Agreement will continue pay to Goodrich \$360,000 per annum in installments of \$30,000 per month, in addition to reimbursing Goodrich for all reasonable business expenses, including automobile expenses, incurred by Mr. Tsuff in connection with services rendered on behalf of the Company, in exchange for management services performed by Mr. Tsuff as the Company’s Chairman, Chief Executive Officer, and President. The 2014 Consulting Agreement has an initial term through May 31, 2017, and will be automatically extended by its terms for an additional three-year period unless the Company or Goodrich elects otherwise prior to such extension. The Consulting Agreement also contains certain customary confidentiality and non-compete provisions which are identical to those contained in the Goodrich Agreement.

On September 11, 2014, the Company entered into an employment agreement (the “**Employment Agreement**”) with its Chief Financial Officer, Edy Francis. The Agreement replaces the former employment agreement between the Company and Mr. Francis that expired on May 31, 2014, and has a term from June 1, 2014 through May 31, 2017. The Employment Agreement provides for the following compensation and benefits: (i) an annual base salary of no less than \$110,000, subject to periodic review and adjustment by the Compensation Committee of the Board; (ii) eligibility for an additional bonus and to participate in any profit sharing, option or other similar plan to the extent and on the same basis as may be awarded other officers of the Company; and (iii) reimbursement of certain reasonable business expenses, together with certain allowances. The Company may terminate the term of employment of Mr. Francis under the Employment Agreement for any reason, or for Cause, Permanent Disability (each as defined in the

Employment Agreement) or death, upon 120 days prior written notice to Mr. Francis (the “**Required Notice Period**”). Mr. Francis may terminate his term of employment only for Good Reason (as defined in the Employment Agreement) upon 120 days prior written notice to the Company. The Employment Agreement also includes certain customary representations, warranties and covenants, including non-disclosure covenants.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL