

ISRAMCO INC
Form 10-K/A
December 27, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

Amendment No. 1

Mark one:

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 0-12500

ISRAMCO, INC.

(Exact name of registrant as specified in its charter)

Delaware 13-3145265
(State or Other Jurisdiction of Incorporation) (IRS Employer Identification No.)

2425 West Loop South Suite 810 Houston Texas 77027
(Address of Principal Executive Offices)

713-621-3882
(Registrant's Telephone Number, including Area Code)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:
Common Stock, par value \$0.01
(Title of Class)

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

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

As of December 18, 2013, there were 2,717,691 shares of the Registrant's common stock par value \$0.01 per share ("Common Stock") outstanding. The aggregate market value of the Common Stock held by non-affiliates of the Registrant at December 18, 2013, based on the last sale price of such equity reported on the NASDAQ market, was approximately \$331.69 million.

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EXPLANATORY NOTE

Istramco, Inc. (“we”, “our” and “us”) is filing this Amendment No. 1 on Form 10-K/A to amend its Annual Report on Form 10-K for the year ended December 31, 2012, filed on March 15, 2013. The purpose of this Form 10-K/A, Amendment No. 1, is to include information required in Part III (Items 10, 11, 12, 13 and 14), that was to be incorporated by reference from our definitive proxy statement pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Other than the furnishing of the information identified above, this report does not modify or update the disclosure in the Form 10-K in any way. In addition, as required by Rule 12b-15 under the Exchange Act, new certifications by our principal executive officer and principal financial officer are filed as exhibits to this Form 10-K/A under Item 15 of Part IV hereof.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Our directors, their age, positions, the dates of their initial election or appointment as directors, and the expiration of their terms are as follows:

| NAME | AGE | Served Since | POSITION |
|---------------|-----|--------------|---|
| Haim Tsuff | 55 | 1996 | Chairman of the Board, Chief Executive Officer and Director |
| Joseph From | 58 | 2011 | Director |
| Max Pridgeon | 46 | 2001 | Director |
| Asaf Yarkoni | 38 | 2010 | Director |
| Frans Sluiter | 45 | 2011 | Director |
| Itai Ram | 34 | 2011 | Director |

All directors hold office until the annual meeting next following their election and/or until their successors are elected and qualified. Officers serve at the discretion of the Board of Directors. Information with respect to the business experience and affiliation of our directors is set forth below:

Haim Tsuff has been a director of the Company since January 1996 and the Chairman of the Board of Directors and Chief Executive Officer since May 1996. Mr. Tsuff was also appointed President in 2012. Mr. Tsuff is the sole director and owner of United Kingsway Ltd. and Chairman of YHK General Manager Ltd. (which entity effectively controls Equital Ltd., J.O.E.L. Jerusalem Oil Exploration Ltd., Naphtha Israel Petroleum Corporation, and Naphtha Holdings Ltd.) and may be deemed to control the Company. Mr. Tsuff brings to our Board significant experience in international business, including the energy industry and finance.

Joseph From was appointed to the Company's Board of Directors on June 29, 2010. Mr. From is employed as a drilling manager at Star Energy, a UK based energy company with a primary focus on gas storage development and the UK's second largest onshore oil producer, a position that he has held since June 2007. Prior to joining Star Energy, from August 1998 to April 2007, Mr. From served as General Manager at Equital Ltd., an affiliate of the Company, where he was in charge of oil and gas activities and operations, including drilling and production and economic evaluation of oil and gas projects. From 1997 through 1998, he served as Chief Engineer (Oil and Gas division) at the Company where he oversaw drilling on onshore wells in Israel. Mr. From's petroleum industry background and experience provides the Board with the experience and breadth needed to consider the options that are available in determining drilling/exploration issues.

Max Pridgeon has been a director of the Company since April 2001. Since December 2002, Mr. Pridgeon has served as a director and executive officer of Griffin Decorations, a business which he founded. From March 1995 through December 2002, he served as director of MAXIM Wholesale and Marketing Co., a company which he founded. Concurrently, from February 1999, Mr. Pridgeon has also served as a manager of sales for Europe and the Middle East for Blenfin XI, Netherlands, a company that engages in the distribution of wooden picture frames. From April

1996 through January 1999, Mr. Pridgeon served as a property acquisitions consultant to M.A. Realistic Estate, Netherlands, a company engaged in the ownership and management of hotels in the Netherlands. From September 1989 through March 1995, Mr. Pridgeon served as account manager and then export manager at VERNO Holland, a company engaged in the marketing and distribution of oil paintings. Mr. Pridgeon's experience in managing and overseeing a diversified business practice equip him with the skill set needed by our Board.

Itai Ram was elected to the board in 2011. Mr. Ram is the Director of Mobile Products at Paperless Post Inc., a consumer Internet startup that provides delivery services of social paperless stationeries, a position he has held since May 2012. Prior to joining Paperless Post Inc., Mr. Ram was employed by Apple, Inc., in the positions of Software Engineering Program Manager, iPhone/iPad OS from 2011 to 2012, Program Manager, iPad from 2009 to 2011, and Program Manager, iMac from 2009 to 2011. Prior to joining Paperless Post, Inc, Mr. Ram was employed by Intel Corporation's Mobile Wireless Group, in the positions of Mobile Systems Engineer from 2006 to 2007, Wi-Fi Algorithms and Design Engineer from 2005 to 2006, and Wi-Fi Logic Design Engineer from 2003 to 2005. Mr. Ram is also a co-founder of Delengo LLC, an early stage e-commerce consumer Internet startup built on top of web and mobile geo-social networks, started in 2009.

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Frans Sluiter was elected to the board in 2011. Mr. Sluiter is employed as a Senior Manager at Accenture, a position he has held since December 2006. Prior to joining Accenture, Mr. Sluiter was a Partner and Project Manager at Singularity, LLC, responsible for overseeing SAP process integration. From 2003 to 2006, he served at Intelligroup, from 2004 onwards as Senior Vice President responsible for business development and project delivery for onsite and offshore SAP services. Throughout his career, Mr. Sluiter has acquired extensive experience working with clients in a variety of industries, including Oil and Gas. His broad corporate experience and connections in the industry add to the value he brings to the board.

Asaf Yarkoni was appointed to the Company's Board of Directors on December 28, 2011. Mr. Yarkoni is employed as an Integration and Business Development Manager at IBM, a position he has held since April 2011. Mr. Yarkoni a certified public accountant with over four years of experience with a "Big Four" accounting firm and, prior to his employment at IBM, was the Chief Financial Officer of Storwize, a start-up company involved in the provision of data compression services. Mr. Yarkoni has experience in public accounting and is familiar with the reporting requirements applicable to public companies, both in Israel and in the United States. Mr. Yarkoni brings significant financial and accounting knowledge and expertise to the Corporation and qualifies to serve as an "audit committee financial expert" under the rules of the SEC. Mr. Yarkoni's experience as a certified public accountant was instrumental in his appointment to stand for election to the Board and is expected to provide our board with a critical accounting perspective.

The following individuals are not directors but serve as executive officers of the Company and its subsidiaries as of December 31, 2012. Our executive officers, their age, positions, the dates of their initial election or appointment as executive officers, are as follows:

| NAME | AGE | POSITION |
|-----------------|-----|---------------------------------------|
| Edy Francis | 36 | Chief Financial Officer |
| Zeev Koltovskoy | 37 | Chief Accounting Officer |
| Curt L. Warnock | 58 | Legal Counsel and Corporate Secretary |

Edy Francis was appointed Chief Financial Officer on August 2, 2007. From December 2003 through August 2007, Mr. Francis was affiliated with the Tel Aviv based office of Brightman Almagor & Co., Certified Public Accountants and a member firm of Deloitte Touche Tohmatsu where his areas of practice included auditing publicly traded companies, auditing internal controls and preparing tax assessments.

Zeev Koltovskoy was appointed Chief Accounting Officer in December 2012 after serving as the Company's Director of Finance. Prior to joining the Company, Mr. Koltovskoy served as Director of Finance for Israel Oil Company Ltd., an Israeli based affiliate. Prior to this, Mr. Koltovskoy worked for Allot Communications Ltd. and Deloitte Brightman & Company, certified public accountants and a member firm of Deloitte Touche Tohmatsu.

Curt L. Warnock is Legal Counsel and Secretary and joined the company in October, 2011. From May 2009 to September 2011 he was a partner in the law firm of Warnock & Caskey, Houston, Texas. From June 2001 to May 2009 he served as Senior Vice President and General Counsel for Integrated Electrical Services, Inc. an integrated communications and electrical contracting company. From 1986 until 2001 he served as Senior Counsel for Burlington Resources Oil & Gas Company, a large oil and gas company. Prior to that he was Senior Counsel for Pogo Producing Company from 1981-1986, another oil and gas exploration and production company. Prior to that he practiced law with the lawfirm of Culpepper and Conway in Houston, Texas. Mr. Warnock resigned in 2013.

INFORMATION ABOUT THE BOARD OF DIRECTORS

INDEPENDENCE AND MEETINGS

During the fiscal year ended December 31, 2012, the Board met or acted by unanimous written consent on four occasions. During the fiscal year ended December 31, 2012, each Board member attended 75% or more of the aggregate of the meetings of the Board and of the committees on which he served, held during the period for which he was a director or committee member, respectively.

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The Board does not have a formal policy with respect to Board members attendance at annual stockholder meetings, though it encourages directors to attend such meetings. None of the directors attended the 2012 annual meeting of shareholders.

The Board of Directors reviewed the independence of each of the Company's directors on the basis of the standards adopted by NASDAQ. During this review, the Board considered transactions and relationships between the Company, on the one hand, and each director, members of his or her immediate family, and other entities with which he or she is affiliated, on the other hand. The purpose of this review was to determine which of such transactions or relationships were inconsistent with a determination that the director is independent under the NASDAQ rules. As a result of this review, the Board of Directors affirmatively determined that each of the Company's directors, other than Haim Tsuff and Josef From are, and "independent directors" within the meaning of the NASDAQ rules.

BOARD LEADERSHIP STRUCTURE

Mr. Tsuff has served as Chief Executive Officer and Chairman since 1996. The Board of Directors believes that its current leadership structure, in which the positions of Chairman and Chief Executive Officer are held by Mr. Tsuff, is appropriate at this time and provides the most efficient and effective leadership for Isramco. Combining the chairman and chief executive officer roles fosters clear accountability, effective decision-making and alignment on corporate strategy. We believe that any risks inherent in that structure are balanced by the oversight of our Board of Directors, a majority of who are independent. Given Mr. Tsuff's past performance in the roles of Chairman of the Board and Chief Executive Officer, at this time the Board believes that combining the positions continues to be the appropriate leadership structure for our Company and does not impair our ability to continue to practice good corporate governance. The Board does have a lead independent director, Max Pridgeon. The Board of Directors believes that Mr. Tsuff's significant holdings in the Company is sufficient motivation to minimize excessive risk taking and aligns his interest in the best interest of the stockholders. The structure of Board also serves as oversight to all activities of the company. The Conflict Committee was specifically created to review all related company transactions. The Audit Committee reviews all claims and litigation each quarter as part of their quarterly review of financials.

Our Board recognizes that no single leadership model is right for all companies and at all times and that, depending on the circumstances, other leadership models, such as a separate independent chairperson of the board, might be appropriate and the Board reviews company and board structure annually.

GOVERNANCE, BOARD OF DIRECTORS AND BOARD COMMITTEE CHANGES

The Board of Directors has established five standing committees: the Audit Committee; the Compensation Committee; the Conflict Committee; the Nominating and Corporate Governance Committee; and the Independent Directors Committee.

BOARD OF DIRECTORS

The Board of Directors established guidelines requiring a majority of directors to be independent, as determined in accordance with the bylaws of the Company and applicable rules of the NASDAQ exchange. Under such standards, four of the six directors have been determined to be independent directors. Directors have also certified their belief that they meet such independence standards and that they will annually attend at least one Board meeting in person unless specifically excused by the Chairman of the Board. Directors may only serve on a maximum of two other boards subject to SEC reporting. Directors have participated in an initial orientation and continuing education thereafter.

THE LEAD INDEPENDENT DIRECTOR

In 2012 the Board of Directors first elected a “Lead Independent Director” as such term is defined in the Company’s bylaws and Nominating and Corporate Governance Committee Charter. In 2012, Max Pridgeon was elected to this position. The Lead Independent Director chairs the executive sessions of the Board and is the principle liaison between the independent directors and Chief Executive Officer. The Lead Independent Director also is responsible for or required to participate in timing and agenda for Board and Committee meetings, requesting for and providing information to the independent directors, receive reports from the Nominating and Governance Committee and evaluation, along with the Compensation Committee and the Board the performance of the Chief Executive Officer. The Lead Independent Director also serves as Chair of the newly formed Independent Director Committee.

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AUDIT COMMITTEE

The members of the Audit Committee are Max Pridgeon, Frans Sluiter and Asaf Yarkoni. The Board of Directors has determined that Mr. Pridgeon, Mr. Sluiter and Mr. Yarkoni met the independence criteria set out in Rule 5605(a)(2) of the NASDAQ Marketplace Rules. The Board determined that Mr. Yarkoni, the committee “financial expert” as defined by the rules of would qualify as an independent director and an audit committee financial expert if elected. The Audit Committee met five times in 2012.

THE NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The current members of the Nominating and Corporate Governance Committee are Max Pridgeon, Asaf Yarkoni and Haim Tsuff. The Nominating and Corporate Governance Committee met twice in 2012. By reason of Mr. Tsuff’s service on the Nominating Committee all of the members of the Nominating Committee were not independent directors within the meaning of the NASDAQ Rules. Rule 5615 of the NASDAQ rules allows a “Controlled Company” to have a nominating committee that does not consist solely of independent directors. The Company believes that it was a “Controlled Company” in 2012 and continues to be a “Controlled Company” within the meaning of the NASDAQ rules. This is because at all times during 2012, through the date of this Amendment, a majority of its shares are controlled by Haim Tsuff. The Company maintains a Nominating Committee that does not consist solely of independent directors in reliance upon Rule 5615.

The Nominating Committee considers many factors when evaluating candidates for the nomination to the Board of Directors, with the goal of fostering a Board of Directors comprised of directors with a variety of experience and backgrounds. Important factors considered as part of the Nominating Committee's evaluation include (without limitation) (i) roles and contributions valuable to the business community, (ii) personal qualities of leadership, character and judgment, and whether the candidate possesses and maintains throughout service on the Board a reputation in the community at large of integrity, trust, respect, competence and adherence to high ethical standards, (iii) relevant knowledge and diversity of Board members’ background and experience (iv) whether the candidate has the time required for preparation, participation and attendance at meetings, and (v) requirements relating to Board and Board committee composition under applicable law and NASDAQ listing standards. Depending upon the Company's then-current needs, certain factors may be weighed more or less heavily. In considering candidates for the Board of Directors, the Nominating Committee will consider the entirety of each candidate's credentials and does not have any specific minimum qualifications that must be met. However, the Nominating Committee does believe that all members of the Board of Directors should have the highest character and integrity and sufficient time to devote to Company matters.

In addition to considering candidates proposed by officers or other directors of the Company as candidates for nomination as a director, the Nominating Committee considers persons recommended by Stockholders. In evaluating candidates proposed by Stockholders the Nominating Committee uses the same selection criteria as it uses to evaluate other potential nominees. Recommendations should be submitted to the Secretary of the Company. Each recommendation should include a personal biography of the suggested candidate, an indication of the background or experience that qualifies such person for consideration, and a statement that such person has agreed to serve if nominated and elected. Stockholders who wish to nominate a person for election to the Board of Directors themselves, rather than recommending a candidate to the Nominating Committee for potential nomination by the Board of Directors, must comply with applicable law.

While the Nominating Committee does not have a formal policy with respect to diversity, the Board and the Committee believe that it is essential that Board members represent diverse business backgrounds and experience. A background in or experience with the oil & gas industry is desirable, but not a precondition to nomination. In considering candidates for the Board, the Nominating Committee considers the entirety of each candidate’s credentials

in the context of these standards. We believe that the backgrounds and qualifications of our directors, considered as a group, should and do provide a composite mix of experience, knowledge and abilities that will allow the Board of Directors to fulfill its responsibilities.

In addition the Nominating and Governance Committee reviews the advisability of a director's continued service on the Board when the director's principal occupation or business association changes, or when circumstances arise which may raise questions about the director's continuing qualifications in relation to the Board membership criteria referred to above. In addition, the Committee will:

Review the resignation of any director.

Review the Board's committee structure and recommend to the Board the appointment of committee members and chairs.

Define and articulate the Corporation's overall corporate governance structures, including the development and recommendation to the Board of Directors of the Isramco Corporate Governance Guidelines.

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Review Guidelines periodically, recommending changes as necessary to reflect sound governance practices.

Review the Corporation's position and practices on significant issues of corporate public responsibility such as protection of the environment, and philanthropic contributions.

CONFLICT COMMITTEE

The Conflict Committee consists of Asaf Yarkoni and Frans Sluiter, two independent directors. Although the Conflict Committee does not have a written charter, before any transaction between the Company and any officer or director or between the Company and any entity controlled by an officer or director, it must be submitted for approval by the Conflict Committee. The Conflict Committee, except as may be otherwise specified by the Board of Directors by unanimous written consent, all the power and authority of the Board of Directors in connection with approving and authorizing proposed transactions between the Company and any officer or director or entity controlled by any officer or director. In that role the Conflict Committee has reviewed and approved sales of affiliated company stock all affiliated company financing. The Conflict Committee met or acted by unanimous consent four times in 2012.

COMPENSATION COMMITTEE

The Compensation Committee consists of Max Pridgeon, Itai Ram and Joseph From and is responsible for reviewing the compensation arrangements in effect for the Company's executive officers. The Compensation Committee consists of Max Pridgeon, Itai Ram and Joseph From and is responsible for reviewing the compensation arrangements in effect for the Company's executive officers. The Compensation Committee met twice in 2012.

By reason of Joseph From service on the Compensation Committee, all of the members of the Compensation Committee are not independent directors within the meaning of the NASDAQ rules. Rule 5615 of the NASDAQ rules allows a "Controlled Company" to have a compensation committee that does not consist solely of independent directors. The Company believes that it was a "Controlled Company" in 2012 and continues to be a "Controlled Company" within the meaning of the NASDAQ rules. This is because at all times during 2010 through the date of this filing, a majority of its shares are controlled by Haim Tsuff. The Company maintains a Compensation Committee that does not consist solely of independent directors in reliance upon Rule 5615.

The Compensation Committee sets compensation policy and administers the Company's compensation programs for the purpose of attracting and retaining skilled executives who will promote the Company's business goals and build stockholder value. The Committee is also responsible for reviewing and making recommendations to the Board regarding all forms of compensation to be provided to the Company's named executive officers, including stock compensation and bonuses.

The Compensation Committee reviews and recommends to the Board for approval compensation arrangements for our executive officers, key employees and non-employee directors. The Compensation Committee recommends all incentive compensation awards, which are then subject to board review and approval. The Chief Executive Officer recommends to the Compensation Committee the goals, objectives and compensation for all executive officers and key employees, except himself, and responds to requests for information from the Compensation Committee. Our Chief Executive Officer has no role in approving his own compensation. The Compensation Committee periodically reviews and recommends the compensation of non-executive directors. The Compensation Committee does not delegate its authority and has the sole responsibility of retaining outside counsel or other consultants for the purpose of executing its mandate.

THE INDEPENDENT DIRECTOR COMMITTEE

The current members of the Independent Directors Committee are Max Pridgeon, Asaf Yarkoni, Frans Sluiter and Itai Ram. The Independent Director Committee met four times in 2012. The purpose of the Independent Director Committee is to serve as a disinterested body of the Board exercising oversight and independent judgment to recommend to the Board those measures the Committee reasonably believes to be in the long-term best interests of the Company with a view to protect the interests of both the Company and its shareholders with due regard to the interests of the minority shareholders of the Company. The Committee approved a written charter, which has been submitted to the full Board for approval.

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TRADING COMPLIANCE CONTROL COMMITTEE

The Board of Directors has a committee consisting of Edy F. Francis and Anthony James, both non-directors, as responsible for ensuring compliance with the Company's stock trading and market communication policy. This is not a committee of the board but a monitoring and reporting function to the Board.

CODE OF BUSINESS ETHICS AND CONDUCT

The Company has adopted a Code of Business Ethics and Conduct (the "Code of Conduct") that applies to all of its employees. A copy of the Code of Conduct was filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2005. If the Company makes any substantive amendment to the Code of Conduct or grants any waiver from a provision of the Code of Conduct to any executive officer or director, the Company will promptly disclose the nature of the amendment or waiver.

STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Although the Company does not have formal procedures for Stockholder communication with the Board of Directors, Stockholders of the Company are encouraged to communicate directly with the members of the Board. Persons interested in communicating their concerns or issues to the independent directors may address correspondence to a particular director, or to the independent directors generally in care of the President, Chief Executive Officer and Chairman of the Board, Mr. Haim Tsuff. If no particular director is named, letters will be forwarded, depending on the subject matter, to the Chairman of the Audit Committee. Company personnel will not screen or edit such communications and will forward them directly to the intended member of the Board.

BOARD'S ROLE IN RISK OVERSIGHT

Management is responsible for the day-to-day management of risks the Company faces, while the Board of Directors, as a whole and through its committees, has the ultimate responsibility for the oversight of risk management. Senior officers attend meetings of the Board of Directors, provide presentations on operations, and are available to address any questions or concerns raised by the Board of Directors, its committees, or any individual director. Additionally, our Board committees are charged with assisting the Board of Directors in fulfilling its oversight responsibilities in certain areas of risk. The Audit Committee coordinates the Board of Directors' oversight of the Company's internal control over financial reporting, disclosure controls and procedures and code of conduct. Management regularly reports to the Audit Committee on these areas.

Item 11. Executive Compensation

Summary Compensation

The following table sets forth information for the fiscal years ended December 31, 2010, December 31, 2011, and December 31, 2012 and concerning compensation of the Named Executive Officers:

Summary Compensation Table

| Name and Principal Position | Year | Salary | Cash Bonus | Stock Awards | All Other Compensation | Total |
|--|------|------------|------------|--------------|------------------------|------------|
| Haim Tsuff Chairman, Chief Executive Officer, | 2012 | \$ 360,000 | \$ 0 | \$ 0 | \$ 0 | \$ 360,000 |

President