

US ENERGY CORP
Form DEFR14A
July 31, 2018

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. 1)

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

(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)(1) and 0-11.

Edgar Filing: US ENERGY CORP - Form DEFR14A

- 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:

U.S. ENERGY CORP.

950 S. Cherry Street, Suite 1515

Denver, Colorado 80246

Notice of Annual Meeting of Shareholders

July 24, 2018

Dear Shareholders:

We are pleased to provide you with notice of our 2018 Annual Meeting of Shareholders, and we invite you to attend the meeting in person, if possible. The timing, location and summary of each of the proposals to be voted upon are as follows:

Date: Tuesday, September 11, 2018 Time: 8:30 AM MDT

Place: 950 S. Cherry Street, Suite 1515, Denver, Colorado
80246

- To elect the nominee for director identified in the accompanying proxy statement (John G. Hoffman) to
- Purposes:
1. serve until the third succeeding annual meeting of shareholders (to be held in 2021) and until his successor has been duly elected or appointed and qualified;
 2. To ratify the appointment of EKS&H LLLP as our independent auditor for fiscal year 2018;
 3. To approve, on an advisory basis, the 2017 compensation of the Company's named executive officers;
To approve amendments to the U.S Energy Corp. Amended and Restated 2012 Equity and Performance Incentive Plan that increases the number of shares issuable under the plan, adds contractors of the
 4. Company as Eligible Individuals, as that term is defined in the plan, and increases the limitation on grants to an Eligible Individual;
 - 5.

Edgar Filing: US ENERGY CORP - Form DEFR14A

To approve such other business as may arise that can properly be conducted at the Annual Meeting, or any adjournment or postponement thereof in accordance with the Bylaws of the Company.

The formal proxy statement that follows this letter provides extensive background information about each of the proposals, along with the recommendations of our Board of Directors to vote in favor of each of the proposals.

Only shareholders of record at the close of business on July 13, 2018 are entitled to receive notice of and to vote at the Annual Meeting. A copy of our Annual Report for the fiscal year ended December 31, 2017 is available at www.usnrg.com. Please read this information carefully before voting your proxy.

The Securities and Exchange Commission (“SEC”) allows companies to furnish proxy materials over the Internet, which reduces environmental impact as well as printing and mailing costs. Unless otherwise requested by the shareholder, we are mailing to each shareholder a Notice of Internet Availability of Proxy Materials (the “Notice of Availability”) instead of mailing paper copies of the proxy materials. The Notice of Availability contains instructions on how to access the proxy materials on the Internet, and also on how to request a paper copy of the proxy materials. All shareholders who do not receive a Notice of Availability will receive a paper copy of the proxy materials by mail.

Whether or not you plan to attend the meeting, please take the time to vote:

- Ø Via the internet – Go to the website shown on your proxy card or the Notice of Availability;
- Ø Via telephone – Call the toll free number shown on the Notice of Availability; or
- Ø Via mail – Complete, sign and date your proxy card and mail it in the postage paid envelope.

If you were a shareholder of record of the Company at the close of business on July 13, 2018, you may attend and vote at the meeting. The names of shareholders of record entitled to vote at the meeting will be available for review at the meeting and during regular business hours at our headquarters in Denver, Colorado.

If you wish to attend the meeting and vote in person, but you hold your shares through a broker or other nominee (i.e., your shares are held in “street name”), contact your broker or nominee promptly to obtain a “legal proxy” which you must bring to the meeting in order to vote in person at the meeting. Thank you for your support for the recommendations of our Board of Directors.

By Order of the Board of Directors

/s/ David A. Veltri
Chairman and Chief Executive Officer

**IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY
OF PROXY MATERIALS FOR THE ANNUAL MEETING OF
SHAREHOLDERS TO BE HELD ON SEPTEMBER 11, 2018**

This Notice of Annual Meeting of Shareholders, the accompanying Proxy Statement and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 are available on our website www.usnrg.com and at www.proxyvote.com.

TABLE OF CONTENTS

	Page
<u>GENERAL</u>	1
<u>Who Can Vote</u>	1
<u>Quorum and Voting Rights</u>	1
<u>Votes Needed</u>	1
<u>How Your Proxy Will Be Voted; Recommendation of the Board</u>	1
<u>Granting Your Proxy</u>	2
<u>Revoking Your Proxy</u>	2
<u>Proxy Solicitation</u>	2
<u>Requirement and Deadlines for Shareholders to Submit Proxy Proposals</u>	2
<u>Copies of Our 10-K</u>	2
<u>CORPORATE GOVERNANCE</u>	2
<u>Board of Directors, Audit, Compensation and Nominating Committees</u>	2
<u>Board and Committee Independence</u>	2
<u>Board Leadership</u>	2
<u>Meetings of the Board</u>	3
<u>Attendance at Annual Meetings by Directors</u>	3
<u>Communications from Shareholders to the Board</u>	3
<u>Audit Committee</u>	3
<u>Compensation Committee</u>	3
<u>Nominating Committee</u>	3
<u>Executive Committee</u>	4
<u>Hedging Committee</u>	4
<u>Risk Oversight</u>	4
<u>Compensation Risk Assessment</u>	4
<u>Shareholder Recommendations</u>	3
<u>Principal Holders of Voting Securities and Ownership by Officers and Directors</u>	4
<u>PROPOSAL 1: ELECTION OF DIRECTORS</u>	6
<u>Directors</u>	6
<u>Executive Officers</u>	6
<u>Business Experience of Directors and Officers</u>	6
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	7
<u>Board Recommendation</u>	7
<u>PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS</u>	8
<u>Principal Accounting Fees and Services</u>	8
<u>Relationship with Independent Accountants</u>	8
<u>Board Recommendation</u>	8
<u>PROPOSAL 3: ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	9
<u>Executive Compensation</u>	10
<u>Summary Compensation Table</u>	10

<u>Outstanding Equity Awards</u>	10
<u>Non-Employee Director Compensation</u>	12
<u>Equity Compensation Plan Information</u>	12
Executive Retirement Plan	
<u>Certain Relationships and Related Transactions</u>	13
<u>Family Employment</u>	13
<u>Related Person Transaction Policy</u>	13
<u>Implementation of the Policy</u>	13
<u>Related Party Transactions</u>	13
Board Recommendations	
<u>PROPOSAL 4: APPROVAL OF AMENDMENTS TO U.S. ENERGY CORP 2012 AMENDED AND RESTATED EQUITY PERFORMANCE AND INCENTIVE PLAN</u>	14
<u>Background and Purpose</u>	14
Description of the Amendments	
Federal Income Tax Matters	
<u>Interest of Certain Persons in Matters to Be Acted Upon</u>	15
<u>Required Vote and Recommendation</u>	15
<u>Board Recommendation</u>	15
<u>PROPOSAL 5: ADJOURNMENT PROPOSAL</u>	16
<u>Board Recommendation</u>	16
<u>REPORT OF AUDIT COMMITTEE</u>	17
<u>APPENDIX A- AMENDED AND RESTATED 2012 EQUITY AND PERFORMANCE INCENTIVE PLAN, AS AMENDED</u>	A-1

U.S. ENERGY CORP.

950 S. Cherry Street, Suite 1515

Denver, Colorado 80246

PROXY STATEMENT

FOR 2018 ANNUAL MEETING OF SHAREHOLDERS ON MONDAY, SEPTEMBER 11, 2018

This proxy statement (“Proxy Statement”) is provided in connection with a solicitation of proxies by the Board of Directors (the “Board”) of U.S. Energy Corp. (“U.S. Energy”, the “Company”, “we”, “our”, or “us”) for the annual meeting of shareholders to be held on Monday, September 11, 2018, at 8:30 am MDT at the corporate offices of U.S. Energy, 950 S. Cherry Street, Suite 1515, Denver, Colorado 80246 (the “Annual Meeting”), and at any adjournments of the meeting. On or about August 1, 2018, we began mailing the Notice of Internet Availability, and thereafter began mailing a full set of proxy materials to shareholders who request delivery of the materials in paper form.

GENERAL

Who Can Vote

Only holders of our common stock at the close of business on the record date of July 13, 2018 are entitled to receive notice of and to vote at the Annual Meeting. As of July 13, 2018, there were 13,109,035 shares of our common stock issued and outstanding.

You may hold your shares “of record” or in “street name.” The difference between shareholders of record and street name holders is:

Shareholder of Record. If your shares are registered directly in your own name with our transfer agent, Computer share Trust Company, Inc., you are considered to be the holder of record of those shares and you may vote directly via internet, by telephone, by mail or in person.

Street Name Shareholder. If your shares are held in a stock brokerage account or by a broker or other nominee, you are considered the “street name” holder, and the beneficial owner, of those shares and you have the right to direct your broker or nominee how to vote. However, since you are not the shareholder of record, you may not vote those shares in person at the Annual Meeting unless you obtain a “legal proxy,” which you must bring to the meeting in order to vote in person at the meeting.

Quorum and Voting Rights

A quorum for the meeting will exist if a majority of the voting power of the shareholders is present at the meeting, in person or represented by properly executed proxies delivered to us prior to the meeting. Shares of common stock present at the meeting that abstain/withhold from voting, or that are the subject of “broker non-votes,” will be counted as present for determining a quorum.

New York Stock Exchange (“NYSE”) Rule 452 governs discretionary voting by brokers of shares held in street name when beneficial owners have not instructed how such shares should be voted. Because the rule governs all brokers who are members of the NYSE, it affects all public companies that have shares held in street name, not just companies listed on the NYSE. Under the rule, such brokers have discretionary authority to vote street name shares on “routine” items such as the ratification of the Company’s appointment of auditors, but not on other matters, including the election of directors. Of the matters to be presented at the Annual Meeting, Proposal 2 (ratification of auditors) will be considered a routine matter for purposes of the rule. Accordingly, if your broker does not receive instructions from you, your broker will not be able to vote your shares on any of the other matters, and a “broker non-vote” will occur with respect to those matters.

You are entitled to one vote for each share of U.S. Energy common stock you hold, except that in the election of directors you may cumulate your votes. Cumulative voting generally allows each holder of shares of common stock to multiply the number of shares owned by the number of directors nominated for election, and to distribute the resulting number of votes among nominees in any proportion that the holder chooses.

Votes Needed

On Proposal 1, Election of Directors, nominees in a number equal to the seats to be filled on the Board who receive a plurality of votes cast will be elected as directors. If you withhold your shares from voting, your shares will not be counted for any director. Withheld votes and broker non-votes will have no effect on the election of directors.

Each of the other proposals, and any other matter which properly comes before the meeting in accordance with the Bylaws of the Company, will be approved or ratified, as the case may be, if the number of votes cast in favor of the proposal exceeds the number of votes cast against the proposal. Abstentions and broker non-votes are not considered votes cast and they will have no effect on such proposals.

How Your Proxy Will Be Voted; Recommendation of the Board

The Board is soliciting a proxy to provide you with the opportunity to vote on all matters scheduled to come before the meeting (as stated in the Notice of Annual Meeting which accompanies this Proxy Statement), whether or not you attend in person.

The Board recommends you vote as follows on the five proposals stated in the Proxy Statement:

For Proposal 1 – election of the nominee for director, John G. Hoffman, to serve until the third succeeding annual meeting of shareholders (to be held in 2021) and until his successor has been duly elected or appointed and qualified;

For Proposal 2 – the ratification of appointment of EKS&H LLLP as the independent auditor of the Company for fiscal year 2018;

For Proposal 3 – to approve, on an advisory basis, the 2017 compensation of the Company’s Named Executive Officers;

For Proposal 4 – to approve amendments to the U.S. Energy Corp. Amended and Restated 2012 Equity Incentive Plan; and

For Proposal 5 – to approve such other business as may arise that can properly be conducted at the Annual Meeting, or any adjournment or postponement thereof in accordance with the Bylaws of the Company.

Granting Your Proxy

Your shares will be voted as you specify if you properly complete and return the appropriate form of proxy. If you make no specifications, your proxy will be voted in favor of each proposal listed above.

We do not expect any matters to be presented for action at the meeting other than the matters stated in the Notice of Annual Meeting accompanying this Proxy Statement. However, as permitted by SEC Rule 14a-4(c), the proxy will confer discretionary authority with respect to any other matter that may properly come before the meeting. The persons named as proxies intend to vote in accordance with their judgment on any such matters.

Revoking Your Proxy

If you are a shareholder of record and submit a proxy, you may revoke it later or submit a revised proxy at any time before it is voted. You also may attend the meeting in person and vote by ballot, which would cancel any proxy you previously submitted. If you are a street name shareholder and you vote by proxy, you may change your vote prior to the meeting by submitting new voting instructions to your broker or other nominee in accordance with that entity's procedures.

Proxy Solicitation

We will pay all expenses of our solicitation of proxies for the Annual Meeting. In addition to solicitations by mail, arrangements have been made for brokers and other nominees to send proxy materials to beneficial owners, and we will reimburse those brokers and other nominees for their reasonable expenses. We have not hired a solicitation firm for the meeting. Our employees and directors will solicit proxies by telephone or other means, if necessary; they will not receive additional compensation for these services.

Requirement and Deadlines for Shareholders to Submit Proposals

Under SEC Rule 14a-8, if a shareholder wants us to include a proposal under that rule to be included in our proxy statement and presented at the annual meeting of shareholders to be held in July 2019, information about the proposal must have been received by us in writing at least 120 calendar days in advance of the first anniversary of the delivery

of these proxy materials, or 120 days prior to August 1, 2019, at U.S. Energy Corp., 950 S. Cherry Street, Suite 1515, Denver, Colorado 80246; Attention: David A. Veltri, Chairman and Chief Executive Officer. For a shareholder proposal to be considered at our next annual meeting that will not be included in our proxy statement for that meeting (including director nominations), written notice of the proposal must be delivered to the Company's Secretary, in accordance with the Company's Bylaws, at least 90 calendar days before the date of such meeting.

Copies of Our Form 10-K

Promptly upon receiving a request from any shareholder, we will send to the shareholder without charge a copy of our Annual Report on Form 10-K for the year ended December 31, 2017, with exhibits, as filed with the SEC. Please address your request to Ryan Smith, Chief Financial Officer, at U.S. Energy Corp., 950 S. Cherry Street, Suite 1515, Denver, Colorado 80246.

Appraisal Rights

No action is proposed at the Annual Meeting for which the laws of the State of Wyoming or our charter documents provide a right of our shareholders to dissent and obtain appraisal of or payment for such shareholders' common stock.

CORPORATE GOVERNANCE

Board of Directors, Audit, Compensation and Nominating Committees

We are committed to sound corporate governance principles. As evidence of this commitment, the Board has adopted charters for its committees and a Code of Ethics. These documents, along with the Company's Restated Articles of Incorporation and Bylaws, provide the framework for our corporate governance. The charters of the Audit Committee, the Compensation Committee, and the Nominating Committee may be viewed at our web site (www.usnrg.com), at the tab "Investors," then go to "Governance." The Code of Ethics also may be viewed at that location. If these documents are amended (or if the Code of Ethics is waived in a manner requiring disclosure under SEC rules), the amendments (and the occurrence of the waiver of the Code of Ethics) will be disclosed on the website as required by the SEC. Copies of each of these documents are available without charge to any person who requests them, by sending a request to U.S. Energy Corp., Attn: Ryan Smith, Chief Financial Officer, 950 S. Cherry Street, Suite 1515, Denver, Colorado 80246.

Board and Committee Independence

The Board is comprised of a majority of independent directors. Specifically, the Board has determined J. Weldon Chitwood, John G. Hoffman, and Javier F. Pico are independent under applicable NASDAQ rules. In addition, the Audit Committee, the Compensation Committee, and the Nominating Committee are each comprised solely of independent directors as required under the applicable requirements of NASDAQ and the SEC.

Board Leadership

Pursuant to the Company's Bylaws the Chief Executive Officer shall also serve as the Chairman of the Board of Directors. David A. Veltri, as Chief Executive Officer and Chairman of the Board of Directors, sets the agenda for and presides over Board meetings.

The Company does not have a lead independent director. The Board believes that the combined role of Chairman and Chief Executive Officer is currently in the best interest of U.S. Energy shareholders due to the more cost-efficient nature which benefits the Company as it seeks potential growth opportunities.

Meetings of the Board

The Board consists of four members and they have primary responsibility for directing management of the business. During 2017, the Board held six formal meetings, which were attended by all of the directors serving on the Board in person or by telephone.

Attendance at Annual Meetings by Directors

Directors are encouraged, but not required, to attend annual meetings. At the Company's last annual meeting held on July 17, 2017, one director was in attendance.

Communications from Shareholders to the Board

The independent directors have established a process for collecting and organizing communications from shareholders. Shareholders may send communications to the Board by addressing their communications to Ryan Smith, Chief Financial Officer, at 950 S. Cherry Street, Suite 1515, Denver, Colorado 80246. Pursuant to this process, Mr. Veltri, the Chief Executive Officer then reviews the communications and determines which of the communications address matters of substance that should be considered by all directors, and sends those communications to all the directors for their consideration.

Audit Committee

To provide effective direction and review of fiscal matters, the Board has established an Audit Committee. The Audit Committee has the responsibility of reviewing our financial statements, exercising general oversight of the integrity and reliability of our accounting and financial reporting practices, and monitoring the effectiveness of our internal control systems. The Audit Committee also retains our independent outside audit firm and recommends selection of the internal audit firm. It also exercises general oversight of the activities of our independent auditors, principal

financial officer, principal accounting officer, accounting employees and related matters. The Chairman of the Audit Committee is Javier F. Pico. The Board has determined that Mr. Pico is an audit committee financial expert as defined in Item 407(d) of SEC Regulation S-K. Other members of the Audit Committee are J. Weldon Chitwood and John G. Hoffman. All members of the Audit Committee are independent directors under applicable NASDAQ and SEC rules.

The Audit Committee met four times in 2017. All Committee members attended each meeting in person or by telephone. The Committee reviewed our financial statements for each quarter in 2017 and the year as a whole and discussed the financial statements with management and our independent audit firm. Based on the foregoing, the Committee recommended to the Board at the Audit Committee meeting held on March 23, 2018 that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2017. During the year ended December 31, 2017, the Audit Committee Chairman also met independently of management with the firm that performs internal control testing for the Company pursuant to Section 404 of the Sarbanes-Oxley Act. The Committee also reviews and reassesses the adequacy of the Audit Committee Charter on an annual basis.

Compensation Committee

The Company has a Compensation Committee, the members of which are John G. Hoffman (Chairman), J. Weldon Chitwood, and Javier F. Pico. These members are independent under applicable criteria established by NASDAQ. This Committee met formally on four occasions in 2017, and discussed compensation matters informally several times during the year. All Compensation Committee members attended all meetings of the Committee during 2017 either in person or by telephone.

The Compensation Committee reviews and recommends to the Board compensation packages for the officers of the Company. The Compensation Committee may delegate to a subcommittee or to the Chief Executive Officer or other officer of the Company such of its duties and responsibilities as the Committee deems to be in the best interests of the Company, provided such delegation is not prohibited by law or NASDAQ rule.

Nominating Committee

The Company has a Nominating Committee, the members of which are J. Weldon Chitwood (Chairman), John G. Hoffman and Javier F. Pico. These members are independent directors under NASDAQ rules. The Nominating Committee is responsible for identifying and recommending to the Board nominees for election to the Board. This process involves consulting with the Company's CEO to identify qualified candidates with expertise in one of the business areas of the Company, including financial, oil and gas, and investment banking expertise. Once identified, the Nominating Committee reviews the qualifications (including capability, availability to serve, conflicts of interest, and other relevant factors) of any identified potential director candidate and where necessary assists in interviewing such candidate. It recommends to the Board appropriate nominees to election to be included in the Company's proxy statement for the annual shareholders meeting. The Nominating Committee met once during 2017 with all members attending either in person or by telephone.

Shareholder Recommendations

The Nominating Committee (which is comprised solely of independent directors) considers and recommends to the Board individuals who may be suitable to be nominated to serve as directors. All director candidates recommended by a shareholder, or a director or officer, will be evaluated by the Nominating Committee in good faith. The Nominating Committee considers diversity in identifying nominees for director, but has not adopted a formal written diversity policy. The charter of the Nominating Committee sets forth a procedure for shareholders to follow in recommending director candidates to the Committee. Pursuant to the charter, a nominating shareholder should provide a written request that the Committee consider a particular candidate at least 150 days prior to the meeting at which the candidate would be elected. The request must include specified information about the candidate, including a discussion of his or her background and experience, and related matters, and the candidate must have certain attributes and experience, in each case as described in the charter.