

GOLD RESOURCE CORP
Form DEF 14A
April 30, 2018
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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

Filed by the Registrant	Filed by a Party other than the Registrant
Check the appropriate box:	
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Gold Resource Corporation

(NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

(NAME OF PERSON(S) FILING PROXY STATEMENT, IF OTHER THAN THE REGISTRANT)

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(3) Filing Party:

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Notice of 2018
Annual
Meeting
of Shareholders
April 30, 2018

Dear
Shareholders,

You are invited
to attend Gold
Resource
Corporation's
2018 Annual
Meeting of
Shareholders. At
the meeting,
shareholders will
vote:

To elect four
(4) directors to
serve until the
next annual
meeting of
shareholders;

To hold an
advisory vote to
approve
executive
compensation;
and

To ratify
EKS&H LLLP
as the
independent
auditor selected
for the fiscal year
ending
December 31,
2018.

Shareholders
also will transact
such other

Meeting Information

DATE: June 22, 2018
TIME: 8:00 a.m. Mountain Time
LOCATION: Embassy Suites Hotel
10250 E. Costilla Avenue
Centennial, CO 80112

How You Can Vote

You are entitled to notice of and to vote at the meeting, or at any adjournments or postponements thereof, if you were a holder of record as of the close of business on April 17, 2018. We utilize the "Notice and Access" model permitted by the U.S. Securities and Exchange Commission for distributing our annual meeting materials electronically to certain of our shareholders. Some shareholders may also automatically receive our annual meeting materials in paper form. You may elect to receive your materials in either format. Please see "How We Use the E-Proxy Process (Notice & Access)" on page 24 for more information.

To make sure that your shares are represented at the meeting, please cast your vote by one of the following methods:

Online Log on to www.proxyvote.com and enter the control number provided on your notice card or proxy card
Telephone Dial 1-800-690-6903 using a touch-tone telephone and following the menu instructions
Mail Complete and sign a paper proxy card or instruction form and mail it in the postage-paid envelope
Attend the meeting (see page 27 for more information)

In Person

business as may properly come before the meeting. These items of business are more fully described in the proxy statement accompanying this notice. Please read it carefully.

YOUR VOTE IS IMPORTANT.

You are urged to submit your proxy so that your shares can be voted at the meeting in accordance with your instructions. If you plan to attend and vote at the meeting, please see “Attending the Meeting” on page 27 for information on how to attend and cast your vote at the meeting.

Cordially,

Jessica M.
Browne,
Secretary

How You Can Access Proxy Materials Online

Important Notice Regarding the Availability of Proxy Materials for the 2018 Annual Meeting:

The Proxy Statement and Annual Report to Shareholders for the year ended December 31, 2017 of Gold Resource Corporation are available on the internet at <http://www.proxyvote.com>

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Proxy Summary

This summary highlights information contained elsewhere in the proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before casting your vote.

Meeting Agenda Governance Highlights Since 2017

Election of 4 Directors (page 2) Corporate Governance Review

Your Board recommends a vote for each nominee. After the 2017 Annual Meeting, the Board of Directors undertook an extensive review of various parts of the governance structure for the Company. This review led the Board to implement changes in many areas including executive compensation, enhanced risk management and formalization of other processes and policies.

Each nominee is a continuing member of the Board of Directors.

Advisory proposal on executive compensation (page 10) Changes in Compensation Program

Your Board recommends a vote for the advisory proposal to approve the Company's executive compensation program (known as a "say-on-pay" proposal). In response to the shareholder feedback from the 2017 Annual Meeting, the Company changed its frequency for holding the shareholder advisory proposal to approve executive compensation to annually.

The Company revised its employment arrangements with its executive officers and implemented a short-term incentive compensation plan that ties a portion of bonus pay to performance metrics.

Ratify Independent Auditors (page 21) Adoption of New Policies

Your Board recommends a vote to ratify EKS&H LLLP as the independent auditors appointed for 2018. The Company formalized several new corporate policies, including an executive compensation clawback policy, a board diversity policy and policies related to environmental matters, safety and health and local communities.

2017 Summary Executive Compensation

& President

Name and Principal Position	Salary	Bonus	Stock Awards	Option Awards	All Other Compensation	Total
	\$ 600,000	\$ 150,000	\$ 74,966	\$ 99,440	\$ 5,766	\$ 930,172

Jason Reid CEO & President						
John Labate Chief Financial Officer	330,000	82,500	41,230	54,240	7,266	515,236
Richard Irvine Chief Operating Officer	300,000	75,000	37,483	49,720	19,079	481,282
Barry Devlin VP Exploration	330,000	82,500	41,230	54,240	7,266	515,236
Gregory Patterson VP Corporate Development	200,000	50,000	24,990	33,900	5,766	314,656

2017 Pay-setting Considerations

- Continued strong Company performance in challenging market
- Successful increase of mining profile with acquisitions in Nevada and corresponding increase in capital needs from advancement of Isabella Pearl Project
- Successful achievement of development goals at the Oaxaca Mining Unit

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Proxy Statement

GOLD RESOURCE CORPORATION, 2886 Carriage Manor Point, Colorado Springs, Colorado 80906

Gold Resource Corporation (“we”, “our”, “us” or “the Company”) is sending you this proxy statement and a proxy card or voting instruction form (or a Notice of Internet Availability of Proxy Materials, as applicable) in connection with the solicitation of proxies, on behalf of its Board of Directors, for the 2018 Annual Meeting of Shareholders to be held on Friday, June 22, 2018, at the Embassy Suites Hotel, 10250 E. Costilla Avenue, Centennial, Colorado 80112, or at any adjournment or postponement of the meeting. This proxy statement, the enclosed proxy card or instruction form, and our 2017 annual report to shareholders, were first provided to our shareholders on or about May 2, 2018. All shareholders are invited to attend the meeting in person. Please submit your vote by telephone, mobile device, the Internet, or, if you received your materials by mail, you can also complete and return your proxy or voting instruction form.

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Governance

PROPOSAL 1 - ELECTION OF DIRECTORS

At the 2018 Annual Meeting, four directors are nominated for election to hold office until the 2019 annual meeting and until their successors have been elected and qualified. All nominees currently serve as directors of the Company.

Your Board recommends a vote “FOR” all of the nominees listed below:

	Director since: 2006	Age: 61	Birthplace: U.S.A.
	Committees: AC, CC**, NC		
	Current Role:	Current Public Company Boards:	
	Chairman of the Board (since 2014)	PetroShare Corp.	
		Past Public Company Boards:	
Bill M. Conrad		SRC Energy Inc.	

Background and Experience:

Mr. Conrad serves as Chairman of the Board of PetroShare Corp. and was formerly a director and officer of SRC Energy Inc. (formerly Synergy Resources Corporation). From 1990 to 2012, Mr. Conrad served as vice president, chief financial officer and a director of MCM Capital Management Independent Inc., a privately-held financial management and consulting company he co-founded.

Our Board believes that the management and corporate finance experience developed by Mr. Conrad over 35 years serving as an executive officer and director of numerous private and publicly-traded companies, his extractive industry experience, as well as his familiarity with relevant accounting principles and financial statement presentation, qualifies Mr. Conrad to serve as a director.

Jason D. Reid	Director since: 2010	Age: 45	Birthplace: U.S.A.
	Committees: None		
	Current Roles:		

Director	Past Public Company Boards:
Chief Executive Officer (since 2013)	Canamex Resources Corp.
President (since 2010)	

Background and Experience:

Mr. Reid joined the Company in May 2006 and previously served as our Vice President of Corporate Development prior to being appointed President and Chief Executive Officer. Mr. Reid was part of a management team that helped the Company evolve from an exploration stage start-up company to the dividend paying gold and silver producer it is today. Prior to joining the Company, Mr. Reid spent 13 years successfully operating two private businesses he founded. Mr. Reid received a Bachelor of Science degree in 1995 from Fort Lewis College.

Mr. Reid is the brother-in-law of Greg Patterson, VP Corporate Development.

Our Board of Directors believes that Mr. Reid's experience founding and operating his own business, as well as over ten years of mining industry experience, significant participation in the development of business strategy and decision-making for the Company, and skills related to risk assessment and analyzing complex local issues in Mexico provides him with the appropriate experience and qualifications to serve as a member of our Board.

Affiliations, Memberships and Licenses:

Society of Economic Geologists
Society for Mining, Metallurgy & Exploration
(SME)

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Director since: 2013 Age: 66 Birthplace: U.S.A.
 Committees: AC**, CC, NC

Current Role: Current Public
 Company Boards:

Director

UR-Energy Inc.

Past Public Company
 Boards:

Capital Gold Corp.

Other Boards:

Denver Gold Group
 (past)

Background and Experience:

Gary C.
 Huber

Independent

Dr. Huber is a mining executive with 40 years of natural resource industry experience. He is the founder and managing member of Rangeland E&P, LLC, a private company established for oil and gas exploration in 2006. From 2007 to 2012, Dr. Huber was the president and chief executive officer of Neutron Energy, Inc., a private uranium development company. Dr. Huber was one of the founders of Canyon Resources Corporation in 1979 and served in various executive and board capacities there until 2006. Dr. Huber holds a Ph.D in geology from Colorado School of Mines and received a Bachelor of Science in Geology from Fort Lewis College.

Our Board believes that Dr. Huber is well-qualified to serve as a director of the Company as a result of his extensive mining industry experience including in areas of executive management, finance and risk assessment developed by serving as an executive officer and director of publicly traded natural resource companies.

Affiliations, Memberships and Licenses:

Society of Economic Geologists

Society for Mining, Metallurgy and Exploration
 (SME)

Utah registered Professional Geologist

Alex G.
 Morrison

Director since: 2016 Age: 54 Birthplace: Scotland
 Committees: AC, CC, NC**

Current Role:	Current Public Company Boards:
Director	Detour Gold Corporation
Independent	Taseko Mines Ltd.
	Pershing Gold Corporation

Background and Experience:

Mr. Morrison has 30 years of mining industry experience and has held senior executive positions at a number of mining companies, most recently as vice president and chief financial officer of Franco Nevada Corporation from 2007 to 2010. Mr. Morrison also held senior executive and financial positions at Newmont Mining Corporation, NovaGold Resources Inc., Homestake Mining Company, Phelps Dodge Corporation and Stillwater Mining Company. Mr. Morrison began his career with PricewaterhouseCoopers LLP after obtaining his Bachelor of Arts in Business Administration from Trinity Western University.

Our Board believes Mr. Morrison's experience and skills developed as an executive officer and director for several publicly traded mining companies provide him with the appropriate background in matters related to finance and accounting, mining operations and risk assessment and make him well-qualified to serve as a director of the Company.

Affiliations, Memberships and Licenses:

Chartered Professional Accountant

AC	Audit Committee
CC	Compensation Committee
NC	Nominating & Corporate Governance Committee
**	Denotes Committee Chair

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Board Leadership Structure and Risk Oversight

The Board does not have a policy regarding the separation of the roles of CEO and Chairman of the Board, as the Board believes it is in the best interest of our Company to make that determination periodically based on the position and direction of our Company and the membership of the Board. At the present time, our CEO and Chairman roles are separated. Upon the retirement of our former Chairman and CEO, Jason Reid was appointed as CEO and the Board of Directors appointed Bill Conrad to serve as Chairman of the Board. As the longest tenured director and with significant experience serving on boards for over thirty years, Mr. Conrad brings extensive knowledge of the Company's history in addition to experience with various companies in natural resource industries. He works closely with Mr. Reid in his capacity as Chairman. The Board also does not have a policy that designates a lead independent director at this time; however, Mr. Conrad, as Chairman of the Board and the longest tenured independent director, leads meetings of the independent directors.

Companies such as ours face a variety of risks, including financial reporting, legal, credit, liquidity, operational and cybersecurity risk. The Board believes an effective risk management system will (1) timely identify the material risks that we face, (2) communicate necessary information with respect to material risks to senior executives and, as appropriate, to the Board or relevant Board Committee, (3) implement or oversee implementation of appropriate and responsive risk management strategies consistent with our risk profile, and (4) integrate risk management into our decision-making.

The Board as a whole oversees risk management after receiving briefings from management and advisors as well as based on its own analysis and conclusions regarding the adequacy of our risk management processes. The Board, with assistance and input from its committees, continuously evaluates and manages geopolitical and enterprise risk, financial risk, environmental risk, health and safety risk, and the effect of compensation on undue risk-taking behavior. By virtue of the directors working closely with executive management, who in turn work closely with the operators at the mine, we have created a lean system that has created more collaboration and faster communication. The Company will continue to improve these processes in 2018 to further enhance risk management with expedited information sharing and greater transparency between departments and between management and the Board.

Board Diversity

Effective in 2018, the Board of Directors adopted a diversity policy with regard to the consideration of diversity in identifying director nominees, which is available on the Company's website at www.goldresourcecorp.com. The Company continues to strive to nominate individuals with a variety of backgrounds and complementary skills so that, as a group, the Board possesses the appropriate talent, skills, and expertise to oversee our businesses. This assessment includes consideration of independence, expertise, mining and other industry background, age, gender, skills and time availability, in the context of the needs of the Board and our Company. The Nominating and Corporate Governance Committee continues to review its process for evaluating relevant skillsets of directors and other factors to better identify potential needs to strengthen or gaps that the Board may desire to eliminate.

Director Independence and Related Party Transactions

As of the date of this proxy statement, we have four directors, including three independent directors, as follows:

- Bill M. Conrad (independent);
- Gary C. Huber (independent)
- Alex G. Morrison (independent); and
- Jason D. Reid.

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An “independent” director is a director whom the Board of Directors has determined satisfies the requirements for independence including those established under the Sarbanes–Oxley Act of 2002, section 10A(m)(3) of the Exchange Act and under section 803A of the NYSE American LLC Company Guide (“NYSE American Rules”).

We consider “related party transactions” to be transactions between the Company and (i) a director, officer, director nominee or beneficial owner of greater than five percent of our common stock; (ii) the spouse, parents, children, siblings or in-laws of any person named in (i); or (iii) an entity in which one of our directors and officers is also a director or officer or has a material financial interest. The Audit Committee is vested with the responsibility of evaluating and approving any potential related party transaction, unless a special committee consisting solely of disinterested and independent directors (as defined in the NYSE American Rules) is appointed by the Board of Directors. Our policies and procedures for related party transactions are set forth in writing in our Code of Ethics and Audit Committee Charter.

2017 Director Compensation

We pay our independent directors a monthly cash retainer fee based on factors including tenure, committee membership and chairman duties. Mr. Conrad received \$20,000 per month as Chairman of the Board. Dr. Huber received \$12,000 per month, and Alex Morrison received \$9,000 per month. Mr. Reid is not compensated separately for his service as a director.

During 2017, the current directors each received bonuses and equity incentive awards of stock options and RSUs which were calculated in reference to their annual retainer fee rates at 25% for cash bonus, and 25% equity awards (allocated half to each of stock options and RSUs). The stock options were immediately vested and the RSUs vested six months from the date of grant. The directors also received an end-of-the year recognition award on the same basis as the named executive officers of a gold and silver round which is reflected in “All Other Compensation”.

The table below summarizes the compensation of our independent directors and whose compensation is not disclosed in the Summary Compensation Table for the fiscal year ended December 31, 2017:

Name	Fees Earned or paid in		Option Awards(2)	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
	Cash	Stock Awards(1)				
Bill M. Conrad	\$ 300,000	\$ 29,986	\$ 40,680	-	\$ 1,266	\$ 371,932
Gary C. Huber	180,000	17,994	24,860	-	1,266	224,120
Alex G. Morrison	135,000	13,495	18,080	-	1,266	167,841

1 All awards shown are RSUs at the grant date fair value determined pursuant to ASC Topic 718 and vested six months from the date of grant.

2 Valued using the Black-Scholes-Merton option pricing model. Please refer to Note 16 to the consolidated financial statements included in our annual report on Form 10 K for the year ended December 31, 2017 for certain assumptions made in connection with these estimates.

All directors are reimbursed for reasonable and necessary expenses incurred in their capacities as such.

Board Committees and Meetings

The Board of Directors maintains an Audit Committee, a Compensation Committee, and a Nominating and Governance Committee. During the year ended December 31, 2017, the Board of Directors met ten times, including one non-executive session. No director attended less than 75% of the Board meetings held during 2017. All directors attended the 2017 Annual Shareholders' Meeting.

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Audit Committee. The Audit Committee has been established to oversee the accounting and financial reporting of the Company and is currently comprised of Gary Huber as Chairman, Bill Conrad, and Alex Morrison. Each of the Audit Committee members is independent under the NYSE American Rules. Among other duties, the Audit Committee is responsible for engaging the independent registered public accounting firm to conduct the financial audit for the Company and to confirm, prior to such engagement, that such independent registered public accounting firm is independent of the Company.

It is the policy of the Audit Committee to review and approve the engagement of the independent auditors, including the scope, extent and procedures of audit and non-audit services to be performed for the Company, the content and results of the audit performed by the auditors and any recommendations made by the auditors and to oversee any other aspects of the engagement of the independent auditors, including but not limited to resolution of disagreements between management and the auditor regarding financial reporting and other audit, review or attest services, and the compensation to be paid therefore, and all other matters the Audit Committee deems appropriate. The Audit Committee also oversees our financial reporting process and is responsible for drafting an Audit Committee Report to be included with our proxy statement.

Our Board of Directors has determined that Dr. Huber, the Chairman of the Audit Committee, qualifies as an audit committee financial expert, as defined by the applicable regulations of the SEC, in that he has (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal controls over financial reporting; and (v) an understanding of the audit committee functions. Dr. Huber acquired these attributes through his experience serving as chief financial officer and a director of other publicly traded companies.

The Audit Committee held seven meetings during the last fiscal year and no Audit Committee member attended less than 75% of the meetings. The full responsibilities of the Audit Committee are set forth in its formal written charter, which is available on our web site at www.goldresourcecorp.com.

Audit Committee Report. The Audit Committee of the Board of Directors is pleased to present this Audit Committee Report:

We have reviewed and discussed the Company's audited consolidated financial statements for the year ended December 31, 2017 with management and have reviewed related written disclosures of EKS&H LLLP, our independent registered public accounting firm for 2017, as required by SAS 114, with respect to those statements. We have reviewed the written disclosures and the letter from EKS&H LLLP required by Independence Standards Board No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees) and have discussed with EKS&H LLLP its independence in connection with its audit of our most recent financial statements. Based on this review and these discussions, we recommended to the Board of Directors that the financial statements be included in our annual report on Form 10 K for the year ended December 31, 2017.

Gary C. Huber (Chairman and member)

Bill M. Conrad (member)

Alex G. Morrison (member)

Compensation Committee. The Compensation Committee, currently comprised of Bill Conrad (Chairman), Gary Huber and Alex Morrison as members, each of whom are independent under the NYSE American Rules, is responsible for establishing the compensation of our CEO, reviewing and determining the compensation of our executive officers and directors and determining or recommending our general compensation, benefits, perquisites, policies and practices,

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including, without limitation, our incentive compensation plans and equity-based compensation plans, and preparing a Compensation Committee Report to be included with our proxy statement. Each of the Compensation Committee members meets the definition of “independent” as defined in the NYSE American Rules. The Compensation Committee has adopted a formal charter, a copy of which is available on our website at www.goldresourcecorp.com.

In performing its functions, the Compensation Committee considers, among other things, the types and amounts of compensation that have been paid to our executives and directors in the recent past, as well as recent individual and overall Company performance. The Compensation Committee held three meetings during the last fiscal year and took action by consent in lieu of a meeting on three occasions and no Compensation Committee member attended less than 75% of the meetings.

Compensation Committee Interlocks and Insider Participation. No member of the Compensation Committee was ever an officer of the Company or served as an employee or participated in a related party transaction during the last fiscal year. No member of the Compensation Committee or executive officer of our Company has a relationship that would constitute an interlocking relationship with executive officers or directors of another entity.

Nominating and Governance Committee. The Nominating and Governance Committee is comprised of Alex Morrison (Chairman), Gary Huber and Bill Conrad as members, each of whom are independent under the NYSE American Rules. The Nominating and Governance Committee acts pursuant to its charter available on our website at www.goldresourcecorp.com. The committee is primarily responsible for (1) identifying and evaluating qualified individuals to become members of the Board or to fill any vacancies that arise, including suggestions from members of the Board as well as from shareholders, and to recommend such nominees to the Board; (2) determining the criteria for which the committee will use to evaluate such candidates for director; (3) periodically reviewing the function and size of the Board and making recommendations to the Board; (4) evaluating the Company’s corporate governance practices and recommending any changes to those guidelines or constituent documents; (5) evaluating the effectiveness of the Board and its committees, its membership and its structure; and (6) developing effective continuing education guidelines for the members of the Board. The Nominating and Corporate Governance Committee held two meetings during the last fiscal year and no committee member attended less than 75% of the meetings.

The committee will consider director candidates nominated by shareholders and will apply the same criteria to all nominees, including shareholder recommendations. A shareholder who wishes to recommend a prospective director nominee should send a letter directed to the attention of Jessica Browne, Corporate Secretary, 2886 Carriage Manor Point, Colorado Springs, CO 80906. Such letter must be signed and dated and submitted by the date mentioned in this proxy statement under the heading “Proposals of Shareholders for Presentation at the Next Annual Meeting of Shareholders.” The information required by Regulation 14A of the Securities Exchange Act must be included in or attached to the letter, including but not limited to:

- name and address of the shareholder making the recommendation;
- proof that the shareholder was the shareholder of record, and/or beneficial owner of common stock as of the date of the letter;
- the name, address and resume of the recommended nominee; and
- the written consent of the recommended nominee to serve as a director if so nominated and elected.

Specific minimum qualifications for directors and director nominees which the committee believes must be met in order to be so considered include strategic managerial and financial skills and experience, mining industry expertise, and knowledge in other areas that are important to us. Other considerations include diversity, exemplary personal integrity and reputation, sound judgment, potential or actual conflicts of interest, and sufficient time and willingness to devote to the discharge of his or her duties.

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Communications to the Board of Directors

Our Board of Directors maintains a policy of reviewing and considering communications from our shareholders. Any shareholder who desires to contact the Board of Directors may do so by fax, telephone, or regular mail to the Board of Directors, via the attention of our Corporate Secretary, Jessica Browne. Shareholders can also send electronic communications to the Board via e-mail to jessicabrowne@goldresourcecorp.com. Such communications may also be forwarded to the Board by mail in a sealed envelope addressed to an individual director, the non-management directors or the Board by mailing to our corporate headquarters in Colorado Springs. We will deliver the envelope unopened (1) if addressed to a director, to such director, (2) if addressed to the Board, to the Chairman of the Board who will report on the contents to the Board, or (3) if addressed to the non-management directors, to the Chair of the Audit Committee who will report on the contents to the non-management directors.

Our directors periodically review communications from shareholders and determine, at their discretion, whether the communication addresses a matter that is appropriate for consideration by the Board. Directors may also attend the annual meeting of shareholders and receive communications directly from shareholders at that time.

Code of Ethics

We maintain a written Code of Ethics, a copy of which is available on our website at www.goldresourcecorp.com. Any amendments to or waiver of the Code of Ethics will be made available on our website within four business days following the date of the event. Such information will remain available on our website for at least 12 months.

Environmental, Social and Other Corporate Governance

As part of the overall 2017 corporate governance evaluation, the Board determined to implement several new policies. In an effort to help manage environmental, health and social risks, the Board adopted policies related to environmental, safety and health and local communities, which are available on our website at www.goldresourcecorp.com. These policies demonstrate the Company's commitment to improving both its operations and the environment and surrounding communities in which it operates. Prior to adopting a formal policy, the Company already focused on sustainability by using recycled materials in its mine camp construction and reclaiming water wherever possible. The Company hopes to reduce diesel fuel emissions in the future by connecting to the local power grid. The Company also is very active in its local communities, including such things as sponsoring medical clinics, school activities and social events. As we move forward, the Company intends to continue to evolve in this area with a focus on environmental stewardship, human rights issues, community engagement and enhanced disclosures of our impact and activities.

Share Ownership and Reporting

As of April 27, 2018, there are a total of 57,230,793 shares of our common stock outstanding, our only class of voting securities currently outstanding. The following table describes the beneficial ownership of our voting securities as of April 27, 2018 by: (i) each of our directors, director nominees and executive officers; (ii) all of our directors, director nominees, and officers as a group; and (iii) each shareholder known to us to own beneficially more than 5% of our common stock. Unless otherwise stated, the address where each of the individuals may be reached is our principal executive offices, 2886 Carriage Manor Point, Colorado Springs, CO 80906. All ownership is direct, unless otherwise stated.

In calculating the percentage ownership for each shareholder, we assumed that any options owned by an individual exercisable within 60 days of this proxy statement are exercised, but not the options owned by any other

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individual. Certain information regarding the ownership of shareholders believed to beneficially own more than 5% of our common stock has been obtained from reports filed by these shareholders with the SEC.

	Number	Percentage (%)
Jason D. Reid (1)	1,629,944 (4)(5)	2.8 %
Bill M. Conrad (2)	592,623 (6)	1.0 %
Gary C. Huber (2)	268,206 (7)	*
Alex G. Morrison(2)	132,155 (8)	*
Jessica M. Browne (3)	390,289 (9)	*
Barry D. Devlin (3)	414,311 (10)	*
Richard M. Irvine (3)	434,767 (11)	*
John A. Labate (3)	164,311 (12)	*
Gregory A. Patterson (3)	1,042,626 (13)	1.8 %
Van Eck Associates Corporation 666 Third Ave. - 9th Floor New York, NY 10017	4,138,802	7.3 %
BlackRock, Inc. 55 East 52nd St. New York, NY 10055	3,244,479	5.7 %
Chartwell Investment Partners 1205 Westlakes Drive, Suite 100 Berwyn, PA 19312	2,902,150	5.1 %
All Officers and Directors as a Group	5,069,232 (4)(5)(6)(7)(8)(9)(10)(11)(12)(13)	8.4 %

* Less than 1%

1 Officer and Director.

2 Director.

3 Officer.

4 Includes 122,102 shares owned by the reporting person's spouse, of which he disclaims beneficial ownership.

5 Includes options to purchase 443,666 shares which are currently exercisable.

6 Includes options to purchase 351,000 shares which are currently exercisable.

7 Includes options to purchase 246,000 shares which are currently exercisable.

8 Includes options to purchase 123,000 shares which are currently exercisable.

9 Includes options to purchase 385,666 shares which are currently exercisable.

10 Includes options to purchase 398,333 shares which are currently exercisable.

11 Includes options to purchase 415,333 shares which are currently exercisable.

- 12 Includes options to purchase 158,333 shares which are currently exercisable.
- 13 Includes options to purchase 327,333 shares which are currently exercisable.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and persons who beneficially own more than ten percent of a registered class of our equity securities, to file initial reports of ownership and reports of changes in ownership of our common stock and other equity securities with the U.S. Securities and Exchange Commission (“SEC”). Executive officers, directors and beneficial owners of greater than ten percent of our common stock are required by regulations of the SEC to furnish us with copies of all Section 16(a) reports they file. To our knowledge and based upon a review of the forms filed, all Section 16 reports were timely filed during 2017.

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Executive Compensation

PROPOSAL 2 – ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION (“SAY-ON-PAY”)

What are you voting on? We are asking shareholders to approve, on an advisory basis, the compensation of the named executive officers as described in this proxy statement

Your Board recommends a vote “FOR” the advisory vote to approve executive compensation

General Information

The Board of Directors and the Compensation Committee takes seriously its role in the administration of the Company’s compensation programs and values input from shareholders. Although such proposals are non-binding, the Compensation Committee will take into account the results of the advisory vote when determining future executive compensation decisions.

At the 2017 annual meeting of shareholders, the Company held shareholder advisory votes regarding both the approval of the Company’s executive compensation programs and the frequency with which the Company would have such shareholder advisory vote. A majority of the shareholders voting indicated a preference to hold the shareholder advisory vote regarding executive compensation each year. After review and upon recommendation of the Compensation Committee, the Company is responding by holding annually the shareholder advisory vote regarding executive compensation of its named executive officers. Our executive compensation is described in the Compensation Discussion and Analysis beginning on page 11 and the compensation tables beginning on page 16 and encourages you to review these sections in determining how to vote on this proposal.

Compensation Committee Report

The Compensation Committee is pleased to present the following Compensation Committee report:

We have reviewed and discussed with management the Compensation Discussion and Analysis set forth in this proxy statement. Based upon review of the discussions herein, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in the Company’s Form 10-K for the year ended December 31, 2017.

Respectfully submitted,

Bill M. Conrad (Chairman and member)

Gary C. Huber (member)\

Alex G. Morrison (member)

Compensation Discussion and Analysis

The individuals who served as our principal executive officer and principal financial officer during the year ended December 31, 2017, as well as the other individuals included in the Summary Compensation Table below, are referred to as “named executive officers” throughout this Compensation Discussion and Analysis.

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As previously discussed in various corporate governance items above under Proposal One above, the Company undertook an extensive review of various programs, policies and processes (both formal and informal) during the second half of 2017. The Compensation Committee has not retained a compensation consultant. Several changes were implemented to the executive compensation program; however, most of these changes will not impact compensation until the 2018 fiscal year. This Compensation Discussion and Analysis will discuss the information and decisions that shaped the 2017 compensation determination and will also discuss the new changes we expect going forward.

Consideration of 2017 Say-on-Pay Vote. At our 2017 Annual Shareholders' Meeting, we submitted a shareholder advisory proposal regarding approval of the compensation program for our named executive officers for which just over 50% of votes cast were in favor of the proposal. The Compensation Committee believed this result warranted a fresh look at the compensation program. The Committee worked over several months to evaluate alternative approaches and to seek a balance between better aligning compensation with shareholders and mitigating potential undue risk-taking when compensation is tied solely to specific performance metrics. As a result, the Company is implementing a short-term incentive compensation policy for which a portion of the compensation will be determined based on performance metrics that are tied to corporate safety statistics and relative shareholder return. As part of the process, the Company also agreed with the shareholder recommendation to hold the shareholder advisory vote on executive compensation each year instead of every three years. Therefore, for 2018, the Company is submitting a shareholder advisory proposal regarding executive compensation for our named executive officers and expects to do so annually for the foreseeable future.

Overview of Compensation Philosophy, Objectives and Policies. We attempted to meet two main objectives when we designed our executive and employee compensation. First, the program is intended to be fully competitive so that we may attract, motivate and retain talented executives and key employees. Second, the program is intended to create an alignment of interests between our executives and key employees, on the one hand, and our shareholders, on the other, such that a portion of each executive's or key employee's compensation consists of equity awards. In this manner, if the price of our stock increases over time, our executive officers, key employees and our shareholders will benefit. The compensation program is designed to reward performance that supports our principles of building shareholder value, and may also recognize individual performance from time to time. The Compensation Committee is vested with the authority to review and recommend the compensation program structure and level of compensation for the executive officers, directors and key employees of the Company.

The compensation structure for 2017 for the named executive officers generally consists of salary and incentive compensation which includes both cash and equity awards. While we still believe that this compensation structure appropriately aligns the interests of the executives and key employees with our shareholders by encouraging equity ownership through awards of stock options and stock grants to executive officers and key employees and to motivate our named executive officers and other key employees to contribute to an increase in shareholder value, the Committee determined that in future years, consideration of relative shareholder return against a peer group would also be added as a component to the compensation program to further align these interests. While equity ownership is highly encouraged, we do not presently have a policy that requires our named executive officers or directors to own shares of our stock.

Annually the Compensation Committee reviews and recommends to the Board the level of compensation for the named executive officers and key employees. Our CEO reports to the Committee regarding the individual performance of the other named executive officers. Additionally, the Committee considers recommendations from the named executive officers regarding incentive compensation for key employees who report to that executive officer.

Elements and Mix of Compensation. The Compensation Committee does not utilize an exact calculation in determining the breakdown of executive compensation among base pay, bonus pay and other forms of compensation; rather, the Compensation Committee takes into consideration all forms of compensation together. When making

decisions about individual compensation packages, our consideration of base salary ranges for the named executive officers is primarily based upon negotiations with that officer, taking into consideration work experience, individual and overall Company performance, level of responsibility, impact on the business, tenure, potential for advancement within the

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organization and the potential liability of being an officer of a public corporation. Annual salaries for newly-hired executives are determined at the time of hire taking into account the above factors other than tenure. Changes in an executive's base salary may also take into consideration recent compensation, including bonuses and equity-based compensation.

Cash bonuses are a form of short-term incentive compensation which may be recommended by the Compensation Committee at its discretion, based on individual and overall Company performance. Prior to 2018, there was no specific bonus plan or policy in place setting forth timing of awards or establishing specific performance objectives. The Compensation Committee, in its discretion, determines and recommends the amounts and timing of any bonus awards. If applicable, and at the sole discretion of the Compensation Committee, a "merit-based" bonus may be recommended based on criteria such as exceptional individual and overall Company performance, assuming additional responsibility without an increase in base compensation, or such other criteria which the Compensation Committee may determine from time to time.

The long-term equity compensation component of our compensation program was comprised of equity awards and makes up a significant part of our named executive officers' compensation package. Under our 2016 Equity Plan ("Plan"), we are authorized to issue incentive stock options, nonqualified stock options, stock appreciation rights (SARs), restricted stock, restricted stock units (RSUs), performance shares, performance share units, performance cash, stock grants and stock units to the officers, directors and key employees of our Company, including the named executive officers. There is no specific policy or procedure in place setting forth the timing or amount of awards, although the level of outstanding awards and future compensation are reviewed at least annually. The Compensation Committee, at its discretion, determines and recommends the amounts and timing of any equity awards. The stock options are priced based on the closing market price of our common stock on the grant date, which in most cases is the date the Board approves the award. The Committee may, in its discretion, modify existing awards subject to certain provisions of the Plan and the listing requirements of the NYSE, and may not reprice any options or SARS without first obtaining shareholder approval under the terms of the Plan.

Additional benefits provided to executive officers and key employees as part of their compensation packages include health insurance, a health expense reimbursement plan and a 401(k) retirement plan. To the extent the named executive officers participate in these programs, they generally do so on the same basis as our other employees. We believe these benefits are consistent with those offered by other companies with which we compete for executive talent. Our named executive officers do not typically receive perquisites and prior to 2018, we did not maintain any non-equity incentive plans, other than our discretionary cash bonus incentives described previously, nor do we maintain any deferred compensation plans.

The compensation for our directors is structured similar to that of our named executive officers. Specifically, our directors receive a monthly cash retainer and may also receive a combination of cash and equity incentives in the form of cash bonuses or stock grants or options to purchase our common stock. The Compensation Committee reviews the form and amount of such compensation periodically to ensure that it is competitive and meeting our objectives discussed above.

Specific Compensation Decisions. Each of our named executive officers receives an annual salary under the terms of his or her respective employment agreement or contractual agreement. In addition, each of our named executive officers has received stock options as part of his or her current compensation package upon commencing employment with the Company.

The mining industry in general has not fully rebounded from a downturn during the past several years although 2017 saw slightly increasing metal prices through the year. The Company's previously implemented cost-cutting measures continued to help the Company remain fiscally disciplined. During 2017, individual employee contribution was

significant in an effort to maintain current reduced staffing levels wherever possible and was seen in the extensive workloads of our executives and key employees as the Company significantly expanded and developed the Switchback

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deposit and began mining at the Mirador mine, as well as making significant progress towards mining at the Isabella Pearl Project in Nevada.

The Compensation Committee evaluated the executive compensation program during the 2017 fiscal year and weighed several factors, both positive (such as achievement annual production goals, accretive acquisitions to expand Nevada footprint and significant advancement of the Switchback deposit and Mirador mine) and negative (safety related fatalities and lower grade and recoveries in certain areas of the Arista mine) and the Company's overall financial health. The Committee also took into account that executive officers' base salaries were frozen since 2014. Based on its evaluation and review of all of the factors, the Compensation Committee awarded cash bonuses to its executive officers and directors consisting of 25% of base salary in recognition of the efforts of those individuals in steering the Company through challenging times while still accomplishing many goals and positioning itself to achieve its long-term strategy of growth and diversification. As part of an end-of-the-year recognition for all Company employees and non-employee directors, the Committee approved and each named executive received one gold and one silver round. The value of the rounds is included in the "All Other Compensation" column in the table below.

The Compensation Committee, during its annual compensation review and in an effort to incentivize and retain individuals, determined that a mix of stock options and RSUs would be an appropriate alternative to reward individual efforts without further impacting cash needed for operations. The Committee determined a mix of awards generally consisting of such number of stock options as equal to 12.5% of base salary and such number of RSUs equal to 12.5% of base salary as determined at the market price of our common stock on the grant date. All awards for the named executive officers are subject to a three-year vesting schedule.

There were no adjustments to the base salary of the named executive officers during 2017, however as part of the process of re-negotiating employment agreements with its executive officers, the Committee approved an increase in base salaries which take effect for 2018. The Committee reviewed individual performance and determined to increase base salaries by a range of 5-10%, depending on several factors including individual performance and length of time since the prior salary adjustment.

Changes to Compensation Program for 2018. As discussed, the Company re-negotiated its employment agreements with its executive officers. The changes to the employment agreement included increasing base salary, reducing the payout obligation upon termination without cause to 12 months' base salary (18 months in the case of the CEO), eliminating "good reason" as a cause to trigger a termination with severance and modifying the severance payment upon termination as a result of a change in control by reducing the base salary component and factoring in the executives' bonuses.

The Company modified its compensation philosophy and adopted a short-term incentive plan. The overall structure continues to consist of base salary and a mix of short-term and long-term compensation, but the Company has determined that a flexible compensation structure that is comprised of a thoughtful combination of performance-based metrics and a discretionary component applied by the Compensation Committee best serves the overall compensation objectives of aligning executive compensation with shareholder returns. Annual total direct compensation (TDC) for named executive officers consists of base salary plus short-term incentive compensation. Target TDC levels for each executive will be set with reference to the TDC levels of a group of peer comparator mining development companies in recognition of the need to attract, motivate and retain key employees with the requisite skills to execute the Company's long-term objectives. Target TDC levels have been set at the median of the group of peer comparator companies for target levels of performance with the opportunity to significantly exceed the median for extraordinary performance levels. The mechanism through which extraordinary performance will be rewarded is a performance-levered short-term incentive (STI) payment with reference to base salary. Annual target performance levels are 150% of base salary for the CEO (250% for extraordinary performance) and 100% of base salary for the

remaining executives (200% for extraordinary performance).

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The STI opportunities include performance-based and discretionary components. Metric-based objectives will represent 20% of base salary (and up to 40% for extraordinary performance), which is further broken down into 10% of base salary upon meeting certain safety performance metrics and 10% of base salary upon meeting relative shareholder return criteria. Each metric-based objective will be calculated on a linear basis as follows:

Safety Performance*:

	Threshold	Target	Maximum
Metric	LTIFR** = 2.5	LTIFR = 1.5	LTIFR = 0
Payout Rate	50%	100%	200%

*Assumes no fatal accidents during the year. In the event a safety-related fatality occurs, the payout is zero.

** Lost Time Injury Frequency Rate

Relative Total Shareholder Return (Percentile vs. Peer Group***):

	Threshold	Target	Maximum
Metric	25th Percentile	Median (50th Percentile)	100th Percentile
Payout Rate	50%	100%	200%

*** Peer group for Relative TSR includes: Avino Silver & Gold Mines, Ltd.; Americas Silver Corp.; Great Panther Silver Ltd.; Alio Gold Inc.; GoGold Resources Inc.; Endeavor Silver Corp.; Wesdome Gold Mines Ltd.; Silvercorp Metals Inc.; Argonaut Gold Inc.

The remaining component of an STI payment will be determined in the discretion of the Compensation Committee with a view primarily to the Company's overall financial condition. In determining the discretionary component of STI, the Compensation Committee will consider corporate and individual performance of the following:

- achievement of production goals;
- achievement of cost goals;
- profitability levels;
- business execution and advancement of projects; and
- other relevant measures of corporate and individual performance.

STI awards may be made in a combination of cash and/or equity awards after consideration of the financial condition of the Company, and the equity portion may still have a vesting component in order to encourage retention. The measurement period for determining the amount of STI earned by the executive shall be December 1 to November 30 each year to enable payment of earned STI before the fiscal year end.

Issuances of equity-based long-term incentive awards (LTIs) that may be in addition to equity awards that comprise STI are at the discretion of the Compensation Committee in the form of stock options and/or restricted stock units. These are proposed to align the long-term interests of the executives with those of shareholders and to motivate executives to create long-term shareholder value and encourage equity ownership. LTIs comprise the remaining portion of the total compensation package, including those awarded when an executive accepts employment with the Company. The level and value of such issuances of LTIs will be based upon criteria determined in the discretion of the Compensation Committee. In order to create an element of executive retention, LTI awards will vest over a period of several years, to be determined by the Compensation Committee.

As part of its review process and analysis, the Company adopted a formal clawback policy applicable to executive compensation in the event of misconduct on the part of executive officers, including any such misconduct that results in a restatement of its financial statements. The clawback policy is filed with the SEC as an exhibit to our annual report on Form 10 K for the year ended December 31, 2017.

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Our Executive Officers

In addition to our CEO and President, Jason Reid, who also serves as a member of our Board of Directors and whose biographical information is disclosed under the heading “Directors,” our executive officers as of the date of this proxy statement include the following individuals:

John A. Labate. John Labate, age 69, was appointed interim Chief Financial Officer in May 2015 and accepted the permanent position in October 2015. Prior to his appointment, he served as a consultant in accounting and finance matters in the mining industry since 2012 and to the Company since January 2014. From August 2008 to February 2012, he served as Senior Vice President and Chief Financial Officer of Golden Star Resources Ltd., a gold mining company with securities listed on the NYSE American and TSX. Prior to that, from March 2004 to August 2008 he was Vice President and Chief Financial Officer for Constellation Copper Corporation, a copper mining company with securities formerly traded on the TSX. Mr. Labate currently serves as a director for Solitario Zinc Corp. (NYSE American: XPL / TSX: SLR). Mr. Labate has over 30 years’ experience in the mining industry and held senior financial management positions in mining and technology companies, including chief financial officer positions at Crown Resources Corporation and Applied Optical Technologies. Mr. Labate received a bachelor’s degree in Accounting from San Diego State University.

Richard M. Irvine. Rick Irvine, age 54, joined the Company as Chief Operating Officer in March 2012 to supervise the mining operations in Mexico, evaluate other property opportunities in Mexico and globally. Prior to joining the Company, Mr. Irvine was the General Manager for Goldgroup Mining Inc. (TSX: GGC) at the Caballo Blanco project in Veracruz, Mexico since April 2011. From November 2009 to March 2011, he was based in Lima, Peru where he served as Country Manager for Minera Huallanca S.A., a mining company operating two underground mines in Peru and he oversaw the sale of these operations to Nyrstar SA (EUR: NYR.BR). From August 2008 to November 2009, he served as General Manager of Farallon Mining Ltd. (TSX: FAN) in Guerrero, Mexico. From October 2007 to September 2008, he served as Vice President and General Manager with Coeur d’Alene Mines Corporation (NYSE: CDE) where he supervised the San Bartolome project in La Paz, Bolivia. From December 2006 to October 2007, he was Manager of Operations for Pan American Silver Corporation (NASDAQ: PAAS / TSX: PAAS) and oversaw the design and development of the Manantial Espejo project in Argentina. Mr. Irvine has over 20 years of experience in the mining industry, including experience as a mine engineer and mine supervisor. Mr. Irvine received a Bachelor’s degree in Geology in 1987 from the University of New Brunswick Fredericton and a Bachelor’s degree in Mining Engineering in 1990 from Queen’s University Kingston, Ontario.

Barry D. Devlin. Barry Devlin, age 60, joined the Company in January 2013 as Vice President of Exploration. From May 2007 through December 2012, he was Vice President, Exploration with Endeavor Silver Corp. (NYSE: EXK, TSX: EDR), a silver mining company with operations in Mexico. Mr. Devlin has more than 30 years of professional experience in managerial phases of exploration and mine geology. He has participated in the discovery, acquisition and development of numerous mineral deposits in North and South America. Prior to his tenure at Endeavor Silver Corp., he served in various capacities with Hecla Mining Company (NYSE: HL) from May 1990 to April 2007, including as its Generative Exploration Manager, Exploration Manager—Guyana Shield, and Senior Geologist. Prior to joining Hecla Mining Company, Mr. Devlin worked as a project geologist for various U.S. and Canadian entities. Mr. Devlin is a member of the Association of Professional Engineers and Geoscientists of British Columbia, Fellow of the Geological Association of Canada, and member of the Society of Economic Geologists. He received his Bachelor of Science Degree in Geology (with honors) in 1981 and Masters of Science Degree in Geology in 1987, both from the University of British Columbia, Vancouver, British Columbia.

Gregory A. Patterson. Greg Patterson, age 48, was appointed Vice President Corporate Development in October 2013. Since joining the Company in 2010, he has managed investor relations and participated in overall corporate strategy. Prior to joining the Company, Mr. Patterson spent 15 years in marketing and territory sales

management for two manufacturers of precision laboratory instruments. He holds a Bachelor's degree in Environmental Biology (1991) from

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the University of Colorado. Mr. Patterson is the brother-in-law of Jason Reid, CEO, President and a director of the Company.

Jessica M. Browne. Jessica Browne, age 41, joined the Company in June 2011 as its General Counsel and was appointed Corporate Secretary in January 2013 and Vice President Legal in April 2014. From 2002 until June 2011, Ms. Browne was in private practice at Denver area law firms, focusing her practice on corporate and securities law and mergers and acquisitions. Ms. Browne received a Masters of Science Degree in Taxation Law from the University of Denver in 2005, a Juris Doctor from the University of Colorado School of Law in 2001 and a Bachelor in Science in Business Administration summa cum laude in 1997 from the University of Texas Dallas.

Our officers serve at the pleasure of the Board of Directors.

Summary Compensation Table

The following table summarizes the total compensation of all persons serving as our CEO, CFO and our three most highly compensated other executive officers (“named executive officers”) during 2017:

Named Executive Officer	Year	Salary	Bonus	Stock Awards (1)	Option Awards (2)	Non-Equity Incentive Plan Compensation (g)	
Principal Position	(b)	(c)	(d)	(e)	(f)	(g)	
Jason Reid	CEO, President and Director	2017	\$ 600,000	\$ 150,000	\$ 74,966	\$ 99,440	-
		2016	\$ 600,000	\$ 300,000	\$ 150,001	\$ 235,226	-
		2015	600,000	5,000	-	136,431	-
John Labate	Chief Financial Officer	2017	330,000	82,500	41,230	54,240	-
		2016	330,000	190,000	82,501	234,087	-
		2015	199,167	5,000	-	155,921	-
M. Irvine	Chief Operating Officer	2017	300,000	75,000	37,483	49,720	-
		2016	300,000	150,000	74,999	119,065	-
		2015	300,000	5,000	-	97,451	-
Devlin	Vice President Exploration	2017	330,000	82,500	41,230	54,240	-
		2016	330,000	165,000	82,501	130,681	-
		2015	330,000	5,000	-	97,451	-
A. Patterson	Vice President Corporate Development	2017	200,000	50,000	24,990	33,900	-
		2016	200,000	100,000	50,002	78,409	-
		2015	200,000	5,000	-	77,960	-

1 All awards shown are RSUs at the grant date fair value determined pursuant to ASC Topic 718 and will vest in equal tranches over three years.

2 Valued using the Black-Scholes-Merton option pricing model. Please refer to Note 16, Note 14 and Note 16 to the consolidated financial statements included in our annual reports on Form 10 K for the years ended December 31, 2017, 2016 and 2015, respectively, for certain assumptions made in connection with these estimates.

3 Includes among other items \$4,500 in Company contributions to the named executive officer's account in the Company's 401(k) plan.

4 Includes among other items \$14,188 in gold and silver rounds valued at FMV on date of gift.

5 Includes among other items (i) \$18,000 in Company contributions to the named executive officer's account in the Company's 401(k) plan and (ii) \$34,000 as consideration for entering into new employment agreement with reduced severance payable.

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- 6 Includes among other items \$6,000 in Company contributions to the named executive officer's account in the Company's 401(k) plan.
- 7 Includes among other items \$18,100 in Company contributions to the named executive officer's account in the Company's 401(k) plan.
- 8 Includes among other items: (i) \$14,702 in payments for individual health plan to provide health care benefits that the executive is not eligible to receive through the health insurance plan maintained for all other employees and (ii) \$2,293 in family travel allowance.
- 9 Includes among other items: (i) \$12,218 in payments for individual health plan to provide health care benefits that the executive is not eligible to receive through the health insurance plan maintained for all other employees and (ii) \$4,534 in family travel allowance.
- 10 Includes among other items: (i) \$20,916 in payments for individual health plan to provide health care benefits that the executive is not eligible to receive through the health insurance plan maintained for all other employees and (ii) \$8,238 in family travel allowance.
- 11 Includes among other items \$13,888 in Company contributions to the named executive officer's account in the Company's 401(k) plan.
- 12 Includes among other items (i) \$18,000 in Company contributions to the named executive officer's account in the Company's 401(k) plan and (ii) \$17,000 as consideration for entering into new employment agreement with reduced severance payable.

Employment Agreements. We maintain written employment agreements with each of our named executive officers. In 2017, we entered into revised employment agreements with the named executive officers that became effective January 1, 2018. The employment agreements have a one-year term from their effective date and are automatically renewable for subsequent one-year terms on each successive anniversary of the commencement of employment unless either party gives notice to the other that they do not wish to renew the agreement, provided such notice is given not less than 60 days prior to expiration. In accordance with the terms of the employment agreements, each named executive officer receives base salary and is eligible for incentive compensation in the form of cash bonuses or equity awards. A portion of the short-term incentive compensation earned each year is determined with reference to achievement of certain performance metrics, and the remainder of any incentive compensation earned shall be determined in the discretion of the Compensation Committee, as discussed in the Compensation Discussion and Analysis above. Base salaries may be increased from time to time in the discretion of the Compensation Committee. If we terminate an agreement without cause we would be obligated to pay an amount equal to 12 months' base salary (or 18 months in the case of the CEO) as provided in the agreements.

Change in Control. Pursuant to the terms of these employment agreements, our named executive officers would also be entitled to certain payments in the event their employment is terminated under for a "change in control." In that event, the named executive officer will receive 24 months' base salary plus the prior two years' actual or targeted bonuses as a severance payment under the terms set forth in the agreement.

We presently know of no agreements regarding a change in control of the Company. In the event of a change in control in the future, our named executive officers are entitled to certain compensation benefits as described in "Employment Agreements" above.

Pay Ratio Disclosure

Under Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and related regulations promulgated by the SEC, the Company is required to provide the ratio of the annual total compensation of Mr. Reid, who served as the Company's Chief Executive Officer for 2017, to the annual total compensation of the median employee of the Company. The Company (including subsidiaries) currently employs a relatively small number of highly-skilled employees across the U.S. and in Mexico. The Company leases from an unaffiliated third-party company most of the workforce that provides services to its Mexican subsidiary company and has excluded those individuals from the pay ratio calculation.

To identify the median employee, the Company relied on its internal payroll data as its consistently applied compensation measure and used December 31 as the measurement date. We collected the payroll data of all U.S. and non-U.S. employees as of the measurement date (which included base salary, bonus, recognized income from equity and other compensation and the Company's matching 401(k) contribution on behalf of the employee) and we annualized the salary

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and bonus amounts for those employees that were employed with the Company or its subsidiaries for less than a full year. For the non-U.S. employees, we used the average exchange rate during fiscal 2017 as the exchange rate applied to compensation paid in foreign currency.

The median employee of the Company was identified as an exempt, full time employee located in the U.S. with an annual total compensation of \$236,868 for 2017 calculated in accordance with Item 402(u)(2)(i) of Regulation S-K. Applying the same methodology to Mr. Reid's compensation resulted in annual total compensation of \$930,172 for 2017. Based on this information, the ratio of the annual compensation of the Chief Executive Officer to that of the median employee was determined to be 4 to 1. We believe this disclosure is a reasonable estimate of our CEO's annual pay compared to our median employee. Because the SEC rules permit companies to use different methodologies, exemptions and estimates for determining employees and calculating the pay ratio, our pay ratio disclosure may not be comparable to the pay ratio disclosure reported by other companies.

2017 Grants of Plan-Based Awards

The named executive officers each received an award of stock options and RSUs during 2017 under the Company's 2016 Equity Plan. None of these awards are subject to performance targets and each grant is subject to a vesting schedule. The Company did not maintain a non-equity incentive compensation plan during 2017, thus this information is omitted from the table below. The Company adopted a non-equity incentive compensation plan effective 2018 and expects to reflect this information beginning with next year's compensation disclosures. The table below shows certain information regarding grants of plan-based awards to those named executive officers during fiscal 2017:

Name	Grant Date	All other stock awards: Number of shares of stock or units (#)	All other option awards: Number of securities underlying options (#)	Exercise or base price of option award (\$/sh)	Grant date fair value of stock and option award (\$)
(a)	(b)	(i)	(j)	(k)	(l)
Jason D. Reid	7/3/2017	18,248	44,000	\$ 4.11	\$ 174,406
John A. Labate	7/3/2017	10,036	24,000	4.11	95,470
Richard M. Irvine	7/3/2017	9,124	22,000	4.11	87,203
Barry D. Devlin	7/3/2017	10,036	24,000	4.11	95,470
Gregory A. Patterson	7/3/2017	6,083	15,000	4.11	58,890

(1) The amounts shown represent the aggregate fair value of the award calculated as of the grant date in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 16 to the consolidated financial statements dated December 31, 2017 included in our annual report on Form 10-K.

As discussed in the Compensation Discussion and Analysis above, each of the named executive officers received options to purchase our common stock and RSUs in July 2017 as long-term incentive compensation. All of the option awards have an exercise price of \$4.11 per share and expire ten years from the date of grant. Both the stock option awards and the RSUs vest in equal installments over three years, with the options vesting on the anniversary of the

date of grant and the RSUs vesting each year on August 15.

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Outstanding Equity Awards at 2017 Fiscal Year-End

The following table summarizes the outstanding equity awards of our named executive officers at the fiscal year end December 31, 2017:

Name	Equity Incentive Plan Awards:		Option		Stock Awards		Equity Incentive Plan Awards:	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)	Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares Or Units That Have Not Vested (\$)	Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	
	0	0	3.40	2/22/2018	-	-	-	
	0	0	3.95	4/23/2019	-	-	-	
	0	0	7.24	9/17/2023	-	-	-	
	58,334	(1)	0	2.30	9/9/2025	-	-	
	54,000	(2)	0	4.60	7/6/2026	-	-	21,740 (3)
	44,000	(4)	0	4.11	7/3/2027	-	-	18,248 (5)
	66,667	(1)	0	2.30	9/9/2025	-	-	-
	60,000	(6)	0	2.35	3/16/2026	-	-	-
	30,000	(2)	0	4.60	7/6/2026	-	-	11,957 (3)
	24,000	(4)	0	4.11	7/3/2027	-	-	10,036 (5)
	0	0	17.64	8/14/2022	-	-	-	
	0	0	7.24	9/17/2023	-	-	-	
	41,667	(1)	0	2.30	9/9/2025	-	-	-
	27,334	(2)	0	4.60	7/6/2026	-	-	10,870 (3)
	22,000	(4)	0	4.11	7/3/2027	-	-	9,124 (5)
	0	0	14.63	1/3/2023	-	-	-	
	0	0	7.24	9/17/2023	-	-	-	
	41,667	(1)	0	2.30	9/9/2025	-	-	-
	30,000	(2)	0	4.60	7/6/2026	-	-	11,957 (3)
	24,000	(4)	0	4.11	7/3/2027	-	-	10,036 (5)
	0	0	11.90	6/23/2020	-	-	-	
	0	0	7.24	9/17/2023	-	-	-	
	33,334	(1)	0	2.30	9/9/2025	-	-	-
	18,000	(2)	0	4.60	7/6/2026	-	-	7,247 (3)

15,000	(4)	0	4.11	7/3/2027	-	-	6,083	(5)
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(1) The award vests as follows: one-third on September 9, 2016, one-third on September 9, 2017 and one-third on September 9, 2018.

(2) The award vests as follows: one-third on July 6, 2017, one-third on July 6, 2018 and one-third on July 6, 2019.

(3) The award vests as follows: one-third on or around August 1, 2017, one-third on or around August 1, 2018 and one-third on or around August 1, 2019.

(4) The award vests as follows: one-third on July 3, 2018, one-third on July 3, 2019 and one-third on July 3, 2020.

(5) The award vests as follows: one-third on or around August 15, 2018, one-third on or around August 15, 2019 and one-third on or around August 15, 2020.

(6) The award vests as follows: one-third on March 16, 2017, one-third on March 16, 2018 and one-third on March 16, 2019.