

DGSE COMPANIES INC
Form 10-K/A
April 29, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K/A

Amendment No. 1

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the fiscal year ended December 31, 2018

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-11048

DGSE COMPANIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

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

Large accelerated filer []

Non-accelerated filer []

Accelerated filer []

(Do not check if a smaller reporting company) Smaller Reporting Company [X]

Emerging growth company []

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. []

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

As of June 30, 2018, which is the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to the closing sales price at which the common equity was last sold on the NYSE AMERICAN Exchange (the "Exchange") was \$5,575,820.

As of the close of business on April 29, 2019, there were 26,924,381 shares of DGSE Companies, Inc. common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE TO AMENDMENT NO. 1

DGSE Companies, Inc. (the “Company” or “DGSE”) is filing this Amendment No. 1 to its Annual Report on Form 10-K for the year ended December 31, 2018, as originally filed with the Securities and Exchange Commission (“SEC”) on April 12, 2019 (the “Original Form 10-K”), to add information required in Part III of its Annual Report on Form 10-K because a definitive proxy statement containing such information may not be filed within 120 days after the end of the fiscal year covered by the Form 10-K. The reference on the cover of the Original Form 10-K to the incorporation by reference to portions of its definitive proxy statement into Part III of the Original Form 10-K is hereby deleted. In addition, Item 15 of Part IV is being amended solely to add as exhibits certain new certifications in accordance with Rule 13a-14(a) promulgated by the SEC under the Securities Exchange Act of 1934.

Except as described above, no other changes have been made to the Original Form 10-K. This Amendment No. 1 continues to speak as of the date of the Original Form 10-K and the Company has not updated the disclosure herein to reflect any events that occurred at a later date other than as expressly stated herein. Accordingly, this Amendment No. 1 should be read in conjunction with the Original Form 10-K and with the Company’s filings made with the SEC subsequent to the filing of the Original Form 10-K.

Unless the context requires otherwise, references to “we,” “us,” and “our” refer specifically to DGSE Companies, Inc.

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PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE****Board of Directors and Executive Officers**

The following table lists the name and age of each member of the Board, each executive officer and each other significant employee, their respective terms of office and the position(s) he or she currently holds as of the date of the filing of this Amendment No. 1 to the annual report on Form 10-K for the year ended December 31, 2018 (“Fiscal 2018”).

Name	Age	Director or Officer Since	Position
John R. Loftus	50	2016	Chairman of the Board, Chief Executive Officer and President
Bret A. Pedersen	58	2017	Chief Financial Officer
Joel S. Friedman (1)	51	2017	Lead Independent Director and Chairman of the Compensation Committee
Alexandra C. Griffin (1)	30	2017	Director and Chairman of the Audit Committee
Jim R. Ruth (1)	55	2017	Director and Chairman of the Compliance, Governance and Nominating Committee
Allison M. DeStefano	35	2018	Director

(1) Member of the Audit Committee, Compensation Committee, and Compliance, Governance and Nominating Committee.

The following paragraphs summarize each nominee’s principal occupation, business affiliations and other information.

John R. Loftus has served as Chief Executive Officer and President and Chairman of the Board since December 12, 2016. Under his guidance, the company posted its second consecutive annual profit in 2018. Mr. Loftus holds an M.B.A. from the SMU Cox School of Business.

Bret A. Pedersen was appointed Chief Financial Officer on January 17, 2017. Mr. Pedersen has a Bachelor's degree in Accounting from Southwest Texas State University. Having been a CPA for over twenty years, he has extensive experience in reporting, analyzing, and financially controlling companies. He has been serving in the capacity as a Financial Controller for the past twenty years. Two years prior to being employed by DGSE, Mr. Pedersen was the Financial Controller, from 2014 to 2016, for Payson Petroleum, Inc. which is the parent company of Payson Operating, LLC. Prior to Payson Petroleum, Mr. Pedersen was the Financial Controller, from 2009 to 2014, for Iron Creek Ventures, Inc.

Joel S. Friedman has served as Lead Independent Director and Chairman of the Compensation Committee since January 18, 2017. Mr. Friedman has his undergraduate degree from the University of North Texas and holds a Masters of Business Administration from the SMU Cox School of Business. Mr. Friedman brings a wealth of Operations and Technology experience. Along with 20+ years of Senior Leadership in the Financial Services space, he has also held CIO and COO positions for companies in the Payment Processing Space- Century Payments and SaaS space- OppMetrix.

Alexandra C. Griffin has served as a director and as Chairman of the Audit Committee since January 17, 2017. Ms. Griffin has a Bachelor of Science Degree in Accounting from the University of Texas at Arlington. She has been with PrimeLending since December 2014 and is currently an Accounting Supervisor. Prior to PrimeLending, Ms. Griffin worked as a Senior Accountant for NTR Metals, LLC from 2012 to 2014. Ms. Griffin is a CPA skilled in financial analysis and financial statement reporting in accordance with GAAP.

Jim R. Ruth has served as a director and as Chairman of the Compliance and Nominating Committee since January 17, 2017. Mr. Ruth is currently the President and Chief Executive Officer of OppMetrix. From 2010 to 2015 he was the Executive Vice President-Sales and Marketing, Strategic Planning of OppMetrix. He obtained his Bachelor of Science Degree from the University of Michigan and holds a Masters of Business Administration from the SMU Cox School of Business.

Allison M. DeStefano has served as a director since March 19, 2018. Ms. DeStefano is the national sales director for Echo Environmental, LLC, a data security and de-manufacturer/refurbishment processor of electronics in the aftermarket supply chain. She is responsible for management of client services, firm marketing and communications, investment analysis, structuring and execution, and internal operations of the company. Ms. DeStefano started her career as a sales consultant and spent years as a senior sales executive with prior working relationships and with National Pawnbrokers Association Board and numerous members thereof. She studied art at the State University of New York and is a native of Buffalo, New York.

None of the individuals listed above have been involved in a legal proceeding as defined by Item 401(f) of Regulation S-K.

Family Relationships

There are no family relationships among our directors or our executive officers.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and officers and persons who beneficially own more than ten percent of our common stock to file with the SEC reports of beneficial ownership on Forms 3 and changes in beneficial ownership of our common stock and other equity securities on Forms 4 or Forms 5. SEC regulations require all officers, directors and greater than 10% stockholders to furnish us with copies of all Section 16(a) forms they file.

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to us during, and Forms 5 and amendments thereto furnished to us with respect to, Fiscal 2018, and any written representations from reporting persons that no Form 5 is required, we are not aware of any person who, at any time during Fiscal 2018, was a director, officer or beneficial owner of more than 10% of our common stock who failed to file on a timely basis, as disclosed in the above forms, reports required by Section 16(a) of the Exchange Act during Fiscal 2018.

Name	Number of Late Reports	Number of Transactions Not Reported On a Timely Basis	Known Failures to File a Required Form
John R. Loftus	0	0	0
Bret A. Pedersen	0	0	0
Joel S. Friedman	0	0	0
Alexandra C. Griffin	0	0	0
Jim R. Ruth	0	0	0
Allison M. DeStefano	0	0	0

Board Composition

Our Board is currently composed of five directors. John R. Loftus is the Company's Chairman of the Board, Chief Executive Officer and President since December 2016. Our most recent board member, Allison M. DeStefano, was elected to the board on March 19, 2018. Our Board has determined that current board members Joel S. Friedman, Alexandra C. Griffin, and Jim R. Ruth are "independent" under the standards of the SEC and the NYSE AMERICAN. Under applicable SEC and NYSE AMERICAN rules, the existence of certain "related person" transactions above certain thresholds between a director and us are required to be disclosed and preclude a finding by our Board that the director is independent. In addition to transactions required to be disclosed under SEC rules, our Board considered certain other relationships in making its independence determinations, and determined in each case that such other relationships did not impair the director's ability to exercise independent judgment on our behalf.

Our directors are elected at an annual meeting of our shareholders by the holders of shares entitled to vote in the election of directors, except in the case of vacancy, which can be filled by an affirmative vote of a majority of the remaining directors. Each director is elected to serve until the annual meeting of shareholders following their election or until he or she chooses to resign from his position.

Board Meetings

Our Board meets as often as necessary to perform its duties and responsibilities. During Fiscal 2018, the Board met four times in person or telephonically. All members of our Board were present at and participated in all meetings. Management also regularly conferred with directors between meetings regarding our affairs.

Audit Committee

The Audit Committee, established in accordance with Section 3(a)(58)(A) of the Exchange Act, consisting of all three independent directors of our Board, was chaired by Alexandra C. Griffin during Fiscal 2018, who is also an “audit committee financial expert,” as that term is defined in Item 407(d)(5)(ii) of Regulation S-K, promulgated under the Securities Act. Ms. Griffin is “independent,” as defined by the listing standards of the Exchange during Fiscal 2018. The other members of the Audit Committee during Fiscal 2018 were Joel S. Friedman and Jim R. Ruth. The Audit Committee is primarily tasked with overseeing our financial reporting process, evaluation of independent auditors and, where appropriate, exercising its duty to replace our independent auditors. Management is responsible for preparing our financial statements, and the independent auditors are responsible for auditing those financial statements. During Fiscal 2018, the Audit Committee met four times in person or telephonically.

In addition to their regular activities, the Audit Committee is available to meet with the independent auditors, the Chief Executive Officer or the Chief Financial Officer whenever a special situation arises and meets as often as necessary to perform its duties and responsibilities. The charter for the Audit Committee is available under the “Investors” menu of our corporate website at www.DGSECompanies.com. We certify that we have adopted a formal written audit committee charter and that the Audit Committee reviews and reassesses the adequacy of the charter annually.

Audit Committee Report

The Audit Committee has reviewed and discussed the audited financial statements with management and Whitley Penn LLP (“Whitley Penn”), our independent registered accounting firm, and all matters required to be discussed by the

American Institute of Certified Public Accountants, Professional Standards, Vol. 1, AU Section 380, as adopted by the Public Company Accounting Oversight Board (“PCAOB”) in Rule 3200T.

The Audit Committee has received written disclosures and the letter from Whitley Penn required by applicable rules of the PCAOB regarding Whitley Penn’s communications with the Audit Committee concerning independence, and the Audit Committee has discussed with Whitley Penn its independence.

Based on the review and discussions noted in the preceding two paragraphs, the Audit Committee recommended to the Board that the audited financial statements for the year ended December 31, 2018 and 2017 be included in our annual report on Form 10-K with the SEC.

All three independent directors, Joel S. Friedman, Alexander C. Griffin and Jim R. Ruth, are members of the Audit Committee. The Audit Committee acts pursuant to our Audit Committee Charter. Each of the members of the Audit Committee qualifies as an independent director under the current listing standards of the Exchange.

Compensation Committee

On August 31, 2012, the Board approved the creation of a Compensation Committee comprised of our independent directors. The Compensation Committee is currently chaired by Joel S. Friedman and is primarily concerned with reviewing, approving and determining the compensation of our executive officers to ensure that we employ ethical compensation standards and that our executive officers are fairly compensated based upon their performance and contribution to us. The Compensation Committee meets as often as necessary to perform its duties and responsibilities. During Fiscal 2018, the Compensation Committee met one time in person or telephonically. We have adopted a formal written Compensation Committee Charter, and the Compensation Committee reviews and reassesses the adequacy of the charter annually. The charter for the Compensation Committee is available under the “Investors” menu of our corporate website at www.DGSECompanies.com.

Compliance, Governance, and Nominating Committee

On January 17, 2013, the Board approved the creation of a Nominating and Corporate Governance Committee comprised of our independent directors, and on February 20, 2015, the Board approved a resolution which changed the name of this committee to the Compliance, Governance, and Nominating Committee, and also delegated certain additional responsibilities to the committee. The Compliance, Governance, and Nominating Committee is currently chaired by Jim R. Ruth and is primarily concerned with matters relating to the Company’s director nominations process and procedures, developing and maintaining the Company’s corporate governance policies, monitoring the Company’s compliance with its code of conduct and ethics, and any related matters required by the federal securities laws. The Compliance, Governance, and Nominating Committee meets as often as necessary to perform its duties and responsibilities. During Fiscal 2018, the Compliance, Governance, and Nominating Committee met one time. We have adopted a formal written Compliance, Governance, and Nominating Committee Charter, and the Compliance, Governance, and Nominating Committee reviews and reassesses the adequacy of the charter annually. The charter for the Compliance, Governance and Nominating Committee is available under the “Investors” menu on our corporate website at www.DGSECompanies.com.

Leadership

Pursuant to our bylaws, the Chairman of our Board shall be and is our Chief Executive Officer. On June 11, 2014, the Board passed a resolution to create the role of Lead Independent Director. The independent directors elected Joel S.

Friedman to fill that role. The Lead Independent Director consults with the Chairman in setting the schedule and agenda for Board meetings, coordinates and moderates executive sessions of the independent directors, acts as a liaison between the independent directors and the Chairman, and assists the Board and officers in providing oversight for the Company's governance guidelines and policies. As noted above, Mr. Friedman also serves as chairman of the Compensation Committee.

Pursuant to our bylaws, the Chairman of our Board and Chief Executive Officer presides, when present, at all meetings of the shareholders and at all meetings of our Board. The Chairman of our Board and Chief Executive Officer generally supervises over our affairs, has general and active control of all of our business and sees that all orders and resolutions of our Board and our shareholders are carried into effect. We have determined this leadership structure appropriate given the need for a centralized model of oversight.

Risk Oversight

Like other companies, we face a variety of risks, including investment risk, liquidity risk, and operational risk. Our Board believes an effective risk management system should: (i) timely identify the material risks that we face; (ii) communicate necessary information with respect to material risks to senior executives and, as appropriate, to the Board or the relevant committee of our Board of Directors; (iii) implement appropriate and responsive risk management strategies consistent with our risk profile; and, (iv) integrate risk management into decision-making. Our Board is tasked with overseeing risk oversight, and periodically meets with management and advisors regarding the adequacy and effectiveness of our risk management processes and to analyze the most likely areas of future risk for us. In addition to the formal compliance program, our Board encourages management to promote a corporate culture that incorporates risk management into our corporate strategy and day-to-day business operations.

Code of Business Conduct & Ethics and Related Party Transaction Policy

We have adopted a Code of Business Conduct and Ethics that applies to our directors, officers and employees, as well as a Related Person Transaction Policy, that applies to our directors (and director nominees), executive officers (or persons performing similar functions), and certain of our family members, affiliates, associates and/or related persons, as well as stockholders owning at least 5% of our Common Stock. The latest copies of our Code of Business Conduct and Ethics, and Related Person Transaction Policy are available under the “Investors” menu on our corporate website at www.DGSECompanies.com. Any transactions between us and our officers, directors, principal shareholders, or other affiliates have been on terms no less favorable to us than the Board believes could be obtained from unaffiliated third parties on an arms-length basis. We intend to disclose future amendments to these policies, or waivers of such provisions, at the same location on our website and also in public filings.

Shareholder Communication

Shareholders may send communications to our Board, individual directors or officers through our Investor Relations Department, Attn: Mr. Bret A. Pedersen, Chief Financial Officer, c/o DGSE Companies, Inc., 13022 Preston Road, Dallas, TX 75240, by phone at 972-587-4049, or via email at investorrelations@dgse.com. Mr. Pedersen will forward all shareholder communications that, in his judgment, are appropriate for consideration by members of our Board. Comments or questions regarding our accounting, internal controls or auditing matters will be referred to members of the Audit Committee. Comments or questions regarding the nomination of directors and other corporate governance matters will be referred to our Compliance, Governance, and Nominating Committee.

ITEM 11. EXECUTIVE COMPENSATION

Our Board is responsible for establishing and administering our executive compensation and employee benefit programs in the context of our overall goals and objectives. This Board’s duty has been delegated to the Compensation Committee of our Board of Directors (the “Compensation Committee”) in accordance with the Compensation Committee’s Charter. The Compensation Committee reviews the executive compensation program at least annually and approves appropriate modifications to executive officer compensation, including specific amounts and types of compensation. The Compensation Committee is responsible for establishing the compensation of the CEO and CFO. The Compensation Committee establishes the annual compensation of the non-employee directors and oversees our equity compensation plans, including the administration of our stock-based compensation plans.

The objectives of our compensation program are to: (i) provide a competitive, comprehensive compensation package to attract, retain and motivate highly talented personnel at all levels of our organization; and, (ii) provide incentives and rewards for implementing and accomplishing our short-term and long-term strategic and operational goals and objectives. Therefore, we strive to structure compensation packages that are competitive within the industry, while

maintaining and promoting our interests, as well as the interests of our shareholders.

We believe that specific levels of executive compensation should reflect the responsibilities of each position within our Company, the relative value of the position and the competition for quality, key personnel in our industry. Our executive compensation program includes three primary components:

Base salary. Base salary is the guaranteed element of an executive's annual cash compensation. The level of base salary reflects the Compensation Committee's assessment of the employee's long-term performance, his or her skill set and the market value of that skill set.

Annual cash bonus opportunities. Performance-based incentive cash bonuses are intended to reward executives for achieving specific financial and operational goals both at a corporate and an individual level.

Long-term incentive awards. Long-term incentives are provided through grants of stock options and restricted stock units intended to encourage our executives to take steps that they believe are necessary to ensure our long-term success, and to align their interests with our other shareholders.

Advice of Compensation Consultant

In February 2015, as part of a set of corporate governance reforms that the Board implemented, the Compensation Committee recommended and the Board approved an Executive Compensation Policy. As part of this policy the Compensation Committee is required to retain an independent compensation consultant at least once every three years to review the Company's compensation philosophy and plan to ensure that the criteria, factors, and policies and procedures for determining compensation comport with current best practices. Such consultant shall make recommendations to the Compensation Committee and/or the entire Board regarding any appropriate actions to better align executive and director compensation with shareholder interests and long-term value creation. Accordingly, in 2016, the Compensation Committee retained an independent compensation consultant, Paradox Compensation Advisors ("Paradox"), to analyze our executive compensation program as compared to our peers. Paradox also advised the Compensation Committee regarding appropriate elements of a competitive executive compensation structure, including fixed and at-risk elements, short-term and long-term incentives, and cash and equity components. Paradox reported the results of its analysis of our total executive compensation packages for positions held by members of our executive leadership team, as well as specific components of these packages, as compared to executives holding similar positions as similar-sized companies and/or labor market peers in related industries.

Summary Compensation Table

The following tables and discussion sets forth the compensation paid to our Chief Executive Officer and Chief Financial Officer for all services rendered to us by these individuals in all capacities for Fiscal 2018 and Fiscal 2017.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$) (3)	Stock Awards (\$)	Other Compensation	Total Compensation
John R. Loftus Chief Executive Officer (1)	2017	-				-
	2018	-				-
Bret A. Pedersen Chief Financial Officer (2)	2017	150,000	37,203			187,203
	2018	150,000	25,527			175,527

John R. Loftus was elected as the Company's Chief Executive Officer, Chairman of the Board, and President on (1) December 12, 2016 upon the resignation of Matthew M. Peakes on December 10, 2016. Mr. Loftus has chosen not to receive a salary at this time.

(2) Bret A. Pedersen was elected as the Company's Chief Financial Officer on January 14, 2017 after the resignation of Steven R. Patterson on January 12, 2017.

A quarterly bonus program was established for the company managers during Fiscal 2017 and the first two (3) quarters of Fiscal 2018. The bonus was discretionarily calculated quarterly on net profits above \$125,000 in which the Chief Financial Officer participated.

Employment Agreements

There are no Employment Agreements as of December 31, 2018.

Outstanding Equity Awards at Fiscal Year End

There are no Outstanding Equity Awards as of December 31, 2018.

Compensation of Directors

Beginning in January 2017 and extended through Fiscal 2018, the Compensation Committee recommended that independent directors be paid cash compensation of \$10,000 per year, to be paid in \$2,500 quarterly increments due on the day of each quarterly board meeting. No other compensation is to be paid. The full Board subsequently approved these recommendations.

Our employee directors receive no separate compensation for their services as directors.

The following table sets forth the total compensation paid to our directors serving in Fiscal 2018 (other than directors who are Named Executive Officers and whose compensation is described above under the heading Summary Compensation Table) for their service on our Board and committees of the Board during Fiscal 2018.

Name	Director Fees Paid in Cash (\$)	Stock Awards (\$)	All Other Compensation	Total (\$)
Joel S. Friedman	10,000	-	-	10,000