

Applied Minerals, Inc.  
Form DEFR14A  
October 24, 2018  
TABLE OF CONTENTS

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No. 1)**

Filed by the Registrant    Filed by a Party other than the Registrant o  
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Applied Minerals, Inc.**  
**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Edgar Filing: Applied Minerals, Inc. - Form DEFR14A

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

TABLE OF CONTENTS

**Applied Minerals, Inc.**

Notice of 2018 Annual Meeting and  
**Proxy Statement**

**Annual Meeting of Stockholders**  
**December 6, 2018 at 2:00 PM Eastern Time**  
**304 Hudson Street**  
**Third Floor**  
**New York, NY 10013**

TABLE OF CONTENTS

October 23, 2018

Dear Stockholders:

We invite you to attend the Annual Meeting of Applied Minerals, Inc., which will be held at 2:00 PM on December 6, 2018 at 304 Hudson Street, Third Floor, New York, NY 10013. Doors open at 1:30 PM. The meeting will be webcast and you can listen to it by logging on at [www.virtualshareholdermeeting.com/AMNL2018](http://www.virtualshareholdermeeting.com/AMNL2018). The attached Notice of Annual Meeting and Proxy Statement give details of the business to be conducted at the meeting.

**Presentation at the Meeting and Q&A**

At the Annual Meeting, we will have a full presentation of our achievements since the last Annual Meeting and our objectives for 2019. There will be a question and answer session at the meeting.

**How to Vote**

**Record Owners:** Mail. Use the proxy card delivered with the proxy statement, sign it, and mail it back in the self-addressed envelope we have supplied or by mailing the proxy card to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

Internet. Go to [proxyvote.com](http://proxyvote.com) and follow the directions. Please have the proxy card in hand when accessing [proxyvote.com](http://proxyvote.com) because you will need the 16-digit control number on the proxy card. Or scan the QR Barcode on your proxy card and vote immediately, if you have a QR Barcode reader.

Telephone. Use any touch-tone telephone to call 1-800-690-6903 and follow the instructions. Please have the proxy card in hand when accessing [proxyvote.com](http://proxyvote.com) because you will need the 16-digit control number on the proxy card.

At the meeting. You may vote at the meeting with proper identification

**Beneficial owners.** Voting instruction form. You will receive from your broker or custodian a voting instruction form (or other means) to instruct your broker or custodian how to vote. Follow the directions on the form in order to vote. In order for your shares to be voted on the election of directors and executive compensation (Say-on-Pay), you must provide instructions.

At the meeting. Beneficial owners who wish to vote at the meeting must obtain from the broker or custodian a written authorization for the beneficial owner to vote the beneficial owner's shares.

\* \* \* \*

We hope that you will attend the meeting or listen in to the webcast of the meeting. We look forward to talking with as many of you as possible.

Very Truly Yours,

Your Board of Directors

TABLE OF CONTENTS

**APPLIED MINERALS, INC.**

**Notice of 2018 Annual Meeting of Stockholders**

**Date:** December 6, 2018

**Time:** 2:00 PM Eastern Time

**Place:** 304 Hudson Street, Third Floor, New York, NY 10013

**Record date:** October 15, 2018. Only stockholders of record at the close of business on the record date are entitled to receive notice of, and to vote at, the Annual Meeting.

- Items of business:**
- To elect eight directors to serve until the next Annual Meeting of Stockholders or until their respective successors are elected and qualified or they resign or are removed.
  - To approve, on a non-binding advisory basis, the compensation that has been paid to our Named Executive Officers
  - To seek an advisory vote to approve the frequency of the advisory vote to approve the compensation of the Company's Named Executive Officers;
  - To ratify the selection of MaloneBaily LLP as our independent auditor for fiscal year 2018
  - To transact other business that may properly come before the Annual Meeting

**By order of the Board of Directors**

**William Gleeson**

Secretary

New York, New York

October 23, 2018

TABLE OF CONTENTS

|   |                  |
|---|------------------|
| <b><u>Part 1 Information about the Meeting</u></b>  | <b><u>1</u></b>  |
| <u>How to Vote</u>  | <u>1</u>         |
| <u>Webcast of Meeting; Asking Questions</u>   | <u>1</u>         |
| <u>Solicitation of Proxies</u>  | <u>2</u>         |
| <u>Householding</u>   | <u>2</u>         |
| <u>Record Date; Shares Eligible to Vote; Quorum</u>   | <u>2</u>         |
| <u>Election of Directors</u>  | <u>2</u>         |
| <u>Voting Procedures and Votes Required for Election of Directors and Approval of Proposals</u> | <u>2</u>         |
| <u>Voting on Other Matters</u>  | <u>4</u>         |
| <br>  |                  |
| <b><u>Part 2 Information concerning Directors</u></b>   | <b><u>5</u></b>  |
| <u>Nominees for Director</u>  | <u>5</u>         |
| <u>Information about Nominees</u>   | <u>5</u>         |
| <u>Director Compensation for the Year Ended December 31, 2017</u>                               | <u>9</u>         |
| <u>Board Leadership</u>   | <u>10</u>        |
| <u>Director Independence</u>  | <u>10</u>        |
| <u>Risk Oversight</u>   | <u>10</u>        |
| <u>Code of Ethics</u>   | <u>11</u>        |
| <u>Board and Committee Meetings and Meeting Attendance</u>                                      | <u>11</u>        |
| <u>Committees of the Board</u>  | <u>11</u>        |
| <u>Audit Committee Financial Expert</u>   | <u>11</u>        |
| <u>Governance and Nominating Committee and Nomination Process</u>                               | <u>12</u>        |
| <u>Compensation Committee</u>   | <u>13</u>        |
| <u>Compensation Policies and Practices as They Relate to Risk Management</u>                    | <u>14</u>        |
| <u>Compensation Committee Interlocks and Insider Participation</u>                              | <u>14</u>        |
| <u>Stockholder Communication to the Board of Directors</u>                                      | <u>14</u>        |
| <br>  |                  |
| <b><u>Part 3 Information concerning Executive Officers and Their Compensation</u></b>           | <b><u>15</u></b> |
| <u>Named Executive Officers</u>   | <u>15</u>        |
| <u>Summary Compensation Table</u>   | <u>15</u>        |
| <u>Pensions</u>   | <u>17</u>        |
| <u>Potential Payments on Termination or Change in Control</u>                                   | <u>17</u>        |
| <u>Plan-Based Awards</u>  | <u>17</u>        |
| <u>Outstanding Equity Awards at December 31, 2017</u>   | <u>18</u>        |
| <u>Options Exercised and Stock Vested</u>   | <u>18</u>        |
| <u>Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans</u>     | <u>18</u>        |
| <u>Related Party Transactions</u>   | <u>18</u>        |
| <u>Equity Compensation Plan Information</u>   | <u>19</u>        |

|   |           |
|---|-----------|
| <b><u>Part 4 Compensation Analysis and Discussion</u></b> | <u>21</u> |
| <u>Objectives and Strategy</u>                            | <u>21</u> |
| <u>Compensation of Mr. Zeitoun</u>                        | <u>22</u> |
| <u>Compensation for Messrs. Gleeson and Carney</u>        | <u>24</u> |
| <u>Tax and Accounting Treatment of Compensation</u>       | <u>26</u> |
| <u>Compensation Committee Report</u>                      | <u>26</u> |

TABLE OF CONTENTS

|   |           |
|---|-----------|
| <b><u>Part 5 Information concerning Independent Registered Public Accountant</u></b>                          | <u>27</u> |
| <u>Independent Registered Accountant for 2018</u>   | <u>27</u> |
| <u>Prior Independent Registered Accountants</u>   | <u>27</u> |
| <u>Fees to Accountants</u>  | <u>27</u> |
| <u>Policy of the Board of Directors' Pre-Approval of Audit and Non-Audit Services of Independent Auditors</u> | <u>27</u> |
| <br>  |           |
| <b><u>Part 6 Additional Important Information</u></b>   | <u>29</u> |
| <u>Beneficial Stock Ownership: Directors, Named Executive Officers, and 5% Holders</u>                        | <u>29</u> |
| <u>Section 16(a) Beneficial Ownership Reporting Compliance</u>  | <u>32</u> |
| <u>Stockholder Proposals and Nominations for 2019 Annual Meeting</u>  | <u>32</u> |
| <br>  |           |
| <b><u>Part 7 Proposals to be Voted on at the Meeting</u></b>  | <u>33</u> |
| <u>Proposal 1: Election of Directors</u>  | <u>33</u> |
| <u>Proposal 2: Advisory Vote on Executive Compensation</u>  | <u>33</u> |
| <u>Proposal 3: Advisory Vote on Frequency of Future Advisory Vote on Named Executive Officer Compensation</u> | <u>36</u> |
| <u>Proposal 4: Ratification of Independent Auditor</u>  | <u>37</u> |



## TABLE OF CONTENTS

### **Part 1: Information about the Meeting**

This Proxy Statement was first sent, given, or released to stockholders on October 23, 2017. It is furnished in connection with the solicitation of proxies. The proxies are to be voted at the Annual Meeting of Stockholders of Applied Minerals Inc. (the Company) for the purposes set forth in the accompanying Notice of Annual Meeting. The meeting will be held at 2:00 PM Eastern Time on December 6, 2018 at 304 Hudson Street, Third Floor, New York, NY 10013.

Stockholders who execute proxies retain the right to revoke them at any time before the shares are voted by proxy at the meeting. A stockholder may revoke a proxy by delivering a signed statement to our Corporate Secretary revoking the proxy at or prior to the Annual Meeting, or by timely executing and delivering, by Internet, mail, or in person at the Annual Meeting, another proxy dated as of a later date.

### **Internet Availability of Proxy Materials**

We are furnishing proxy materials to our stockholders primarily via the Internet instead of mailing printed copies of those materials to each stockholder. By doing so, we save costs and reduce the environmental impact of our Annual Meeting. On October 26, 2015, we mailed a Notice of Internet Availability of Proxy Materials to our stockholders. The Notice of Internet Availability of Proxy Materials contains instructions about how to access our proxy materials and vote online. If you would like to receive a paper copy of our proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials. If you previously chose to receive our proxy materials electronically, you will continue to receive access to these materials via e-mail unless you elect otherwise.

### **How to Vote**

**Record Owners:** You may vote by mail. You can vote by mail using the proxy card delivered with the proxy statement, if you requested a paper proxy statement, and mailing it back in the self-addressed envelope we have supplied or by mailing the proxy card to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Proxy cards submitted by mail must be received by the time of the Annual Meeting for your shares to be voted.

You may vote by Internet. You can vote by Internet by going to *proxyvote.com* and following the directions. Please have the proxy card or the Notice of Internet Availability in hand when accessing *proxyvote.com* because you will need the 16-digit control number on the proxy card or the Notice of Internet Availability. Or you can scan the QR Barcode on your proxy card and vote immediately, if you have a QR Barcode reader.

You may vote by phone. Use any touch-tone telephone to call 1-800-690-6903 and follow the instructions. Please have the proxy card or the Notice of Internet Availability in hand when accessing *proxyvote.com* because you will need the 16-digit control number on the proxy card or the Notice of Internet Availability.

You can use the Internet or telephone to transmit voting instructions up until 11:59 P.M. Eastern Time on December 5, 2018. Internet and telephone voting facilities for record holders are available 24 hours a day. If you do not have the 16-digit control number, you may contact Broadridge Shareholder Services at 877-830-4936 or [shareholder@broadridge.com](mailto:shareholder@broadridge.com).

**Beneficial owners.** Voting instruction form. You will receive from your broker or custodian a voting instruction form (or other means) to instruct your broker or custodian how to vote. Follow the directions on the form in order to vote. PLEASE PROVIDE VOTING INSTRUCTIONS AS TO ALL OF THE PROPOSALS TO BE VOTED ON. IN ORDER FOR YOUR SHARES TO BE VOTED ON THE FOLLOWING PROPOSALS — THE ELECTION OF DIRECTORS AND EXECUTIVE COMPENSATION (SAY-ON-PAY) — YOU MUST PROVIDE INSTRUCTIONS.

*Voting at the meeting.* If you wish to vote at the meeting, you must obtain from your broker or custodian, and present at the meeting, a legal proxy, which is a written authorization from the broker or custodian authorizing the beneficial owner to vote the beneficial owner's shares at the meeting.

**Webcast of Meeting; Asking Questions**

The meeting will be webcast at [www.virtualshareholdermeeting.com/AMNL2018](http://www.virtualshareholdermeeting.com/AMNL2018). Stockholders and others may listen to the meeting by logging into that address.

## TABLE OF CONTENTS

To ask questions if you are listening to the webcast, you will need the 16-digit control number on the Notice of Internet Availability, your proxy card, or on the voting instruction form sent by your broker or custodian.

### **Solicitation of Proxies**

The Board of Directors of the Company is soliciting the proxy accompanying this Proxy Statement. Proxies may be solicited by officers, directors, and employees of the Company, none of whom will receive any additional compensation for their services. These solicitations may be made personally or by mail, facsimile, telephone, messenger, email, or the Internet. The Company will pay persons holding shares of Common Stock in their names or in the names of nominees, but not owning such shares beneficially (such as brokerage houses, banks, and other fiduciaries) for the expense of forwarding solicitation materials to their principals. The Company will pay all proxy solicitation costs.

### **Householding**

To reduce costs and reduce the environmental impact of our Annual Meeting, a single proxy statement, annual report, and Form 10-Q for the three months ended June 30, 2018 will be delivered in one envelope to certain stockholders having the same last name and address and to individuals with more than one account registered at our transfer agent with the same address, unless contrary instructions have been received from an affected stockholder. Stockholders participating in householding will continue to receive separate proxy cards. If you are a registered stockholder and would like to enroll in this service or receive individual copies of this year's and/or future proxy materials, please contact our transfer agent, Broadridge Corporate Issuer Solutions, by phone at (800) 542-1061 or mail at Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. If you are a beneficial stockholder, you may contact the broker or bank where you hold the account.

### **Record Date; Shares Eligible to Vote; Quorum**

Stockholders of record at the close of business on October 15, 2018 will be entitled to vote at the meeting on the basis of one vote for each share held. On October 15, 2018, there were 175,513,549 shares of Common Stock outstanding and 624 record holders of the Company's Common Stock.

The presence of the holders of a majority of the outstanding shares of Common Stock entitled to vote at the Annual Meeting (87,756,775 shares), in person or represented by proxy, is necessary to constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum.

### **Election of Directors**

Eight directors are to be elected at the Annual Meeting to hold office until the next Annual Meeting of Stockholders or until their respective successors are elected and qualified or until such director's earlier resignation or removal.

The Board of Directors expects that each of the nominees will be available for election, but if any of them is unable to serve at the time the election occurs, the proxy will be voted for the election of another nominee designated by our Board.

If, for any reason, the directors are not elected at an Annual Meeting, they may be elected at a special meeting of stockholders called for that purpose in the manner provided by the By-Laws of the Company ( "By-Laws" ).

### **Voting Procedures and Votes Required for Election of Directors and Approval of Proposals**

*Voting of proxies*

All proxies solicited by the Company, whether received by means of a proxy card, telephone, or the Internet, will be voted, and where a choice is made with respect to a matter to be voted on, the shares will be voted in accordance with the specifications so made.

Except for broker non-votes (explained below), if a proxy is submitted *without* indicating that the shares are to be cast (i) FOR all nominees (ii) WITHHOLD for all nominees or (iii) FOR all except specified nominee(s), it will be deemed to grant authority to vote FOR all nominees to serve as directors as set forth in Part 7 – Proposals to be voted on and discussed in Part 2 Information concerning Directors .

## TABLE OF CONTENTS

Except for broker non-votes, if a proxy is submitted without indicating voting instructions on Proposal 2 (Say-on-Pay), Proposal 3 (advisory vote to approve the frequency of the advisory vote to approve the compensation of the company's named executive officers) or Proposal 4 (ratification of independent auditor), it will be deemed to grant authority to vote FOR the Proposal(s) as to which no instruction is given.

### ***Voting of shares held of record, but not beneficially, by brokers and other custodians***

Beneficial owners will receive a voting instruction form or other means, as specified by the broker or custodian, to instruct your broker, custodian, or other fiduciary how to vote. Beneficial owners may instruct the broker or custodian or other fiduciaries how to vote the shares through the voting instruction form or other means. If you wish to vote the shares you own beneficially at the meeting, you must request and obtain from your broker or other custodian and bring to the meeting, a legal proxy (a written authorization from the broker or custodian authorizing you to vote at the meeting).

### ***Tabulation of shares present at meeting and tabulation of votes***

Employees of the Company will tabulate the shares present at the meeting and the votes cast. We expect to report the final vote tabulation on a Form 8-K filed with the SEC within four business days of the Annual Meeting.

### ***Vote standard for election of directors; additional nominations***

The directors will be elected by a plurality of the votes cast, meaning the directors receiving the largest number of FOR votes will be elected to the open positions. The Company's By-Laws contain advance notice provisions for nominations for director by stockholders. If a stockholder makes a nomination that is not made in accordance with such advance-notice provisions, the nomination may not be voted on at the meeting. As of the date of this proxy statement, the date for stockholder to comply with the advance notice provisions, and thus to be eligible to make a nomination at the meeting, has passed.

### ***Broker Non-Votes***

If you are the beneficial owner of shares held by a broker or other custodian and you instruct the broker or custodian to vote but choose not to provide instructions as to one or more ballot items, your shares are referred to as uninstructed shares as to the ballot items on which you do not provide instructions. Whether your broker or custodian has the discretion to vote these shares on your behalf depends on the ballot item. See table below. If the broker or custodian has discretion, the broker or custodian may vote as it chooses. If the broker or custodian does not have discretion to vote on a proposal, the shares will not be voted on that proposal and are referred to as broker non-votes as to that proposal.

### ***Quorum***

Shares represented by proxies submitted without instructions or with instructions only on some issues or with withhold or abstentions as well as shares represented by broker non-votes will be included in the number of shares present at the Annual Meeting to determine whether a quorum is present.

### ***Vote required for approval***

The following table summarizes the votes required for passage of each proposal, the effect of abstentions on the voting of shares, and the effect of uninstructed shares held by brokers or other custodians on the voting of such shares.

|  | <b>Votes<br/>Required<br/>for<br/>Approval</b> | <b><u>Abstentions</u><br/>Is Vote Cast<br/>or Not<br/>Cast?</b> | <b><u>Broker<br/>Non-Votes</u><br/>Is Vote Cast<br/>or Not<br/>Cast?</b> |
|--|--|---|--|
| Election of directors                                  | Plurality of<br>shares cast                    | Vote not cast   | Vote not cast  |
| Advisory vote on executive compensation ( Say-on-Pay ) | Majority of<br>shares cast                     | Vote not cast   | Vote not cast  |
| Ratification of independent auditor                    | Majority of<br>shares cast                     | Vote not cast   | Broker or<br>custodian<br>may vote<br>using its<br>discretion            |

TABLE OF CONTENTS

**Voting on Other Matters**

Under the Company's By-Laws, if other matters in addition to those listed in the Notice are properly presented at the Annual Meeting for consideration, the persons appointed as proxies by the Board of Directors (the persons named on your proxy card if you are a stockholder of record) will have the discretion to vote the proxies they hold on those matters for you and will follow the instructions of the Board of Directors. However, the Company's By-Laws contain advance notice provisions for proposals to be made by stockholders. If a stockholder offers a proposal for a vote that is not made in accordance with such advance-notice provisions, the proposal may not be voted on at the meeting. As of the date of this proxy statement, the date for a stockholder to comply with the advance notice provisions, and thus to be eligible to make a proposal at the meeting, has passed.

TABLE OF CONTENTS**Part 2 Information concerning Directors****Nominees for Director**

The Company's directors are to be elected at each Annual Meeting of Stockholders. The Company's Certificate of Incorporation provides that the number of directors is to be fixed from time to time by resolution of the Board of Directors, and the Board of Directors has fixed the number at eight.

At this Annual Meeting, eight directors are to be elected, and each director to serve until the next Annual Meeting of Stockholders or until such director's successor is elected and qualified or such director resigns or is removed. The Board of Directors' nominees for the Board of Directors are:

**Mario Concha**

**John Levy**

**Michael Barry**

**Robert Betz**

**Michael Pohly**

**Ali Zamani**

**Andre Zeitoun**

**Alexandre Zyngier**

**Information about Nominees**

The following table provides the names, ages, positions with the Company, and principal occupations of our current directors who have been nominated for election as a director at the Annual Meeting:

| <b>Name and Position with The Company</b> | <b>Age</b> | <b>Director/Officer Since</b>                    | <b>Principal Occupation</b>   |
|---|------------|--|---|
| Mario Concha                              | 78         | Chairman since 2016;<br>Director since 2013      | President, Mario Concha and Associates  |
| John F. Levy                              | 63         | Vice Chairman since 2016;<br>Director since 2008 | CEO of Board Advisory   |
| Michael Barry                             | 49         | Director since April 2018                        | General Counsel and Chief Compliance Officer of Samlyn Capital. LLC   |
| Robert T. Betz                            | 76         | Director since 2014                              | Owner, Personal Care Ingredients  |
| Michael Pohly                             | 49         | Director since June 2018                         | Portfolio Manager and Sector Head for Credit, Currencies and Commodities at Kingdon Capital Management LLC. |
| Ali Zamani                                | 39         | Director since 2014                              | Managing Partner of Overbrook Investments and Chairman of Mexican Gold Corp.                                |



Edgar Filing: Applied Minerals, Inc. - Form DEFR14A

|                   |    |                     |   |
|-------------------|----|---------------------|---|
| Alexandre Zyngier | 49 | Director since 2017 | Managing Director at Batuta<br>Advisors |
|-------------------|----|---------------------|---|

|               |    |   |                                  |
|---------------|----|---|----------------------------------|
| Andre Zeitoun | 45 | Director, President, and<br>CEO since January, 2009 | President and CEO of the Company |
|---------------|----|---|----------------------------------|

All of the nominees are incumbents and their current terms expire at the 2018 Annual Meeting.

## TABLE OF CONTENTS

Information about persons nominated by the Board of Directors for the position of director of the Company is listed below, including brief biographies. Each biographic summary is followed by a brief summary of certain experiences, qualifications, attributes or skills that led the Board to determine that each nominee is qualified to, and should, serve as a director for the Company. General information regarding the nomination process is included under the Governance and Nominating Committee and Nomination Process heading.

### **Mario Concha, Chairman and Director**

Mr. Concha is the President of Mario Concha and Associates, LLC, a firm providing consulting services to senior executives and members of boards of directors. In addition to providing consulting services, he has served as a director of Arclin, Ltd., a manufacturer of specialty resins, and Auro Resources, Corp, a mineral exploration company with holdings in Colombia's gold region. Prior to founding Mario Concha and Associates in 2005, Mr. Concha was an officer of Georgia Pacific Corporation and president of its Chemical Division from 1998 to 2005. Prior to Georgia Pacific, Mr. Concha participated in the formation of GS Industries, a manufacturer of specialty steels for the mining industry, through a leveraged buyout of Armco Inc's Worldwide Grinding Systems Division. He then served as President of its International Division from 1992 to 1998. From 1985 to 1992, Mr. Concha was Vice President-International for Occidental Chemical Corporation. Prior to Occidental Chemical, he served in several senior management positions at Union Carbide Corporation in the United States and overseas.

Mr. Concha is a graduate of Cornell University with a degree in Chemical Engineering. He has attended the Advanced Management Program at the University of Virginia's Darden School of Business and the NACD-ISS accredited Director's College at the University of Georgia's Terry College of Business. He is a member of the National Association of Corporate Directors, the American Chemical Society, and the American Institute of Chemical Engineers.

*Key attributes, experience and skills:* Mr. Concha has over 40 years experience as a hands-on corporate executive. He has first-hand industry knowledge, gained from senior executive positions in various industries, including chemicals, plastics, forest products, metals, and mining. In addition to manufacturing operations, he has had extensive involvement in marketing, sales, and finance. Mr. Concha also brings corporate governance experience, having served on both public and private company boards.

### **John F. Levy, Vice Chairman and Director**

Since May 2005, Mr. Levy has served as the Chief Executive Officer of Board Advisory, a consulting firm that advises public companies in the areas of corporate governance, corporate compliance, financial reporting, and financial strategies. Mr. Levy currently serves on the board of directors of three public companies including Applied Minerals. Mr. Levy has been a director, chairman of the Audit Committee, and a member of the Governance and Nominating Committee, of Washington Prime Group, a Real Estate Investment Trust, since 2016. Mr. Levy has been a director, chairman of the Governance and Nominating Committee, and a member of the Audit and Compensation Committees of Takung Art Co., Ltd., an operator of an electronic online platform for artists, art dealers and art investors to offer and trade in ownership units over valuable artwork since 2016. He was a director of China Commercial Credit, a publicly held Chinese micro-lender, from 2013 to 2016. He was a director and audit committee member of Applied Energetics, Inc. (AERG), a publicly held company that specialized in the development and application of high power lasers, high voltage electronics, advanced optical systems and energy management systems technologies from 2009 to 2016. From 2006 to 2013, Mr. Levy was a director and chair of the Audit Committee of Gilman Ciocia, Inc., a publicly traded financial planning and tax preparation firm and served as lead director from 2007 to 2013. From 2010 to 2012, he served as director of Brightpoint, Inc., a publicly traded company that provides supply chain solutions to leading stakeholders in the wireless industry. From 2008 through 2010, he served as a director of Applied Natural Gas Fuels, Inc. (formerly PNG Ventures, Inc.). From 2006 to 2010, Mr. Levy served as a

director and Audit Committee chairman of Take Two Interactive Software, Inc., a public company that is a global developer and publisher of video games best known for the Grand Theft Auto franchise. Mr. Levy is a frequent speaker on the roles and responsibilities of Board members and audit committee members. He has authored *The 21<sup>st</sup> Century Director: Ethical and Legal Responsibilities of Board Members*, *Acquisitions to Grow the Business: Structure, Due Diligence, Financing, Ethics and Sustainability: A 4-way Path to Success*, *Finance and Innovation: Reinvent Your Department and Your Company*, *Predicting the Future: 21<sup>st</sup> Century Budgets and Projections* and *Heartfelt Leadership: How Ethical Leaders Build Trusting Organizations*. All courses have been presented to state accounting societies.

TABLE OF CONTENTS

Mr. Levy is a Certified Public Accountant with nine years experience with the national public accounting firms of Ernst & Young, Laventhol & Horwath, and Grant Thornton. Mr. Levy has a B.S. degree in economics from the Wharton School of the University of Pennsylvania and received his M.B.A. from St. Joseph's University (PA).

*Key attributes, experience and skills:* Mr. Levy has over 35 years of progressive financial, accounting, and business experience, including having served as Chief Financial Officer of both public and private companies for over 13 years. Mr. Levy brings to the board expertise in corporate governance and compliance matters along with extensive experience gained from numerous senior executive positions with public companies. Further, Mr. Levy's service on the boards of directors of public companies in a variety of industries allows him to bring a diverse blend of experiences to the Company's board.

**Michael Barry, Director**

Mr. Barry is the General Counsel and Chief Compliance Officer at Samlyn Capital, LLC. Prior to joining Samlyn Capital, LLC in 2009, Michael was a Partner at Mintz Levin Cohn Ferris Glovsky and Popeo, P.C. in New York City from 2006 through 2009, and a corporate associate from 2000. Prior thereto, he was a litigation associate at Skadden, Arps, Slate, Meagher and Flom LLP in New York City. Michael began his career as a litigation associate at Whitman, Breed, Abbott & Morgan in New York City.

*Key attributes experience and skills.* Mr. Barry is expert in fiduciary duties of directors under Delaware law.

**Robert T. Betz, Director**

From 2000 through his retirement in 2002, Mr. Betz was the President of Cognis Corp., the North American division of Cognis GmbH, a \$4 billion worldwide supplier of specialty chemicals and nutritional ingredients that was spun off from Henkel AG & Company ( Henkel ). From 1989 through 2000, Mr. Betz held a number of management positions at Henkel, including Executive VP and President of its Emery Group, a leading manufacturer of oleochemicals, and President of its Chemicals Group for North America.

From 1979 through 1989, Mr. Betz worked in a number of manufacturing and operations capacities for the Emery Division of National Distillers and Chemicals Corp., eventually rising to President of the division. Mr. Betz began his career in the specialty chemicals industry by joining Emery Industries in 1963. Between 1963 and 1979 he worked for the company as Market Development Representative, Manager of Corporate Planning, Vice President of Operations - Emery (Canada), Manager of Commercial Development, and General Manager of Business Groups. Emery Industries was sold to National Distillers and Chemicals Corp. in 1979.

Since 2003, Mr. Betz has been the owner of Personal Care Ingredients, LLC, a privately-owned marketer of natural products to the personal care industry. Mr. Betz also serves as a director for Bio-Botanica, a manufacturer of natural extracts.

Mr. Betz holds a B.S. in Chemical Engineering and an M.B.A., both degrees from the University of Cincinnati. He has also attended the Program for Management Development at Harvard University.

*Key attributes experience and skills.* During Mr. Betz's career, he has been involved in developing new products or new markets for existing products. Several of these products grew into sizeable businesses. He managed multiple chemical manufacturing facilities and managed a multi-billion dollar polyethylene business. He was responsible for profit and loss for businesses with sales of \$900 million. While heading the chemical operations, he was responsible for all aspects of the business: manufacturing, sales, R&D, IT, HS&E, HR, purchasing, engineering, and legal. His career has continuously involved developing, manufacturing, and selling products directed at most of the markets that

Applied Minerals is attempting to penetrate. Since his retirement, he served on the boards of three chemical-related, private companies: Plaza Group, Syrgis, and Bio-Botanica.

**Michael Pohly, Director**

Michael Pohly is a Portfolio Manager and Sector Head for Credit, Currencies and Commodities at Kingdon Capital Management LLC. He joined Kingdon in January 2009 and has over 27 years of investment experience. Previously, he worked at Morgan Stanley for 17 years, most recently as Managing Director and Head of Global Proprietary Fixed Income Trading, a role held from December 2005 to May 2008. During this time, he served as Senior Portfolio Manager of a \$1 billion proprietary credit effort, managing a team that invested in investment grade and high yield corporate and structured credit products. He served on the Board of Directors of the International Swaps Dealer

**TABLE OF CONTENTS**

Association (ISDA) from 2006 to 2007. From 2006 to 2008 he served as Vice Chairman of the Board and president of Cournot Capital Inc., a derivatives product company founded by Morgan Stanley. He holds a BS in Economics from the Wharton School of the University of Pennsylvania, graduation summa con laude.

*Key attributes, experience and skills:* Mr. Pohly has over 27 years of investment experience, including over 9 years at Kingdon Capital and 17 years at Morgan Stanley. Mr. Pohly has extensive experience in the credit markets, having worked on the both the buy and sell side. Additionally, Mr. Pohly brings a unique investor perspective to the board due to his substantial experience in evaluating and investing in the mining and other sectors.

**Ali Zamani, Director**

Ali Zamani is currently the Managing Partner of Overlook Investments and Chairman of Mexican Gold Corp. He served as a Portfolio Manager and CIO at Gefinor Capital Management from 2014 to 2016. Prior to Gefinor Mr. Zamani was a Principal at SLZ Capital Management, a New York-based asset management firm, from July 2012 to December 2013. Prior thereto, he was a Portfolio Manager at Goldman Sachs from 2004 to 2012 where he focused on the energy, materials, utilities, and industrials sectors. From 2002 to 2004, he was a mergers and acquisitions analyst at Dresdner Kleinwort Wasserstein, a boutique New York-based investment bank focused on the energy and utilities sectors.

Mr. Zamani holds a B.S. in Economics from the Wharton School at the University of Pennsylvania, where he graduated magna cum laude.

*Key attributes, experience and skills:* Mr. Zamani has over 15 years of financial industry experience, including 8 years as a senior investment professional at Goldman Sachs & Co. Mr. Zamani brings significant capital markets expertise, including extensive mining and industrial sector investing experience. Additionally, Mr. Zamani brings a unique stockholder/investor perspective to the board having been a major stockholder in numerous similar companies over his career.

**Andre M. Zeitoun, Chief Executive Officer, President, Director**

Mr. Zeitoun is President and CEO and has served in those positions since January 1, 2009.

Mr. Zeitoun was a Portfolio Manager at SAC Capital/CR Intrinsic Investors from March 2007 through December 2008. At SAC, he led a team of six professionals and managed a several hundred million dollar investment portfolio focused on companies that required a balance sheet recapitalization and/or operational turnaround. Many of these investments required Mr. Zeitoun to take an active role in the turnaround process. From 2003 to 2006, he headed the Special Situations Group at RBC Dain Rauscher as a Senior Vice President and head of the division. He managed all group matters related to sales, trading, research and the investment of the firm's proprietary capital. From 1999 to 2003, Mr. Zeitoun was a Senior Vice President at Solomon Smith Barney. In this role, Mr. Zeitoun led a Special Situations sales trading research team serving middle market institutions. Mr. Zeitoun is a graduate of Canisius College.

*Key attributes, experience and skills:* Mr. Zeitoun has over 15 years experience identifying, allocating capital to, and taking an active role in corporate situations requiring a balance sheet recapitalization and/or operational restructuring. Since January 2009, Mr. Zeitoun has spearheaded efforts to raise critically needed capital, engage industry-leading consultants to quantify and characterize the Company's Dragon Mine resource, increase processing capabilities, establish a marketing infrastructure, and lead the marketing effort. During his time as President and Chief Executive Officer of the Company, Mr. Zeitoun has developed a level of expertise in the area of the commercialization of halloysite and iron oxide applications.

**Alexandre Zyngier, Director**

Mr. Zyngier has been the Managing Director of Batuta Advisors since founding it in August 2013. The firm pursues high return investment and advisory opportunities in the distressed and turnaround sectors. Mr. Zyngier has over 20 years of investment, strategy, and operating experience. He is currently a director of Atari SA, AudioEye Inc., Torchlight Energy Resources Inc and certain other private entities. Before starting Batuta Advisors, Mr. Zyngier was a portfolio manager at Alden Global Capital from February 2009 until August 2013, investing in public and private opportunities. He has also worked as a portfolio manager at Goldman Sachs & Co. and Deutsche Bank Co. Additionally, he was a strategy consultant at McKinsey & Company and a technical brand manager at Procter & Gamble. Mr. Zyngier holds an MBA in Finance and Accounting from the University of Chicago and a BS in Chemical Engineering from UNICAMP in Brazil.

TABLE OF CONTENTS

*Key attributes, experience, and skills.* We believe that Mr. Zyngier's investment experience and his experience in overseeing a broad range of companies will greatly benefit the Board of Directors.

*Who originally recommended the Nominees.* Mr. Levy was originally recommended for election as director by David Taft, at the time a significant stockholder and later a director. Mr. Zeitoun was initially elected a director pursuant to the terms of his agreement to become CEO. Mr. Concha was originally recommended by Mr. Levy. Mr. Betz was originally recommended by Mr. Concha. Mr. Zamani was originally recommended security holders. Mr. Zyngier was recommended by Mr. Zeitoun. Messrs. Barry and Pohly were appointed pursuant to director nomination agreements with the holders of the Series A and the Series 2023 Notes, respectively.

*Director Nomination Agreements.* The Company entered into an director nomination agreement ( Samlyn Director Nomination Agreement ) in 2011 in connection with a \$10 million investment in the Company with Samlyn Onshore Fund, LP, a Delaware limited partnership, and Samlyn Offshore Master Fund, Ltd., a Cayman Islands exempted company (together the Samlyn Funds ). Subject to the terms and conditions of the Samlyn Director Nomination Agreement, until the occurrence of a Termination Event (as defined in the Samlyn Director Nomination Agreement), the Samlyn Funds jointly have the right to designate one person to be nominated for election to the Board. The Samlyn Funds have exercised the right to designate a person by designating Michael Barry, the General Counsel and Chief Compliance Officer of Samlyn Capital, LLC, Mr. Barry is currently serving as a director and is a Board nominee for election as a director at the 2018 Annual Meeting

The Company entered into a director nomination agreement ( 2023 Director Nomination Agreement ) in 2017 with the Holders of the 10% PIK Election Convertible Notes Due 2023 ( 2023 Holders ). Subject to the terms and conditions of the 2023 Director Nomination Agreement, the 2023 Holders have the right the right to designate one person to be nominated for election to the Board. The 2023 Holders exercised that right to designate in 2018 by designating Michael Pohly, Portfolio Manager and Sector Head for Credit, Currencies and Commodities at Kingdon Capital Management LLC. Mr. Pohly is currently serving as a director and is a board nominee for election as a director at the 2018 Annual Meeting.

**Director Compensation for the Year Ended December 31, 2017**

The following sets forth compensation to our directors in 2017. Mr. Zeitoun receives no fees for service as a director.

| <b>Name</b>       | <b>Fees<br/>Earned<br/>or Paid<br/>in Cash<br/>(\$)</b> | <b>Common<br/>Stock<br/>Awards<br/>(\$)</b> | <b>Options<br/>Awards<br/>(\$)(3)</b> | <b>Total<br/>(\$)</b> |
|-------------------|---|---|---------------------------------------|-----------------------|
| John Levy         | 0   | 1,800                                       | 40,663                                | 42,463                |
| Robert Betz       | 0   | 1,800                                       | 76,203                                | 78,003                |
| Mario Concha      | 0   | 1,800                                       | 145,642                               | 147,442               |
| Ali Zamani        | 0   | 1,800                                       | 33,886                                | 35,686                |
| Andre Zeitoun (2) | 0   | 0   | 0                                     | 0                     |



Alexandre Zyngier (1)            0            0            24,587            24,587

(1)Mr. Zyngier was elected to the Board of Directors at the Annual Meeting of Shareholders in December 2017.

(2)Mr. Zeitoun is not separately compensated for services as a director.

(3)Black Scholes value at grant date

Messrs. Barry and Pohly became directors during 2018

During 2017 until August 18, 2017, Director fees for 2017 were as follows: (i) Base Fees: \$50,000 per year for being on the Board; \$10,000 for Committee Chair (except Operations Committee) or Board Chair; \$150,000 for Operations Committee Chair and \$62,500 for non-employee director member of the Operations Committee and (ii) 50,000

## TABLE OF CONTENTS

shares. The fees denominated in dollars were payable in options, The number of options is calculated by dividing the fee by the higher of \$.25 or the Black Scholes value at the date of grant. The Black Scholes value of the options is based on an exercise price that is the higher of \$.25 or the market price on the date of grant.

On August 18, 2017, the Board granted 7,083,333 options to the members of the Board of Directors (except Mr. Zeitoun) in connection with fees for Board service for the four quarters beginning October 1, 2017, except for service on the Operations Committee. The compensation program was as follows: (i) Base Fees: \$50,000 per year for being on the Board; \$10,000 for Committee Chair (except Operations Committee) or Board Chair; \$150,000 for Operations Committee Chair and \$62,500 for non-employee director member of the Operations Committee. The compensation would be payable in options. The options, except for the Operations Committee options, vested quarterly beginning September 30, 2017, provided the person is in the position at the relevant date. The options for Operations Committee service were for the year beginning May 1, 2018 and vest as of May 1, 2018. The options are ten-year options with an exercise price of \$.06

The total number of options granted to each of the directors is as follows: Mr. Betz — 1,791,667 Mr. Concha: 3,250,000 Mr. Levy — 1,000,000 Mr. Zamani — 833,333.

Consistent with the compensation program, 545,289 options were granted to Mr. Zyngier when he joined the Board in December 2017. Consistent with this program, options were granted when Messrs. Barry and Pohly were appointed to the Board in April and June 2018, respectively. 347,222 options were granted to the Samlyn Funds at the direction on Mr. Barry and 277,777 options were granted to M. Kingdon Offshore Master Fund, L.P. at the direction of Mr. Pohly.

On September 18, 2018, the Board adopted a compensation program whereby the following fees was payable: (i) Base Fees: \$50,000 per year for being on the Board; \$10,000 for Committee Chair (except Operations Committee) or Board Chair; \$150,000 for Operations Committee Chair and \$62,500 for non-employee director member of the Operations Committee. Payments would be made quarterly in advance for the Base Fees and Committee Chairs. Fees for service on the Operations Committee The fees would be payable in cash, but until such time as the Board otherwise determines, the payments in cash would not be made but would be accrued.

The options were granted on August 18, 2017 and since then were granted under the 2017 Incentive Plan, which was adopted on August 18, 2017 by the Board of Directors. Forty million shares of Common Stock are subject to the plan.

### **Board Leadership**

Since 2009, the Company has had, separate persons serving in the roles of Chief Executive Officer and Chairman of the Board. The Board believes that separating the Chair from the CEO position facilitates more effective board interaction and improves management accountability.

Mr. Concha, the Board Chair, sets the agenda for and presides at Board meetings and coordinates the Board's communication with Mr. Zeitoun and the management of the Company. Mr. Concha is fully independent.

Mr. Zeitoun, the Chief Executive Officer, is responsible for, among other things, managing the business and affairs of the Company within the guidelines established by the Board, reporting to the Board of Directors, recommending to the Board strategic directions for the Company's business, and implementing the strategic, business and, operational plans approved by the Board.

### **Director Independence**

Messrs. Concha, Levy, Betz, Pohly, Zamani and Zyngier are deemed to be independent for purposes of the Board under the independence standards of Nasdaq, which the Company uses to determine independence, and under the enhanced independence standards of Section 10A-3 of the Securities Exchange Act. They are also deemed to be outside directors under the standards of Section 162(m) of the Internal Revenue Code.

### **Risk Oversight**

The Board oversees management's evaluation and planning for risks that the Company faces. Management regularly discusses risk management at its internal meetings and reports to the Board those risks that it thinks are most critical and what it is doing in response to those risks. The Board exercises oversight by reviewing key strategic and financial

TABLE OF CONTENTS

plans with management at each of its regular quarterly meetings as well as at certain special meetings. The Board's risk oversight function is coordinated under the leadership of the independent Chair of the Board and the Board believes that this oversight is enhanced by the separation of the role of Chair from CEO.

**Code of Ethics**

We have adopted a Code of Conduct and Ethics for our Chief Executive Officer and our senior financial officers. A copy of our Code of Conduct and Ethics is posted on our website at [www.appliedminerals.com](http://www.appliedminerals.com) and can be obtained at no cost, by telephone at (212) 226-4265 or via mail by writing to Applied Minerals, Inc., 55 Washington Street, Brooklyn, NY 11201. We believe our Code of Conduct and Ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; to provide full, fair, accurate, timely and understandable disclosure in public reports; to comply with applicable laws; to ensure prompt internal reporting of code violations; and to provide accountability for adherence to the Code.

**Board and Committee Meetings and Meeting Attendance**

During 2017, there were fourteen meetings of the Board of Directors, seven meetings of the Operations Committee, six meetings of the Compensation Committee, eight meetings of the Audit Committee, and four meetings each of the Governance and Nominating Committee and the Health, Safety and Environment Committee. Every director attended at least 75% of all board meetings and all committee meetings of which that director was a member. It is the policy of the Board that all Board members attend the annual meeting of shareholders, if possible.

**Committees of the Board**

The following sets forth the standing Committees of the Board and membership of the committees. The charters of the committees are available at the Company's website, [appliedminerals.com](http://appliedminerals.com). The Board of Directors has determined that all committee members are independent under the independence definition used by NASDAQ except for Mr. Zeitoun.

|                   | Governance<br>and  |                         |                           | Health, Safety<br>and    |                         |     |
|-------------------|--------------------|-------------------------|---------------------------|--------------------------|-------------------------|-----|
|                   | Audit<br>Committee | Nominating<br>Committee | Compensation<br>Committee | Environment<br>Committee | Operations<br>Committee |     |
| Mario Concha      |                    | X                       | X                         | *                        | X                       | X * |
| John Levy         |                    | X *                     | X                         |                          |                         |     |
| Robert Betz       | X                  | X                       | X                         | X                        | *                       | X   |
| Michael Barry     |                    |                         |                           |                          |                         |     |
| Michael Pohly     |                    |                         |                           |                          |                         |     |
| Ali Zamani        | X                  |                         |                           | X                        |                         |     |
| Alexandre Zyngier | X                  | *                       |                           |                          |                         |     |
| Andre Zeitoun     |                    |                         |                           | X                        |                         | X   |

\* Committee Chairman

The Audit Committee satisfies the definition of Audit Committee in Section 3(a)(58)(A) of the Securities Exchange Act of 1934.

There is a special committee of the Board appointed to deal with the disposition of the funds received from the sale of five waste piles on August 2018. The Committee consists of Messrs. Concha, Levy, Betz, Zamani, and Zyngier.

**Audit Committee Financial Expert**

The Board of Directors has determined that Mr. Zamani is an Audit Committee Financial Expert as the term is defined in the rules of the Securities and Exchange Commission.

## TABLE OF CONTENTS

### **Governance and Nominating Committee and Nomination Process**

The Governance and Nominating Committee does not have a set process for identifying and evaluating nominees for director and does not have any specific minimum requirements that must be met by any committee-recommended nominee for a position on the Board of Directors. Characteristics expected of all directors include integrity, high personal and professional ethics, sound business judgment, and the ability and willingness to commit sufficient time to the Board. In evaluating the suitability of individual Board members, the Board takes into account many factors, including general understanding of marketing, finance, and other disciplines relevant to the success of a publicly-traded company in today's business environment; understanding of the Company's business; educational and professional background; and personal accomplishment. The Board evaluates each individual in the context of the Board as a whole, with the objective of recommending a group that can best promote the success of the Company's business and represent stockholder interests through the exercise of sound judgment. In determining whether to recommend a director for re-election, the Governance and Nominating Committee also considers the director's past attendance and the results of the most recent Board self-evaluation.

The Board does not have a policy relating to diversity in connection with the identification or selection of nominees and has not considered the issue.

The Board will consider director candidates recommended by any stockholder. In evaluating candidates recommended by our stockholders, the Board of Directors has no set process for evaluating nominees, and the criteria would include the ones set forth above that are applied to nominees nominated by the Board. Any stockholder recommendations for director nominees proposed for consideration by the Board should include the candidate's name and qualifications for service as a Board member, a document signed by the candidate indicating the candidate's willingness to serve, if elected, and evidence of the stockholder's ownership of Company Common Stock and should be addressed in writing to the Chairman, Applied Minerals, Inc., 55 Washington Street, Suite 301 Brooklyn, NY 11201.

There have been no changes in the procedures by which stockholders may recommend candidates for director.

The Governance and Nominating Committee has a charter and it is posted on the Company's website.

#### *Samlyn Funds—Rights to Nominate Directors*

In connection with their investment of \$10 million in 2011, Samlyn Onshore Fund, LP, a Delaware limited partnership, and Samlyn Offshore Master Fund, Ltd., a Cayman Islands exempted company (collectively, the Samlyn Entities) were granted the joint right to designate one person (the Initial Nominee) to be nominated for election to the Board and the Board of Directors must use commercially reasonable efforts to cause the election or appointment, as the case may be, of such nominee as a director of the Company.

If any nominee is jointly designated by the Samlyn Entities at a time (A) at which such nominee cannot be included in the proxy statement prepared by management of the Company in connection with the soliciting of proxies for a meeting of the stockholders of the Company called with respect to the election of directors or (B) after which a meeting of the stockholders has been held with respect to the election of directors (collectively, the Interim Period) or (ii) is nominated for election to the Board but not elected by the stockholders of the Company for any reason whatsoever, the Board shall increase the number of members serving on the Board by one and the Samlyn Entities shall be entitled to promptly designate a nominee, who shall be appointed by the Board to fill the additional member position promptly.

If the Samlyn Entities, together with their respective affiliates, cease to beneficially own at least 9,700,000 shares of Common Stock, the rights of the Samlyn Entities described above shall terminate automatically (the Termination

Event ). As promptly as practicable following the Termination Event, at the request of the Board, the Samlyn Nominee shall cause such Nominee to execute and deliver a letter of resignation to the Company, which resignation shall be effective immediately with respect to the Company and, if applicable, any subsidiary of the Company for which such Nominee serves as a director, manager or other similar position.

The Samlyn Funds exercised the right to designate a person by designating Michael Barry, the General Counsel and Chief Compliance Officer of Samlyn Capital, LLC. Mr. Barry was appointed to the Board in April 2018. At his direction, Mr. Barry's compensation as a director is paid to the Samlyn Funds.

**TABLE OF CONTENTS**

*Director Nomination Agreement with Series 2023 Noteholders*

The Company has entered into a director nomination agreement ( *2023 Director Nomination Agreement* ) in 2017 with the Holders of the 10% PIK Election Convertible Notes Due 2023 ( *2023 Holders* ). Subject to the terms and conditions of the 2023 Director Nomination Agreement, the 2023 Holders have the right to designate one person to be nominated for election to the Board. The 2023 Holders have designated Michael Pohly, Portfolio Manager and Sector Head for Credit, Currencies and Commodities at Kingdon Capital Management LLC, as a director and Mr. Pohly has been appointed as a director. At his direction, Mr. Pohly's compensation as a director is paid to M. Kingdon Offshore Master Fund, L.P. Under the 2023 Director Nomination Agreement, if a nominee (i) is designated by the at a time (A) at which such nominee cannot be included in the proxy statement prepared by management of the Company in connection with the soliciting of proxies for a meeting of the stockholders of the Company called with respect to the election of Directors or (B) after which a meeting of the stockholders has been held with respect to the election of Directors or (ii) is nominated for election to the Board but not elected by the stockholders of the Company for any reason whatsoever (including, without limitation, such nominee's death, disability, disqualification or withdrawal as a nominee), the Board shall increase the number of members serving on the Board by one, if appropriate, and the noteholders shall be entitled to promptly designate a nominee by written notice to the Company, who shall be appointed by the Board to fill such additional member position promptly. Such rights expire upon the occurrence of a Termination Event as defined. A Termination Event occurs if the 2023 Holders, together with their respective Affiliates, cease to Beneficially Own at least 80 per cent of the Series 2023 Notes that have been issued in the aggregate, whether as a result of dilution, transfer, conversion, or otherwise.

**Compensation Committee**

The Compensation Committee is required to meet at least twice a year. The Committee charter states that the Committee will have the resources and authority necessary to discharge its duties and responsibilities and the Committee has sole authority to retain and terminate outside counsel, compensation consultants, or other experts or consultants, as it deems appropriate, including sole authority to approve the fees and other retention terms for such persons.

The principal responsibilities of the Compensation Committee are as follows:

1. *Board Compensation.* Periodically review the compensation paid to non-employee directors and make recommendations to the Board for any adjustments.
2. *Chief Executive Officer Compensation.*
  - a. Conduct an annual CEO evaluation.
  - b. Assist the Board in establishing CEO annual goals and objectives, if appropriate.
  - c. Recommend CEO compensation to the other independent members of the Board for approval. (The CEO may not be present during deliberations or voting concerning the CEO's compensation.)
3. *Other Executive Officer Compensation.*
  - a. Oversee an evaluation of the performance of the Company's executive officers and approve the annual compensation, including salary and incentive compensation, for the executive officers.
    - b. Review the structure and competitiveness of the Company's executive officer compensation programs considering the following factors: (i) the attraction and retention of executive officers; (ii) the motivation of executive officers to achieve the Company's business objectives; and (iii) the alignment of the interests of executive officers with the long-term interests of the Company's stockholders.
    - c. Review and approve compensation arrangements for new executive officers and termination arrangements for executive officers.
4. *General Compensation Oversight.* Monitor and evaluate matters relating to the compensation and benefits structure of the Company as the Committee deems appropriate, including:



Edgar Filing: Applied Minerals, Inc. - Form DEFR14A

- a. Provide guidance to management on significant issues affecting compensation philosophy or policy.
- b. Provide input to management on whether compensation arrangements for Company executives incentivize unnecessary and excessive risk taking.

13

## TABLE OF CONTENTS

c. Review and approve policies regarding CEO and other executive officer compensation.

### *5. Equity and Other Benefit Plan Oversight.*

Serve as the committee established to administer the Company's equity-based and employee benefit plans and

a. perform the duties of the committee under those plans. The Compensation Committee may delegate those responsibilities to senior management as it deems appropriate as limited by the plans.

b. Appoint and remove plan administrators for the Company's retirement plans for the Company's employees and perform other duties that the Board may have with respect to the Company's retirement plans.

### *6. Compensation Consultant Oversight.*

Retain and terminate compensation consultants that advise the Committee, as it deems appropriate, including

a. approval of the consultants' fees and other retention terms and ensure that the compensation consultant retained by the Committee is independent of the Company.

The Compensation Committee may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the committee. The Committee may delegate to the Chief Executive Officer authority to make grants of equity-based compensation in the form of rights or options to eligible officers and employees who are not executive officers, such authority including the power to (i) designate officers and employees of the Company or any of its subsidiaries to be recipients of such rights or options created by the Company, and (ii) determine the number of such rights or options to be received by such officers and employees; provided, however, that the resolution so authorizing the Chief Executive Officer shall specify the total number of rights or options the Chief Executive Officer may so award. If such authority is delegated, the Chief Executive Officer shall regularly report to the Committee grants so made. The Committee may revoke any delegation of authority at any time. The Compensation Committee has not delegated any authority to the Chief Executive Officer.

For purposes of determining CEO compensation for 2014, 2015, and 2016, the Compensation Committee engaged a compensation consultant, Compensation Resources Inc., to conduct studies of the competitive levels of compensation for comparable positions among similar publicly traded companies. The Compensation Committee did not use a compensation consultant in connection with 2017 or 2018 CEO compensation.

A copy of the compensation committee charter is available at [www.appliedminerals.com](http://www.appliedminerals.com).

## **Compensation of Policies and Practices as They Relate To Risk Management**

The Company does not believe that its compensation policies and practices are reasonably likely to have a material adverse effect on the Company as they relate to risk management practices and risk-taking incentives

## **Compensation Committee Interlocks and Insider Participation**

None of the members of the Compensation Committee (Messrs. Concha, Betz, Levy) are or were officers or employees of the Company and none (and none of the members of their immediate families) had in 2016 and 2017 any relationships of the type described in Item 404 of Regulation S-K. There have not been any interlocking relationships of the type described in Item 407(e)(4)(iii) of Regulation S-K. Mr. Zeitoun participated in deliberations of the Board of Directors concerning executive officer compensation other than his own.

## **Stockholder Communications to the Board of Directors**

Stockholders may communicate with the Board of Directors by sending an email or a letter to Applied Minerals, Inc. Board of Directors, c/o President, 55 Washington Street, Brooklyn, New York 11201. The President will receive the correspondence and forward it to the individual director or directors to whom the communication is directed or to all directors if not directed to one or more specifically.



TABLE OF CONTENTS**Part 3 Information concerning Executive Officers and Their Compensation****Named Executive Officers**

The Named Executive Officers of the Company are :

| <b>Name</b>        | <b>Age</b> | <b>Position</b>   |
|--------------------|------------|---|
| Andre Zeitoun      | 45         | President, CEO, Director                                      |
| Christopher Carney | 48         | Chief Financial Officer; Vice President, Business Development |
| William Gleeson    | 75         | General Counsel and Secretary                                 |

Andre Zeitoun Biographical information about Mr. Zeitoun appears above under *Information about Directors*

Christopher T. Carney From February 2009 through May 2012, Mr. Carney was the Interim Chief Financial Officer of the Company. From May 2012 through August 2015, Mr. Carney was a VP of Business Development for the Company. Mr. Carney was appointed Chief Financial Officer of the Company in August 2015 when the previous Chief Financial Officer resigned. He retained his position as Vice President of Business Development. From March 2007 until December 2008, Mr. Carney was an analyst at SAC Capital/CR Intrinsic Investors, LLC, a hedge fund, where he evaluated the debt and equity securities of companies undergoing financial restructurings and/or operational turnarounds. From March 2004 until October 2006, Mr. Carney was a distressed debt and special situations analyst for RBC Dain Rauscher Inc., a registered broker-dealer. Mr. Carney graduated with a BA in Computer Science from Lehman College and an MBA in Finance from Tulane University.

William Gleeson. Mr. Gleeson was appointed General Counsel and Secretary in September, 2011. Prior thereto he was a partner in the law firm K&L Gates LLP for more than five-years, specializing in securities, corporate, and M&A law.

All officers serve at the pleasure of the Board.

**SUMMARY COMPENSATION TABLE**

| <b>Name and Principal Position</b> | <b>Year</b> | <b>Salary<br/>(\$)</b> | <b>Cash<br/>Bonus<br/>(\$)</b> | <b>Option<br/>Award<br/>(\$)(1)</b> | <b>Total<br/>(\$)</b> |
|------------------------------------|-------------|------------------------|--------------------------------|-------------------------------------|-----------------------|
| Andre Zeitoun                      | 2017        | 350,000                | 270,000 (2)(3)                 | 614,596 (4)                         | 1,234,596             |
|                                    | 2016        | 350,000                | 150,000 (2)                    |                                     | 500,000               |
|                                    | 2015        | 600,000                | 300,000 (5)                    | 50,000 (5)                          | 950,000               |
| Christopher Carney (6)             | 2017        | 135,000 (7)            | 30,000 (3)                     | 246,676 (7)(8)                      | 411,676               |
|                                    | 2016        | 181,250 (7)            | 0                              | 40,500 (8)                          | 221,750               |
|                                    | 2015        | 200,000                | 37,500 (9)                     | 54,062 (9)(10)                      | 291,562               |
| William Gleeson (5) (8)            | 2017        | 250,000                | 30,000 (3)                     | 193,471 (8)                         | 473,471               |
|                                    | 2016        | 250,000                | 0                              | 0 (8)                               | 250,000               |

Edgar Filing: Applied Minerals, Inc. - Form DEFR14A

2015 300,000 37,500 (9) 37,500 (9) 375,000

Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information, refer to Note 10 to the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K. These amounts reflect the Company's accounting expense for these awards, and do not correspond to the amount that will be recognized as income by the named executive officers or the amount that will be recognized as a tax deduction by the Company, if any, upon exercise. The options awards were valued using the Black Scholes Option Valuation Model.

(1) Mr. Zeitoun's revenue-related bonus for 2016 and 2017 was 4% of the first \$4 million in revenues up to a bonus of \$150,000.

(2) On December 7, 2017, the Board of Directors, on the recommendation of the Compensation Committee,

TABLE OF CONTENTS

granted to Mr. Zeitoun a bonus for service in 2017 of \$120,000, and in particular for work on amendments to the Series A and Series 2023 Notes and the BASF supply and tolling agreements, and to each of Mr. Carney and Mr. Gleeson a bonus for service in 2017,. The bonuses were paid in 2018.

- (4) In December 2017, the Board of Directors granted Mr. Zeitoun options to purchase a time when the market price for the common stock was \$.04 per share. The options vest based upon certain performance goals being met by management. During December options to purchase 5,955,386 shares of common stock vested. The Black Scholes value of the options at August 18, 2017 was \$297,800.
- Mr. Zeitoun’s 2015 potential bonus arrangement, as determined in February, 2015, was as follows: the total amount of the possible bonus compensation to Mr. Zeitoun would be \$500,000; \$200,000 would be based on personal performance metrics; \$300,000 would be based on revenue goals. Revenues could include the amount of firm commitment and take-and-pay arrangements. The last \$100,000 based on revenue goals would be payable in stock or options. If revenues were below \$2 million, no revenue-based bonus would be paid; if between \$2 million and \$2,999,999, \$100,000 in cash would be paid; if between \$3 and \$3,999,999, a total of \$150,000 in cash would be paid; if between \$4 million and \$4,999,999, a total of \$200,000 in cash would be paid; if \$5 million or more, a total of \$200,000 in cash and \$100,000 in stock options would be paid. No determination was made when the performance goals were established as to the probability that the goals would be achieved. Revenues for 2015, including a \$5 million take-or-pay agreement for the delivery of iron oxide over a period of 18 months, exceeded \$5 million. The amount of the 2015 bonus was determined in 2016 by negotiation between the Board and Mr. Zeitoun in January, 2016.
- (5) Mr. Carney has served as Vice President Business Development since 2011. In 2015, he was appointed Chief Financial Officer while retaining his position as Vice President Business Development. His compensation did not change upon being appointed CFO.
- Mr. Carney’s 2016 salary was at the rate of \$200,000 per year for first 7.5 months of 2016 and was at the rate of \$150,000 for the final 4.5 months. Mr. Carney agreed to reduce his salary by \$50,000 in the period from August 15, 2016 to August 1, 2017 in exchange for options that had a Black Scholes value of approximately \$40,500. The options are three-year options, but in accordance with Mr. Carney’s offer to exchange cash for options, the number of options was based on \$50,000 divided by the Black Scholes value of five-year options.
- (6) Mr. Carney’s salary was at a rate of \$150,000 per annum for the first 7.5 months of 2017 and then was to increase to a rate of \$200,000 per annum for the remaining 4.5 months of 2017. His salary was not increased to a rate of \$200,000 per year and Mr. Carney is owed \$18,765 in respect thereof relating to 2017. In lieu of a \$50,000 salary reduction for twelve months beginning August 16, 2016, Mr. Carney received three-year options to purchase common stock with a Black Scholes value of \$40,500. During the first 7.5 months of 2017, \$23,625 of the Black Scholes value of the options vested.
- (7) In December 2017, the Board of Directors granted to Mr. Carney and Mr. Gleeson options to purchase 4,780,550 shares of common stock and 3,749,440 shares of common stock, respectively, at \$0.06 per share. The options would vest based upon certain performance goals being met by management. During December 2017, options to purchase 2,390,275 shares of stock by Mr. Carney and options to purchase 1,874,720 shares of common stock by Mr. Gleeson vested. The Black Scholes values of the options to purchase common stock by Mr. Carney and Mr. Gleeson were \$223,495 and \$175,290, respectively.
- (8) The 2015 potential bonus arrangement for each Messrs. Carney and Gleeson, as determined in February, 2015, was as follows: the total amount of the possible bonus compensation would be \$100,000; \$25,000 would be based on personal performance metrics; \$75,000 would be based on revenue goals. Revenues could include the amount of firm commitment and take-and-pay arrangements. If revenues exceeded f \$5 million or more, a total of \$75,000 No determination was made when the performance goals were established as to the probability that the goals would be achieved. Revenues for 2015, including a \$5 million take-or-pay agreement for the delivery of iron oxide over a period of 18 months, exceeded \$5 million. In January, 2016, the Board determined that although all of the goals we satisfied, the total bonus to be paid to each of Messrs. Carney and Gleeson was \$75,000 and up to \$37,500 would
- (9)

be paid in cash and the remainder would be paid

**TABLE OF CONTENTS**

in options. In March, 2016, Messrs. Carney and Gleeson elected to receive \$37,500 of his 2015 bonus in cash and the remaining \$37,500 of value in options to purchase common stock of the Company. These options provide the right to purchase 248,344 shares of common stock of the Company at a price of \$0.24 per share over a five-year period.

(10) During February, 2015 Mr. Carney was granted options to purchase 50,000 shares of common stock of the Company. The fair value of the options at the time of grant was \$16,562. They were granted to Mr. Carney for his performance as VP of Business Development during 2014 but were not part of a pre-defined bonus arrangement. In June, 2014, Mr. Carney was granted options to purchase 75,000 shares of common stock of the Company. The fair value of the options at the time of grant was \$31,055. They were granted to Mr. Carney for his performance as VP of Business Development during 2013 but were not part of a pre-defined bonus arrangement.

**Pensions**

The Company does not have any pension plan or any nonqualified defined contribution or any nonqualified deferred compensation plans.

**Potential Payments on Termination or Change in Control**

In accordance with SEC rules, the following statements are based on the assumption that the triggering event took place on December 31, 2017.

In the event Mr. Zeitoun was terminated without Cause or he terminated for Good Reason, he would receive, in addition to the accrued obligations, (i) six months of base salary (\$175,000), (ii) one-half of bonus amounts not yet earned, and (iii) an amount equal to six months of COBRA payments. For 2017, Mr. Zeitoun was eligible to receive revenue bonus of up to \$150,000 (which was earned) and performance bonuses of up to \$200,000, which were not earned and in December, 2017, he was awarded \$120,000 as a bonus for performance.

*Mr. Carney.* In the event Mr. Carney was terminated by the Company without Cause or he terminated his employment for Good Reason, he would receive (i) not less than two months of his base salary and (ii) continuation of benefits on the same terms as in effect immediately prior to the date of termination for a period of two months. Mr. Carney's base salary was \$200,000.

*Mr. Gleeson.* In the event Mr. Gleeson terminated by the Company without Cause or he terminated his employment for Good Reason, he would receive (i) not less than two months of his base salary and (ii) continuation of benefits (including his family) on the same terms as in effect immediately prior to the date of termination for a period of two months. Mr. Gleeson's base salary was \$250,000.

**Plan-Based Awards**

The following table lists the plan-based awards granted under the 2017 Incentive Plan.

| Name | Grant date | All other option awards:<br>Number of securities underlying options (#) | Exercise price of option awards (\$/Share) | Grant date fair value of stock and option awards (\$) |
|------|------------|---|--|---|
|------|------------|---|--|---|



Edgar Filing: Applied Minerals, Inc. - Form DEFR14A

|                    |         |            |      |         |
|--------------------|---------|------------|------|---------|
| Andre Zeitoun      | 8-18-17 | 11,910,772 | 0.06 | 614,596 |
| Christopher Carney | 8-18-17 | 4,780,550  | 0.06 | 246,676 |
| William Gleeson    | 8-18-17 | 3,748,939  | 0.06 | 193,471 |

TABLE OF CONTENTS**Outstanding Equity Awards at December 31, 2017**

The following table provides information on the holdings as of December 31, 2017 of stock options granted to the named executive officers. This table includes unexercised and unvested option awards. Each equity grant is shown separately for each named executive officer

**OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2017**

| Name                      | Grant Date | Number of Securities Underlying Unexercised Options: Exercisable | Number of Securities Underlying Unexercised Options: Unexercisable | Equity Incentive Plan Awards                        |   | Option Exercise Price | Option Expiration Date |
|---------------------------|------------|--|--|---|---|-----------------------|------------------------|
|                           |            |  |  | Number of Securities Underlying Unexercised Options | Number of Securities Underlying Unexercised Options |                       |                        |
| Andre Zeitoun             | 01-01-09   | 3,949,966  | —  | —   |   | \$ 0.70               | 01-01-19               |
|                           | 02-08-11   | 1,742,792  | —  | —   |   | \$ 0.83               | 01-01-22               |
|                           | 11-20-12   | 1,742,792  | —  | —   |   | \$ 1.66               | 01-01-23               |
|                           | 05-11-16   | 321,123  | —  | —   |   | \$ 0.24               | 05-11-21               |
|                           | 12-14-17   | 5,955,386  | 5,955,386  | —   |   | \$ 0.06               | 12-13-27               |
| Christopher T. Carney (2) | 01-01-09   | 1,316,655  | —  | —   |   | \$ 0.70               | 01-01-19               |
|                           | 02-08-11   | 580,930  | —  | —   |   | \$ 0.83               | 01-01-22               |
|                           | 11-20-12   | 580,931  | —  | —   |   | \$ 1.66               | 01-01-23               |
|                           | 06-10-14   | 75,000   | —  | —   |   | \$ 0.84               | 06-10-24               |
|                           | 02-05-15   | 48,611   | 1,389  | —   |   | \$ 0.68               | 02-05-25               |
|                           | 05-11-16   | 248,344  | —  | —   |   | \$ 0.24               | 05-11-21               |
|                           | 07-06-16   | 500,000  | —  | —   |   | \$ 0.16               | 08-15-19               |
|                           | 12-14-17   | 2,390,275  | 2,390,275  | —   |   | \$ 0.06               | 12-13-27               |
| William Gleeson           | 08-18-11   | 900,000  | —  | —   |   | \$ 1.90               | 08-18-21               |
|                           | 11-20-12   | 72,406   | —  | —   |   | \$ 1.66               | 11-20-22               |
|                           | 06-10-14   | 600,000  | —  | —   |   | \$ 0.84               | 06-10-24               |
|                           | 05-11-16   | 248,344  | —  | —   |   | \$ 0.24               | 05-11-21               |
|                           | 12-14-17   | 1,874,720  | 1,874,720  | —   |   | \$ 0.06               | 12-13-27               |

**Options Exercised and Stock Vested**

None of the Named Executive Officers has exercised any options, SARs or similar instruments and none had any stock awards, vested or unvested.

**Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans**

There are no nonqualified defined contribution and nonqualified deferred compensation plans for Named Executive Officers.

### **Related Party Transactions**

Our Board of Directors reviews any transaction, except for ordinary business travel and entertainment, involving the Company and a related party before the transaction or upon any significant change in the transaction or relationship. For these purposes, the term related-party transaction includes any transaction required to be disclosed pursuant to Item 404 of Regulation S-K of the SEC.

In 2016, the Company made a private placement of units consisting of common stock and warrants. The price of a unit was \$0.15, with \$0.12 being allocated to Common stock and \$.03 to a warrant. Three and one-third warrants are

18

## TABLE OF CONTENTS

exercisable for a full share of Common Stock at an exercise price of \$.25. Messrs. Levy and Betz each purchased \$50,000 of units and IBS Turnaround Fund (QP) (a LTD Partnership), which is managed by IBS Capital, whose president is David Taft, who was at the time a director, purchased \$200,000 of units.

Eric Basroon, Mr. Zeitoun's brother-in-law, is currently employed by the Company and during 2016, he received a salary of \$180,000 plus \$20,000 of stock to be issued at various times during the year upon Mr. Basroon's request. On March 10, 2016, Mr. Basroon received a bonus consisting of (i) \$37,500 in cash and (ii) options to purchase 248,344 shares of common stock of the Company at \$0.24 per share, which had a Black-Scholes value of \$37,500. The bonus granted to Mr. Basroon was for achieving his performance goals during 2015. Mr. Basroon's salary for 2017 and 2018 is \$200,000 per year. He was awarded a \$30,000 for work on amendments to the Series A and Series 2023 Notes and the BASF supply and tolling agreements, bonus for 2017, payable when, in the judgment of the Audit Committee, there is sufficient cash available for other corporate purposes. In 2017, Mr. Basroon received ten-year options to purchase 4,780,550 shares of common stock at \$.06 per shares. The options are subject to the same vesting conditions as the options granted to Mr. Zeitoun. See Compensation Discussion and Analysis – Mr. Zeitoun - 2017 Compensation.

Our Board of Directors reviews any transaction, except for ordinary business travel and entertainment, involving the Company and a related party before the transaction or upon any significant change in the transaction or relationship. For these purposes, the term "related-party transaction" includes any transaction required to be disclosed pursuant to Item 404 of Regulation S-K of the SEC.

In 2016, the Company made a private placement of units consisting of Common Stock and warrants. The price of a unit was \$0.15, with \$.12 being allocated to Common stock and \$.03 to a warrant. Three and one-third warrants are exercisable for a full share of Common Stock at an exercise price of \$.25. Messrs. Levy and Betz each purchased \$50,000 of units and IBS Turnaround Fund (QP) (a LTD Partnership), which is managed by IBS Capital, whose president is Davis Taft, purchased \$200,000 of units.

Eric Basroon, Mr. Zeitoun's brother-in-law, is currently employed by the Company and during 2016 he received a cash salary of \$180,000 plus \$20,000 of Common Stock to be issued at various times during the year upon Mr. Basroon's request. On March 10, 2016, Mr. Basroon received a bonus consisting of (i) \$37,500 in cash and (ii) options to purchase 248,344 shares of Common Stock of the Company at \$0.24 per share, which had a Black-Scholes value of \$37,500. The bonus granted to Mr. Basroon was for achieving his performance goals during 2015. Mr. Basroon's 2017 salary is \$200,000 and he is eligible for a bonus of up to \$50,000 based on the Company's financial performance

### **Equity Compensation Plan Information**

#### ***Plans Approved by Stockholders***

Shareholders approved the 2012 Long-Term Incentive Plan ( "2012 LTIP" ) and the 2016 Incentive Plan. ( "2016 IP" ).

The number of shares subject to the 2012 LTIP for issuance or reference was 8,900,000. The number of shares subject to the 2016 IP was 15,000,000.

#### ***Plans Not Approved by Stockholders***

Prior to the adoption of the 2012 LTIP, the Company granted options to purchase 12,378,411 shares of common stock under individual arrangements.

In May, 2016, the Company adopted the 2016 Long-Term Incentive Plan ( "2016 LTIP" ). The number of shares of common stock for issuance or for reference purposes subject to the 2016 LTIP was 2,000,000.

In 2017, prior to the adoption of the 2017 Incentive Plan ( 2017 IP ) in August, 2017, the Company granted options to purchase 870,000 shares of common stock under individual arrangements.

TABLE OF CONTENTS**Equity Compensation Information As of December 31, 2017**

|  | <b>Number of securities to be issued upon exercise of outstanding options<br/>(a)</b> | <b>Weighted-average exercise price of outstanding options<br/>(b)</b> | <b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br/>(c)</b> |
|--|---|---|--|
| Equity compensation plans approved by security holders     | 7,610,894 (1)   | \$ 1.05   | 16,289,106   |
| Equity compensation plans not approved by security holders | 49,446,874 (2)  | \$ 0.26   | 4,986,056  |
| Total  | 57,057,768  | \$ 0.36   | 21,275,162   |

(1) Includes options granted under the November 2012 LTIP and 2016 IP

Options to purchase common stock were issued under individual compensation plans prior to the adoption of the 2012 LTIP and 2016 LTIP as follows: (a) 9,487,930 options were granted to Material Advisors LLC, the entity that provided management personnel to the Company from 2009 to 2013. Mr. Zeitoun was allocated 60% of the options and the other members of Material Advisors LLC, Christopher Carney and Eric Basroon (Mr. Zeitoun's brother-in-law and Vice President of Business Development), were allocated 20% each. 6,583,277 options have an exercise price of \$.70 per share, vested over three years from 2009-2011, and have a ten-year term. 2,904,653 have an exercise price of \$.83 per share, vested over one year in 2012, and have a ten-year term; (b) 650,000 options

(2) were granted in two grants to a now-former director during 2008 and 2009 in his capacity as an employee and a consultant. The exercise price was \$.70 per share and the options vested immediately and have a ten-year term; (c) 8,304,963 options were granted to employees and consultants in five grants during 2011 and 2012. The exercise prices range from \$0.78 per share to \$2.00 per share, vesting periods ranged from one to three years, and the terms are five or ten years; and (d) 461,340 options were granted to an investment bank in April of 2011 for financial advisory services provided to the Company. The exercise price of the options was \$1.15 per share, it vested immediately and has a term of ten years. All of the foregoing options had an exercise price at or above the market price of the common stock on the date of grant.

The following options were granted under the 2016 Long-Term Incentive Plan:

On May 11, 2016, the Company granted 250,000 nonqualified options to two directors with an exercise price of \$0.25 per share. The options vested immediately and expire five years after the date of grant.

On July 6, 2016, the Company granted 500,000 nonqualified options to an officer with an exercise price of \$0.16 per share. The options vested ratably over a 12-month period beginning August 15, 2016 and expire in three years.

On August 1, 2016, the Company granted 120,000 nonqualified options to two officers with an exercise price of \$0.25 per share. The options vested immediately and expire 10 years after the grant date.

On August 18, 2017, the Board granted 27.5 million nonqualified options to five members of management. The options are ten-year options with an exercise price of \$0.06 per share. The closing market price on August 18, 2017 was \$0.06.

The vesting conditions of the options granted on August 18, 2017 are as follows: (i) 25% of the options vested upon the closing of the sale of an aggregate of \$600,000 of units at \$0.04 per unit (each unit consisting of one share of Common Stock and a warrant to purchase .25 of a share of Common Stock); (ii) 25% of the options vested upon the receipt of at least \$900,000 from one or more of the following sources: sale(s) of Common Stock over and above \$600,000, consideration for entering into licensing or similar agreement(s), and/or consideration for entering into agreement(s) relating to the sale or lease of mineral rights or entering into options or other agreements relating mineral rights; (iii) 25% of the options vested when the Company had toll processing arrangements with two toll processors of halloysite that, in management's good faith belief, can process halloysite to the Company's specifications (one of the agreements may be a back-up or standby arrangement); (iv) 8.3% of the options if EBITDA is positive over a period of twelve months; (v) 8.3% of the options if

## TABLE OF CONTENTS

EBITDA equals or exceeds \$2 million over a period of twelve months; and (vi) 8.4% of the options if EBITDA equals or exceeds \$4 million over a period of twelve months. EBITDA is defined as operating income plus depreciation and amortization expense plus non-cash expense plus any unusual, one-time expense incurred during the period.

The August 18, 2017 options were granted to Named Executive Officers as follows: Andre Zeitoun: 11,910,772 options; Christopher Carney: 4,780,550 options; William Gleeson: 3,749,439 options.

The options were granted under the 2017 Incentive Plan, which was adopted on August 18, 2017 by the Board of Directors. Forty million shares of Common Stock are subject to the 2017 Incentive Plan.

On August 18, 2017, the Board of Directors granted options to directors other than to Mr. Zeitoun, who does not receive compensation for service on the Board. The exercise price of the options is \$.06 and the number of options is determined by dividing the dollar amount of the fee by \$0.06. The closing market price of the Company's common stock on August 18, 2017 was \$.04.

The options covered fees for Board service for the fourth quarter of 2017 and the first three quarters of 2018, except for service on the Operations Committee. The fees for that period were \$50,000 in options for membership on the Board, \$10,000 on options or chairmanship of the Board or a committee (except the Operations Committee), payable in options. The options for such fees, except for the Operations Committee, vested as the beginning of each calendar quarter provided the person is in office at that time. The Chairman of the Operations Committee receives a fee of \$150,000 per year and the non-management member receives a fee of \$62,500 per year, payable in options. The options for Operations Committee fees vested on May 1, 2018.

The total number of options granted to each of the directors is as follows: Mr. Betz — 1,791,667; Mr. Concha: 3,250,000; Mr. Levy — 1,000,000; and Mr. Zamani — 833,333. Mr. Zyngier joined the Board in December 2017 and consistent with the compensation program described above, he was granted 545,289 options.

The August 18, 2017 options were granted under the 2017 Incentive Plan, which was adopted on August 18, 2017 by the Board of Directors. Forty million shares of Common Stock are subject to the plan.

## **Part 4 Compensation Discussion and Analysis**

### **Objectives and Strategy**

The Company's objectives are to develop a range of commercial applications for its halloysite clay-based and iron oxide-based products and to market those applications to industries seeking enhanced product functionality and to market its iron oxides for pigment and other uses. We believe the successful marketing of such applications will generate material profits for the Company, which, in turn, will create significant value for its stockholders. To realize this objective, the Company must attract and retain individuals, including our Named Executive Officers ( *Named Executive Officers* or *NEOs* ) (Messrs. Zeitoun, Carney and Gleeson), who possess the skill sets and experience needed to effectively develop and implement the business strategies and corporate governance infrastructure necessary to achieve commercial success.

Accordingly, compensation for the Named Executive Officers is designed to:

- Attract, motivate, and retain qualified Named Executive Officers;
- Incentivize the Named Executive Officers to lead the Company to profitable operations and to increase stockholder value;
-



Assure that over time a significant part of NEO compensation is linked to the Company's long-term stock price performance, which aligns the Named Executive Officers' financial interests with those of the Company's stockholders  
• Motivate the Named Executive Officers to develop long-term careers at the Company and to contribute to its future prospects; and

• Permit the Named Executive Officers to remain focused on the development of the Company's business in the midst of actual or potential change-in-control transactions.

The Company does not have a policy concerning minimum ownership or hedging by officers of Company securities.

## TABLE OF CONTENTS

### **Compensation of Mr. Zeitoun**

Mr. Zeitoun has been president and CEO of the Company since 2009.

#### **2015 Compensation**

In October, 2014, the Compensation Committee determined that because of shareholder sensitivity to compensation matters and because of the Company's cash burn, it was deemed necessary to get the latest comparative data on CEO compensation in order to make good decisions regarding 2015 compensation for Mr. Zeitoun. Accordingly, Committee engaged Compensation Resources to provide an executive compensation study to the Compensation Committee.

Compensation Resources had provided an executive compensation study to the Compensation Committee in March, 2014 in connection with Mr. Zeitoun's 2014 compensation. Compensation Resources delivered its 2015 executive compensation to the Committee on December 3, 2014.

On December 9, 2014, representatives of Compensation Resources met with the Compensation Committee and told the Committee the following. Compensation Resources was retained to prepare a competitive compensation study of the Company's President and Chief Executive Officer in order to determine the competitive levels of compensation for comparable positions among similar publicly traded companies. The study presented findings with regard to the current competitive levels of the total compensation package (cash and equity compensation) and the findings in the report reflect an update to a study completed on behalf of the Compensation Committee dated March, 2014 and was meant to provide the most recent compensation data from peer organizations, which reflect, for the most part, fiscal years ending December 31, 2013. The study utilized the same list of publicly traded companies benchmarked as part of the March 2014 study, with the exception of Accelrys, Inc., which had been recently acquired.

For purposes of valuing equity awards, the study continued to use a three-year average to more accurately recognize the variety and timing of long-term plans. All data inputs were increased on an annual factor of 3.0% to a common date of January 1, 2015, the percentage representing the average of the actual 2014 merit increase factors for executive positions within the various industries represented in the analysis. To determine Market Consensus, Compensation Resources calculated the competitive market level of each compensation element from the peer market analysis and published survey analysis, utilizing multiple measures of central tendency, which included mean: simple average; median: the middle number, 50<sup>th</sup> percentile; trimmed mean: average that eliminates the highest and lowest data elements (outliers); regression: calculated based on statistical analysis using Line of Least Square, which is a mathematical computation used to model a presumed linear relationship between two variables, a dependent variable (compensation element) and an independent variable (Market Cap) (peer analysis only). Market Consensus is the average of the Mean, Median, Trimmed Mean, and Regression and represents the best estimate of the market value (consensus) for the position. To calculate the overall Market Consensus, Compensation Resources calculated a weighted average of peer and published survey data at a ratio of 2:1.

Typically, the market range of base salary is conservatively considered to be  $\pm 10\%$  of the market consensus. This range represents the central tendency of the market data. The range for total cash compensation is wider and usually varies by  $\pm 20\%$  of the market consensus. The range for total direct compensation is  $\pm 25\%$ .

With respect to Mr. Zeitoun's compensation opportunity, Compensation Resources utilized the following figures: base salary of \$600,000; total cash compensation which includes base salary of \$600,000 plus an annual incentive opportunity of \$300,000 and an award option of \$50,000 for a total of \$950,000; and total direct compensation of \$950,000. Because equity grants in 2011 and 2012 were considered by the Compensation Committee to be one-time awards, Compensation Resources excluded them from the analysis. At the 50<sup>th</sup> percentile, Mr. Zeitoun's base salary

and total cash compensation were well above the market consensus as of January 1, 2015 and his total direct compensation is within the market consensus. At the 75<sup>th</sup> percentile, Mr. Zeitoun's base salary and total cash compensation was within the market consensus as of January 1, 2015 and his total direct compensation is below the market consensus.

Mr. Concha, chairman of the Compensation Committee, indicated that the goal of the Compensation Committee with respect to Mr. Zeitoun's compensation was to provide incentives to Mr. Zeitoun consistent with the desires of shareholders. He noted the difficulties of finding good comparables for Mr. Zeitoun's compensation and said that compensating Mr. Zeitoun under a strategic leadership model may be more useful.

## TABLE OF CONTENTS

Thereafter, the directors discussed with Mr. Zeitoun present and later at great length in executive session without Mr. Zeitoun, the structure and amount of Mr. Zeitoun's 2015 bonus.

It was preliminarily decided at a time when Mr. Zeitoun was not present that Mr. Zeitoun's bonus would be broken into two parts, one part related to revenues and the other to the achievement of non-revenue goals. The total amount of the possible bonus compensation to Mr. Zeitoun would be \$500,000, with the last \$100,000 of revenue-based compensation being paid in stock or options and the maximum amount of the revenue-based bonus payable at \$5 million in revenues, which could include the amount of firm commitment and take-and-pay arrangements.

It was determined that Mr. Zeitoun should prepare goals and objectives and submit them to the Compensation Committee and the Board for approval. At the same time that the Compensation Committee and the Board approved the personal goals, it would approve the amounts of the bonus allocated to personal goals and the revenues, the percentages of the revenue-based amounts to be paid on partial achievement of the revenue based-goals, and the revenue points at which such amounts would be paid.

On February 4, 2015, the Compensation Committee reported to the Board that, between December 9, 2014 and February 4, 2015, it met several times and had discussed and approved the following compensation proposal for Mr. Zeitoun (Zeitoun Compensation Proposal): Salary of \$600,000, potential bonus of \$500,000 of which 40% would depend on the achievement of four personal goals and 60% would be dependent on revenues. If revenues were below \$2 million, no revenue-based bonus would be paid; if between \$2 million and \$2,999,999, \$100,000 in cash would be paid; if between \$3 million and \$3,999,999, a total of \$150,000 would be paid; if between \$4 million and \$4,999,999, a total of \$200,000 in cash would be paid; if \$5 million or above, a total of \$200,000 in cash and \$100,000 in stock options would be paid.

Mr. Concha on behalf of the Compensation Committee explained (i) the revenue and non-revenue goals that the Compensation Committee had worked out with Mr. Zeitoun regarding Mr. Zeitoun's 2015 bonus arrangements, (ii) salary and bonus amounts, and (iii) the reason for not awarding Mr. Zeitoun any equity compensation in respect of 2015, except for the \$100,000 in options.

Mr. Concha, on behalf of the Compensation Committee, recommended to the Board that the Board approve the revenue and non-revenue goals related to Mr. Zeitoun's 2015 bonus as well as the salary and bonus arrangements.

Mr. Concha noted the Executive Compensation Study Update performed by Compensation Resources (the compensation consultant hired by the Compensation Committee) indicated that (i) at the 50<sup>th</sup> percentile, Mr. Zeitoun's base salary and total cash compensation are well above the market consensus and his total direct compensation is within the market consensus and (ii) at the 75<sup>th</sup> percentile, Mr. Zeitoun's base salary and total cash compensation are within the market consensus as of January 1, 2015 and his total direct compensation is below the market consensus.

There was a general discussion, with Mr. Zeitoun abstaining, of the goals and the compensation elements and amounts and relative mix of elements. After such discussion, the Board, with Mr. Zeitoun abstaining, adopted the Zeitoun Compensation Proposals.

In January, 2016 Mr. Zeitoun and the Board agreed that Mr. Zeitoun satisfied the metrics for the payment of the full bonus amount, but Mr. Zeitoun would receive a bonus for 2015 consisting of \$299,000 in cash and \$50,000 of five-year options.

## **2016 Compensation**

In order to assist the Compensation Committee in setting the 2016 compensation, the Compensation Committee hired Compensation Resources, the same compensation consultant that the Committee had used in connection with 2014 and 2015. At a meeting with the Compensation Committee on December 8, 2015, Compensation Resources presented a written report. The report indicated that Compensation Resources redefined the peer group used in connection with Mr. Zeitoun's 2015 compensation.

The peer group was redefined to provide a similar industry look. The peer group companies for purposes of 2016 compensation: (i) were involved in specialty chemical manufacturing, biotech and pharmaceuticals, software, and mining; (ii) were national in geographic location with compensation adjusted to New York City; (iii) had a market capitalization between \$20 million and \$75 million; and (iv) had less than 50 employees.

TABLE OF CONTENTS

The Compensation Consultant assumed that Mr. Zeitoun's compensation would consist of a base salary of \$500,000, a potential personal performance bonus of \$200,000 and a potential revenue goal bonus of \$100,000 for total direct compensation of \$800,000.

Based on such assumptions measured against the peer group, the Compensation Consultant provided the following findings:

|                    | Actual     | Market<br>Consensus | Market<br>Range | Market Range |            | Relative<br>Position |
|--------------------|------------|---------------------|-----------------|--------------|------------|----------------------|
|                    |            |                     | (+/-)           | Low          | High       |                      |
| Base Salary        | \$ 500,000 | \$ 414,600          | 10 %            | \$ 373,100   | \$ 465,100 | Above                |
| Total Cash Comp.   | \$ 800,000 | \$ 549,900          | 20 %            | \$ 439,900   | \$ 659,900 | Within               |
| Total Direct Comp. | \$ 800,000 | \$ 746,500          | 25 %            | \$ 559,900   | \$ 933,100 | Above                |

After extensive discussion, the Board decided upon the following compensation package for Mr. Zeitoun in 2016. Salary: \$350,000; bonus based on revenues: 4% of revenues up to a maximum bonus of \$150,000; bonus if the Company became cash flow positive: \$400,000; bonus based on personal goals: up to \$100,000, which would be payable in options if the cash flow goal is not met.

**2017 Compensation**

On March 8, 2017, the Board determined that Mr. Zeitoun's 2017 compensation is as follows: salary — \$350,000; cash receipts bonus — 4% of monthly gross cash receipts, up to a maximum bonus of \$150,000; revenue bonus — \$100,000 if GAAP revenue exceeded \$6 million; cash flow bonus — \$100,000 if the Company is cash flow positive for 2017. The cash receipts bonus was earned. The revenue and cash flow bonuses were not earned.

On August 18, 2017, options to purchase 11,910,772 shares of common stock were issued to Mr. Zeitoun. The options are ten-year options and the exercise price is \$0.06. Vesting conditions are as follows:

25% of the options would vest upon the closing of the sale of an aggregate of \$600,000 of units (consisting of a share of Common Stock and a warrant to buy .25 of a share of Common Stock) at \$0.04 per unit. This vesting condition has been satisfied.

25% of the options would vest upon the receipt of at least \$900,000 from one or more of the following sources: sale(s) of Common Stock over and above \$600,000, consideration for entering into licensing or similar agreement(s), and/or consideration for entering into agreement(s) relating to the sale or lease of minerals rights or entering into options or other agreements relating mineral rights.

25% of the options would vest when the Company has toll processing arrangements with two toll processors of halloysite that, in management's good faith belief, can process halloysite to the Company's specifications. One of the agreements may be a back-up or standby arrangement.

8.3% of the options if EBITDA is positive over a period of twelve months.

8.3% of the options if EBITDA equals or exceeds \$2 million over a period of twelve months.

The first three conditions were satisfied in 2017.

On December 7, 2017, the Board of Directors, on the recommendation of the Compensation Committee, granted to Mr. Zeitoun a bonus for service in 2017, and in particular for work on amendments to the Series A and Series 2023 Notes and the BASF supply and tolling agreements, of \$120,000. The bonus was payable in six monthly installments beginning in January, 2018 to the extent that in the judgment of the audit committee there is sufficient cash available for other corporate purposes. The bonus was fully paid as of June 29, 2018.

**Compensation for Messrs. Gleeson and Carney**

**2015 Compensation for Messrs. Gleeson, and Carney**

At the February 4, 2015, Board meeting, Mr. Concha, acting on behalf of the Compensation Committee, indicated that the Compensation Committee has discussed and approved a compensation proposal for certain employees, which included Messrs. Gleeson and Carney ( Management Compensation Proposals ) and that he had sent to each Board

24

## TABLE OF CONTENTS

member who was not a member of the Compensation Committee a copy of the Management Compensation Proposals. Mr. Concha explained the revenue and non-revenue goals that the Compensation Committee, with the assistance of Mr. Zeitoun, had worked out. He also explained the proposed salary, bonus and equity compensation arrangements for senior management, which had the approval of Mr. Zeitoun.

Under the Management Compensation Proposals,

Salaries remained at 2014 levels.

Mr. Carney received ten-year at-the-market options to purchase 60,000 shares of common stock vesting annually over a three-year period.

Each of Messrs. Gleeson, and Carney would be eligible for possible bonus compensation of up to \$100,000; \$25,000 would be based on personal performance metrics; \$75,000 would be based on revenue goals. Revenues could include the amount of firm commitment and take-and-pay arrangements. The last \$25,000 based on revenue goals would be payable in five-year stock options. If revenues were below \$2 million, no revenue-based bonus would be paid; if between \$2 million and \$2,999,999, \$25,000 in cash would be paid; if between \$3 and \$3,999,999, a total of \$35,000 would be paid; if between \$4 million and \$4,999,999, a total of \$50,000 in cash would be paid; if \$5 million or more, A total of \$50,000 in cash and \$25,000 in stock options would be paid. Revenues in 2015, including a \$5 million take-or-pay agreement for the delivery of iron oxide over a period of 18 months, exceeded the \$5 million goal for the calculation of bonus arrangements.

Mr. Concha, on behalf of the Compensation Committee, recommended to the Board that the Board approve the revenue and non-revenue goals related to management's 2015 bonus as well as the salary and bonus arrangements, all as set forth in the Senior Management Compensation Proposals. After a general discussion, the Board gave its approval.

No compensation consultant was used by the Board for the Management Compensation Proposals and no benchmarking against peers was used.

Revenues for 2015, including a \$5 million take-or-pay agreement for the delivery of iron oxide over a period of 18 months, exceeded the \$5 million goal for the calculation of bonus arrangements. In January, 2016, the Board reduced the total value of the bonuses to be paid to Messrs. Carney and Gleeson to \$75,000. Messrs. Carney and Gleeson would receive a bonus for 2015 consisting of \$75,000 of value to be paid, at their election, in stock, five-year options, or cash (up to \$37,500) or any combination thereof, payable on March 31, 2016. Each of Messrs. Carney and Gleeson elected to take \$37,500 in five year options and \$37,500 in cash.

### **2016 Compensation**

On December 9, 2016, the Board determined that the 2016 salary for Mr. Gleeson would be \$250,000 and the 2016 salary for Mr. Carney would be \$200,000.

On March 9, 2016, the Board determined that 2016 bonus arrangements for Messrs. Carney, and Gleeson would be as follows:

Up to \$25,000 based on achievement of personal goals and \$50,000 if (i) the Statement of Cash Flow from Operations in the audited financial statements for the year ended December 31, 2016, adjusted for purposes of determining whether bonuses are payable to assume payment of all such bonuses is positive (based upon the business being operated in the ordinary course consistent with past practices, in the judgment of the Compensation Committee) and (ii) the Compensation Committee believes that it is more likely than not that cash flow from operations in 2017 will be positive.



Payments would be made in cash within 15 days after the date of the audited financial statements, but in any case payment will be made, in all events, no later than June 30, 2017, except that if the bonus based on cash flow is not payable, the bonus based on personal goals will be, at the employee's election, paid in and combination of common stock and/or five or ten year options, the number of which will be determined using a Black-Scholes value as of the date of the audited financial statements (the value as approved by the Chairman of the Board) and the exercise price will be the closing price as of such date.

In July 2016, Mr. Carney volunteered to exchange \$50,000 of salary for options. Mr. Carney agreed to reduce his salary by \$50,000 in the period from August 15, 2016 to August 1, 2017 in exchange for options that had a Black

## TABLE OF CONTENTS

Scholes value of approximately \$40,500. The options are three-year options, but in accordance with Mr. Carney's offer to exchange cash for options, the number of options was based on \$50,000.

The cash flow goal was not met but the personal goals were met. In January, 2017, the Compensation Committee determined that the number of options would be determined by dividing \$25,000 by \$0.25 and the exercise price would be \$0.25 per option. At the time of grant, the market price of the stock was \$0.11 and the Black-Scholes value of the options was approximately \$0.034 per option.

### **2017 Compensation**

In December, 2016, the Board on the recommendation of the Compensation Committee, determined as follows:

Mr. Carney's 2017 compensation was as follows: salary — \$150,000 per annum through August 15, 2017 and a. \$200,000 per annum thereafter; revenue bonus — \$25,000 if GAAP revenue exceeds \$6 million; cash flow bonus — \$25,000 if the Company is cash flow positive for 2017. The bonuses were not paid.

Mr. Gleeson's 2017 compensation was as follows: salary — \$250,000; revenue bonus — \$25,000 if GAAP revenue b. exceeds \$6 million; cash flow bonus — \$25,000 if the Company is cash flow positive for 2017.

None of the bonuses were earned or paid.

On August 18, 2017, 4,780,550 options to purchase Common Stock were granted to Mr. Carney and 3,748,439 options were granted to Mr. Gleeson. The vesting conditions and the relevant definitions are the same as vesting conditions and definitions described above relating to the options granted to Mr. Zeitoun on August 18, 2017.

On December 7, 2017, the Board of Directors, on the recommendation of the Compensation Committee, granted to each of Mr. Carney and Mr. Gleeson a bonus for service, in particular for work on amendments to the Series A and Series 2023 Notes and the BASF supply and tolling agreements, in 2017 of \$30,000. The bonuses were payable to the extent that in the judgment of the audit committee there is sufficient cash available for other corporate purposes. The bonuses have been paid.

### **Tax and Accounting Treatment of Compensation**

The Compensation Committee is aware that Section 162(m) of the Internal Revenue Code treats certain elements of executive compensation in excess of \$1 million a year as an expense not deductible by the Company for federal income tax purposes. Depending on the market price of the Company's common stock on the date of exercise of options that are not performance-based, the compensation of certain executive officers in future years may be in excess of \$1 million for purposes of Section 162(m). The Compensation Committee reserves the right to pay compensation that may be non-deductible to the Company if it determines that it would be in the best interests of the Company.

### **Tax and Accounting Treatment of Options**

We are required to recognize in our financial statements compensation costs arising from the issuance of stock options. GAAP requires that such that compensation cost is determined using fair value principles (we use the Black-Scholes method of valuation) and is recognized in our financial statements over the requisite service period of an instrument. However, the tax deduction is only recorded on our tax return when the option is exercised. The tax benefit received at exercise and recognized in our tax return is generally equal to the intrinsic value of the option on the date of exercise.

### **Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Annual Report on Form 10-K and the proxy statement.

*Mario Concha*

*John Levy*

*Robert Betz*

TABLE OF CONTENTS**Part 5 Information concerning Independent Registered Public Accountant****Independent Registered Accountant for 2018**

On October 4, 2018, MaloneBaily LLP was selected by our Audit Committee as the Company's independent accountant for the fiscal year ending December 31, 2018. The Board asks stockholders to ratify that selection. Although current law, rules, and regulations require the Board of Directors to engage and retain the Company's independent auditor, the Board considers the selection of the independent auditor to be an important matter of stockholder concern and is submitting the selection of MaloneBaily LLP for ratification by stockholders as a matter of good corporate practice.

The affirmative vote of holders of a majority of the shares of Common Stock cast in person or by proxy at the meeting is required to approve the ratification of the selection of MaloneBaily LLP as the Company's independent auditor for the current fiscal year. If a majority of votes cast does not ratify the selection of MaloneBaily LLP, the Board of Directors will consider the result a recommendation to consider the selection of a different firm.

Representatives of the MaloneBaily LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and such representatives are expected to be available to respond to appropriate questions.

**Prior Independent Registered Accountant**

EisnerAmper LLP, the Company's independent accountant for the fiscal year ending December 31, 2016 and December 31, 2017, was dismissed on October 4, 2018. The dismissal was approved by the Company's Audit Committee.

EisnerAmper's reports on the financial statements for 2016 for 2017 did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

There were no disagreements with EisnerAmper on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of EisnerAmper, would have caused it to make reference to the subject matter of the disagreement(s) in connection with its report on the financial statements for the years ended December 31, 2016 or December 31, 2017.

**Fees to Accountants**

EisnerAmper LLP was the Company's independent registered public accounting firm for the years ending December 31, 2017 and 2016.

The following table presents fees for services rendered by EisnerAmper for the audits of the Company's annual consolidated financial statements for the years ended December 31, 2017 and 2016, respectively, review of financial statements included in the registrant's Form 10-Q and services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

|                        | <b>December<br/>31,<br/>2017</b> | <b>December<br/>31,<br/>2016</b> |
|------------------------|----------------------------------|----------------------------------|
| Audit Related Fees (1) | \$ 143,500                       | \$ 117,148                       |

Edgar Filing: Applied Minerals, Inc. - Form DEFR14A

|          |        |        |
|----------|--------|--------|
| Tax Fees | 15,000 | 17,900 |
|----------|--------|--------|

|       |            |            |
|-------|------------|------------|
| Total | \$ 158,500 | \$ 135,048 |
|-------|------------|------------|

(1) Audit fees represent the aggregate fees paid for professional services including: (i) audit, (ii) S-1 filings and (iii) SEC comment letters.

**Policy on Board of Directors Pre-Approval of Audit and Non-Audit Services of Independent Auditors**

The Audit Committee has adopted a policy for the pre-approval of all audit, audit-related, tax, and other services provided by the Company's independent registered public accounting firm. The policy is designed to ensure that the provision of these services does not impair the registered public accounting firm's independence. Under the policy,

TABLE OF CONTENTS

any services provided by the independent registered public accounting firm, including audit, audit-related, tax and other services must be specifically pre-approved by the Board of Directors. The Board of Directors does not delegate responsibilities to pre-approve services performed by the independent registered public accounting firm to management. For the fiscal year ended December 31, 2017, all services provided by the Company's independent registered public accounting firm were pre-approved by the Board of Directors.

28

TABLE OF CONTENTS**Part 6 Additional Important Information****Beneficial Stock Ownership: Directors, Named Executive Officers, and 5% Holders.**

The following table sets forth, as of October 15, 2018, information regarding the beneficial ownership of our common stock with respect to each of the named executive officers, each of our directors, each person known by us to own beneficially more than 5% of the common stock, and all of our directors and executive officers as a group. Each individual or entity named has sole investment and voting power with respect to shares of common stock indicated as beneficially owned by such person, subject to community property laws, where applicable, except where otherwise noted. The percentage of common stock beneficially owned is based on 175,513,549 shares of common stock outstanding as of October 15, 2018 plus the shares that a person has a right to acquire within 60 days of October 15, 2018.

| <b>Name and Address (1)</b>           | <b>Number of<br/>Shares of<br/>Common<br/>Stock<br/>Beneficially<br/>Owned<br/>(2)</b> | <b>Percentage of<br/>Common<br/>Stock<br/>Beneficially<br/>Owned</b> |
|---------------------------------------|--|--|
| Mario Concha (3) (4)                  | 7,653,217  | 4.2  |
| Robert Betz (3) (5)                   | 3,223,736  | 1.8  |
| John Levy (3) (6)                     | 2,760,801  | 1.6  |
| Michael Barry (3)                     | 0  | *  |
| Michael Pohly (3)                     | 0  | *  |
| Ali Zamani (3) (8)                    | 2,954,338  | 1.7  |
| Alexandre Zyngier (3) (9)             | 1,361,789  | *  |
| Andre Zeitoun (3) (10) (17)           | 18,067,101   | 9.4  |
| Christopher T. Carney (11) (17)       | 7,718,760  | 4.2  |
| William Gleeson (12) (17)             | 4,632,830  | 2.6  |
| All Officers and Directors as a Group | 48,372,572   | 22.6   |
| IBS Capital, LLC (7)                  | 36,206,942   | 19.3   |
| Samlyn Capital, LLC (13)              | 48,945,294   | 22.8   |
| Berylson Master Fund, L.P. (14)       | 14,807,321   | 8.0  |
| James Berylson (14)                   | 16,080,321   | 8.6  |
| Kingdon Capital Management, LLC (15)  | 19,522,735   | 10.0   |
| Masato Katayama (16)                  | 16,834,335   | 9.5  |

\*Less than 1%

(1) Unless otherwise indicated, the address of the persons named in this column is c/o Applied Minerals, Inc., 55 Washington Street, Suite 301, Brooklyn, N.Y. 11201.

(2) Included in this calculation are shares deemed beneficially owned by virtue of the individual's right to acquire them within 60 days of the date of October 15, 2018 as determined pursuant to Rule 13d-3 of the Securities Exchange Act of 1934.

(3) Director.

(4)

Mr. Concha's holdings include: (i) options to purchase 50,000 shares of common stock at \$0.83 per share expiring in March, 2024; (ii) options to purchase 50,000 shares of common stock at \$0.66 per share expiring in February, 2025; (iii) options to purchase 50,000 shares of common stock at \$0.28 per share expiring in January, 2026; (iv) options to purchase 43,885 shares of common stock at \$0.285 per share expiring in January, 2021; (v) options to purchase 30,000 shares of common stock at \$0.25 per share and expiring in May, 2021; options to purchase 600,000 shares of common stock at \$0.25 expiring in May, 2021; (vi) options to purchase 70,000 shares of common stock expiring in August, 2026; (vii) options to purchase 140,000 shares of common stock expiring in May, 2022; (viii) options to purchase 140,000 shares of common stock expiring in December, 2022; (ix) options to purchase 3,250,000 shares of common stock expiring in December 2027; and (x) June 2018 Warrants to purchase 1,000,000 shares of common stock at \$0.15 per share expiring in June, 2021.



TABLE OF CONTENTS

(5) Mr. Betz's holdings include: (i) options to purchase 50,000 shares of common stock at \$0.83 per share expiring in March, 2024; (ii) options to purchase 50,000 shares of common stock at \$0.66 per share expiring in February 2025; (iii) options to purchase 50,000 shares of common stock at \$0.28 per share, vesting equally on March 31, June 30, September 30 and December 31, 2016 and expiring in January, 2026; (iv) options to purchase 33,937 shares of common stock at \$0.285 per share expiring in January, 2021; (v) options to purchase 64,815 shares of common stock at \$0.28 per share expiring in January 2026; (vi) options to purchase 30,000 shares of common stock at \$0.25 per share expiring in May, 2021; (vii) options to purchase 150,000 shares of common stock at \$0.25 per share expiring in May, 2021; (viii) options to purchase 60,000 shares of common stock at \$0.25 per share expiring in August, 2026; (ix) options to purchase 140,000 shares of common stock expiring in May, 2022; and (x) options to purchase 1,791,667 shares of common stock expiring in December, 2027.

(6) Mr. Levy's holdings include: (i) options to purchase 100,000 shares of common stock at \$1.66 per share expiring November, 2022; (ii) options to purchase 50,000 shares of common stock at \$0.83 per share expiring in March, 2024; (iii) options to purchase 50,000 shares of common stock at \$0.66 per share expiring in February, 2025; (iv) options to purchase 50,000 shares of common stock at \$0.28 per share, and expiring in January, 2026; (v) options to purchase 51,170 shares of common stock at \$0.285 per share expiring in January, 2026; (vi) options to purchase 80,000 shares of common stock at \$0.28 per share expiring in January, 2021; (vii) options to purchase 37,500 shares of common stock at \$0.25; (viii) options to purchase 70,000 shares of common stock at \$0.25 expiring in August, 2026; (ix) options to purchase 120,000 shares of common stock expiring in May, 2022; (x) options to purchase 1,000,000 shares of common stock expiring in December, 2027; and (xi) June 2018 Warrants to purchase 125,000 shares of common stock at \$0.15 per share expiring in June 2021.

(7) IBS Capital LLC is deemed to be the beneficial owner of shares held by the funds it manages by virtue of the right to vote and dispose of such securities. The IBS Turnaround Fund (QP) (A Limited Partnership) owns (i) 15,252,583 shares of common stock; (ii) 5,915,904 shares of common stock issuable upon conversion of Series A Notes; (iii) options to purchase 49,820 shares of common stock at \$0.21 per share expiring in January, 2021; (iv) June 2016 Warrants to purchase 244,745 shares of common stock at \$0.25 expiring in June, 2021; (v) options to purchase 30,100 shares of common stock at \$0.25 per share expiring in August, 2026; (vi) options to purchase 64,000 shares of common stock at \$0.25 expiring May, 2022; and (vii) May 2017 Warrants to purchase 601,060 shares of common stock at \$0.10 per share expiring in May, 2022. The IBS Turnaround Fund, L.P. owns (i) 7,305,997 shares of common stock; (ii) 2,814,769 shares of common stock issuable upon conversion of the Series A Notes; (iii) options to purchase 25,175 shares of common stock at \$0.21 expiring in January, 2021; (iv) June 2016 Warrants to purchase 124,625 shares of common stock at \$0.25 per share expiring in June, 2021; (v) options to purchase 16,000 shares of common stock at \$0.25 per share expiring in August, 2026; (vi) options to purchase 30,000 shares of common stock at \$0.25 per share expiring in May, 2022; and (vii) May 2017 Warrants to purchase 124,625 shares of common stock at \$0.10 per share expiring in May, 2022. The IBS Opportunity Fund, Ltd. owns (i) 1,475,154 shares of common stock; (ii) 1,851,961 shares of common stock issuable upon conversion of the Series A Notes; (iii) options to purchase 6,400 shares of common stock at \$0.21 per share expiring in January, 2021; (iv) June 2016 Warrants to purchase 31,000 shares of common stock at \$0.25 per share expiring in June, 2021; (v) options to purchase 7,100 shares of common stock at \$0.25 per share expiring in August, 2026; (vi) options to purchase 6,000 shares of common stock expiring in May, 2022; and (vii) May 2017 Warrants to purchase 58,401 shares of common stock at \$0.10 per share expiring in May 2022.

(8) Mr. Zamani's holdings include: (i) options to purchase 50,000 shares of common stock at \$0.83 per share expiring in March, 2024; (ii) options to purchase 50,000 shares of common stock at \$0.66 per share expiring in February, 2025; (iii) options to purchase 50,000 shares of common stock at \$0.28 per share, vesting equally on March 31, June 30, September 30 and December 31, 2016 and expiring in January, 2026; (iv) options to purchase 73,099 shares of common stock at \$0.285 per share expiring in January, 2021; (v) options to purchase 81,522 shares of common stock at \$0.30 per share expiring in January, 2021; (vi) options to purchase 50,000 shares of common stock at \$0.25 per share expiring in May, 2021; (vii) options to purchase 50,000 shares of common stock at \$0.25 per share expiring in August, 2021; (viii) options to purchase 100,000 shares of common stock at \$0.25 per share expiring in May, 2022; (ix) options to purchase 833,333 shares of common stock at \$0.06 per share expiring in

December, 2027; and (x) June 2018 Warrants to purchase 625,000 shares of common stock at \$0.15 per share expiring in June 2021.

TABLE OF CONTENTS

- (9) Mr. Zyngier’s holdings include options to purchase 545,289 shares of common stock expiring in December, 2027. Mr. Zeitoun’s holdings include (i) options (held through Material Advisors) to purchase 3,949,966 shares of common stock at \$0.70 per share expiring in January, 2019; (ii) options (held through Material Advisors) to purchase 1,742,792 shares of common stock at \$0.83 per share expiring in January, 2021; (iii) options to purchase 1,742,792 shares of common stock at \$1.66 per share expiring in November, 2022; (iv) options to purchase 321,123 shares of common stock at \$0.24 per share expiring in March, 2021; and (v) options to purchase 5,955,386 shares of common stock expiring in December, 2027.
- (10) Mr. Carney’s holdings include: (i) options to purchase 1,316,655 shares of common stock at \$0.70 per share expiring in January, 2019; (ii) options to purchase 580,930 shares of common stock at \$0.83 per share expiring in January, 2022; (iii) options to purchase 580,931 shares of common stock at \$1.66 per share expiring in January, 2023; (iv) options to purchase 75,000 shares of common stock at \$0.84 per share expiring in June, 2024; (v) options to purchase 16,665 shares of common stock at \$0.68 per share expiring in February, 2025; (vi) options to purchase 248,344 shares of common stock at \$0.24 per share expiring in March, 2021; (vii) options to purchase 375,000 shares of common stock at \$0.16 per share expiring in August, 2019; and (viii) options to purchase 3,585,413 shares of common stock expiring in December, 2027.
- (11) Mr. Gleeson’s holdings include: (i) options to purchase 900,000 shares of common stock at \$1.90 per share expiring in September, 2021; (ii) options to purchase 72,406 shares of common stock at \$1.66 per share expiring in November, 2022; (iii) options to purchase 600,000 shares of common stock at \$0.84 per share expiring in June, 2024 (iv) options to purchase 248,344 shares of common stock at \$0.24 per share expiring in March, 2021; and (v) options to purchase 2,812,080 shares of common stock expiring in December, 2027.
- (12) Samlyn Capital, LLC, 500 Park Avenue, 2<sup>nd</sup> Floor, New York, N.Y. 10022, is the beneficial owner of shares held by funds it manages by virtue of the right to vote and dispose of the securities. Samlyn Onshore Fund, L.P. owns 17,271,245 shares, including (i) 12,153,098 shares of common stock issuable upon conversion of the Series A Notes; (ii) May 2017 Warrants to purchase 1,101,062 shares of common stock for \$0.10 per share; and (iii) options to purchase 88,195 shares of common stock at \$0.06 per share expiring in April, 2023 issued to the fund at Michael Barry’s direction, the options being issued for Michael Barry’s service as a director. Samlyn Offshore Master Fund, Ltd., owned 31,389,327 shares of common stock, including (i) 22,769,597 shares of common stock issuable upon conversion of the Series A Notes; (ii) May 2017 Warrants to purchase 2,062,909 shares of common stock for \$0.10 per share; and (iii) options to purchase 259,027 shares of common stock at \$0.06 per share expiring in April, 2023 issued to the fund at Michael Barry’s direction, the options being issued for Michael Barry’s service as a director. Robert Pohly is the president of Samlyn Capital, LLC. He has beneficial ownership of shares owned by funds of which Samlyn Capital, LLC is the general partner or investment manager with Mr. Pohly having sole voting and investment power. Mr. Barry is the General Counsel and Chief Compliance Officer of Samlyn Capital LLC.
- (13) James Berylson is the sole managing member of Berylson Capital Partners, LLC, which manages the Berylson Master Fund, L.P. Of the 14,710,285 shares owned by the Berylson Master Fund, L.P., 10,704,845 shares are issuable upon conversion of Series 2023 Notes owned by the Berylson Master Fund, L.P. and 1,798,095 shares are issuable upon the exercise of May 2017 Warrants owned by the Berylson Master Fund, L.P. Mr. Berylson may be deemed to beneficially own the 15,983,285 shares. Mr. Berylson owns and additional 1,273,000 shares. The address of Berylson Capital Partners, LLC is 200 Clarendon Street, Boston, MA 02116.
- (14) Kingdon Capital Management, LLC, 152 West 57<sup>th</sup> Street, 50<sup>th</sup> Floor, New York, N.Y. 10019, is the beneficial owner of shares of the Company, which are held by funds it manages by virtue of the right to vote and dispose of the securities. M. Kingdon Offshore Master Fund, L.P. owns (i) 6,690,528 shares through the conversion of its ownership of Series 2023 Notes; (ii) 10,582,635 shares through the conversion of its ownership of the Series A Notes; (iii) 2,082,588 shares upon the exercise of the May 2017 Warrants; and (iv) options to purchase 277,777 shares of common stock at \$0.11 per share expiring in June, 2023. Mark Kingdon is the President of Kingdon Capital Management, LLC and may be deemed to beneficially own these shares. Michael Pohly is a Portfolio Manager at Kingdon Capital Management LLC.
- (15)
- (16)

Mr. Katayama is the President of Fimatec, LTD (Japan) a producer and distributor of specialty minerals. In March, 2016, the Company and Fimatec LTD entered into an agreement in which Fimatec LTD agreed to be the exclusive distributor of the Company's halloysite-based DRAGONITE for the Japanese market. In June, 2016

## TABLE OF CONTENTS

Fimatec LTD purchase 3,333,334 units from the Company in exchange for \$500,000. Each unit consisted of one share of common stock of the Company and a warrant to purchase 0.3 shares of the common stock of the Company with a whole share costing 3.3 warrants and \$0.25. In August, 2017, SK Logistics (Singapore) PTE LTD purchased 10,000,000 million units from the Company in exchange for \$400,000. Each unit consisted of one share of common stock of the Company and a warrant to purchase 0.25 shares of common stock of the Company exercisable at \$0.04 per share. At October 15, 2018, SK Logistics (Singapore) PTE LTD held warrants to purchase 500,000 shares of common stock at \$0.04 per share. Mr. Katayama is deemed to beneficially own these shares. The address of each entity is Ochaanimizu Center Bldg, 5F 2-23-1 Kanda Awaji-cho Chiyoda-ku, Tokyo, Japan 101-0063.

(17) Executive officer.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors, and any person who beneficially owns more than 10% of our Common Stock to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Executive officers, directors, and more than 10% shareholders are required by regulation to furnish us with copies of all Section 16(a) forms which they file. To the best of our knowledge, all filings were made timely in 2017 except for one filing each by Messrs. Betz, Concha, Zamani, and Levy due to administrative oversight.

### **Stockholder Proposals and Nominations for 2019 Annual Meeting**

No determination has been made as to when the 2019 Annual Meeting will be held. We will file a Current Report on Form 8-K when that determination is made.

#### ***Proposals made under Rule 14a-8***

Rule 14a-8 under the Securities Exchange Act indicates the date or time frame, for purposes of Rule 14a-8, that a proposal must be submitted to the Company in order to be included in the Company's proxy statement and on the Company's proxy card for the 2019 Annual Meeting. Under such rule, the proposals must be submitted to the Company at our principal executive offices at Suite 301, 55 Washington Street, Brooklyn, NY 11201 by the following dates: if the 2019 meeting is held within 30 days of the date of the anniversary of the 2018 Annual Meeting, a stockholder's Rule 14a-8 proposal must be received no later than the close of business on July 2, 2019; if it is held more than 30 days from the date of the anniversary of the 2018 Annual Meeting of Stockholders, it must be received a reasonable time before the Company begins to print and send its proxy materials for the 2018 Annual Meeting.

#### ***Proposals and Nominations made under the Company's By-Laws***

The Company's By-Laws provide means for stockholders to submit proposals that are not submitted under SEC Rule 14a-8 and to make director nominations. Under the Company's By-Laws, stockholders who wish to submit proposals that are not submitted pursuant to SEC Rule 14a-8 or to make nominations for the 2018 Annual Meeting must provide notice that is delivered to or mailed and received at the principal executive offices of the Company:

- (1) by the close of business 60 days in advance of the anniversary of the 2018 Annual Meeting (which would be October 8, 2019) if such meeting is to be held during the period November 6, 2019 to November 28, 2018,
- (2) 90 days in advance (which would be September 8, 2019) if such meeting is to be held on or after November 29 and on or before December 6, 2019; and
- (3) with respect to any other Annual Meeting of Stockholders, the close of business on the tenth day following the date of public disclosure of the date of such meeting.

The Company will not consider at the 2019 Annual Meeting any proposal or nomination that does not meet the requirements of Rule 14a-8 or the By-Law requirements, as the case may be.

TABLE OF CONTENTS**Part 7 Proposals to be voted on at the meeting****Proposal 1: Election of Directors**

Eight persons, all of whom are currently directors, have been nominated for election at the Annual Meeting to hold office until the next Annual Meeting or until their respective successors are elected and qualified or until they resign or are removed.

The directors will be elected by a plurality of the votes cast, which means that the nominees receiving the largest number of FOR votes will be elected to the open positions.

The Board of Directors has evaluated the key attributes, experience, and skills of each nominee (set forth after biographical information of each nominee in Information about the Nominees in Part 2) and has concluded on that basis that each nominee listed below should be renominated for another term as director.

| <b>Name and Position with The Company</b> | <b>Age</b> | <b>Director/Officer Since</b>                    | <b>Principal Occupation</b>   |
|---|------------|--|---|
| Mario Concha                              | 78         | Chairman since 2016; Director since 2013         | President, Mario Concha and Associates  |
| John F. Levy                              | 63         | Vice Chairman since 2016; Director since 2008    | CEO of Board Advisory   |
| Robert T. Betz                            | 76         | Director since 2014                              | Owner, Personal Care Ingredients  |
| Michael Barry                             | 49         | Director since April 2018                        | General Counsel and Chief Compliance Officer of Samlyn Capital, LLC   |
| Michael Pohly                             | 49         | Director since June 2018                         | Portfolio Manager and Sector Head for Credit, Currencies and Commodities at Kingdon Capital Management LLC. |
| Ali Zamani                                | 39         | Director since 2014                              | Managing Partner of Overbrook Investments and Chairman of Mexican Gold Corp.                                |
| Alexandre Zyngier                         | 49         | Director since 2017                              | Managing Director at Batuta Advisors  |
| Andre Zeitoun                             | 45         | Director, President, and CEO since January, 2009 | President and CEO of the Company  |

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION TO THE BOARD OF EACH OF THE NOMINEES.**

**Proposal 2: Advisory Vote on Executive Compensation**

As required by Section 14A of the Securities and Exchange Act of 1934, we are asking for your approval of the following resolution (the Say-on-Pay resolution):

**RESOLVED, that the stockholders approve, in a nonbinding vote, the compensation of the Company's Named Executive Officers.**

At the Annual Meeting in 2015, the vote on the Say-on-Pay resolution (the advisory, non-binding vote on executive compensation) was FOR 33,329,844, AGAINST 18,893,595 and ABSTAIN 88,369. 63.9% of the shares voting either

FOR or AGAINST voted FOR. While stockholders approved the Say-on-Pay resolution, a favorable vote of 63.9% is, relatively speaking, rather low. Such a percentage could be presumed to reflect a negative view on the Board's handling of executive compensation from holders of a significant percentage of the shares voted.

The Board of Directors believes that the actions it has taken since the 2015 Annual Meeting (as described below) have more properly aligned executive pay with executive performance and have been responsive to the negative stockholder sentiments that may have been expressed in the Say-on-Pay vote at the 2015 Annual Meeting.

***Reductions in 2015 Bonus Compensation***

At the beginning of 2015, potential bonus compensation for 2015 was set for each of the Named Executive Officers.



TABLE OF CONTENTS

Mr. Zeitoun's potential bonus was \$500,000, of which \$200,000 was related to predetermined personal performance goals and \$300,000 (including \$100,000 payable in options) was related to a predetermined revenue goal.

Mr. Carney's and Mr. Gleeson's potential bonuses were \$100,000, of which \$25,000 was related to predetermined personal performance goals and \$75,000 (including \$25,000 payable in options) was related to predetermined revenue goals. Their revenue goal was the same as Mr. Zeitoun's.

The 2015 revenue goal for the officers was satisfied.

After the 2015 Annual Meeting, the Board negotiated with Mr. Zeitoun an arrangement whereby Mr. Zeitoun agreed to a cash bonus of \$299,000 and \$50,000 bonus payable in options.

The Board also cut the maximum bonuses for Messrs. Carney and Gleeson to \$75,000 from \$100,000, of which only \$37,500 could be taken in cash and the remainder would be paid in options (both Messrs. Carney and Gleeson took \$37,500 in cash).

The restructured bonuses represented reductions of

\$101,000 in Mr. Zeitoun's 2015 potential cash bonus (20% reduction) and \$50,000 (50% reduction) in his potential option bonus; and

\$37,500 (50% reduction) in the 2015 potential cash bonus and \$25,000 (25% reduction) in total potential bonus for each of Messrs. Carney and Gleeson.

***Reductions in 2016 Compensation as Compared to 2015 Compensation***

2016 cash compensation and 2016 total compensation for the Named Executive Officers represented significant reductions in comparison to 2015 cash compensation and 2015 total compensation. Details about 2015 and 2016 compensation are set forth below.

**2015 Compensation**

|         | 2015<br>Salary | Cash Bonus<br>for 2015<br>Performance | Total 2015<br>Cash<br>Compensation | Bonus Paid in<br>Options in<br>2016<br>for 2015<br>performance<br>(1) | February<br>2015<br>Option<br>Grant<br>(1) | Total 2015<br>Option<br>Compensation<br>(1) | Total 2015<br>Compensation<br>(1) |
|---------|----------------|---------------------------------------|------------------------------------|---|--|---|-----------------------------------|
| Zeitoun | \$ 600,000     | \$ 299,000                            | \$ 899,000                         | \$ 50,000   |  | \$ 50,000                                   | \$ 949,000                        |
| Gleeson | \$ 300,000     | \$ 37,500                             | \$ 337,500                         | \$ 37,500   |  | \$ 37,500                                   | \$ 375,000                        |
|         |                |                                       |                                    |   | 16,562                                     |   |                                   |
| Carney  | \$ 200,000     | \$ 37,500                             | \$ 237,500                         | \$ 37,500   | \$ (2)                                     | \$ 54,062                                   | \$ 291,062                        |

(1) Option values are based on Black Scholes value at the date of grant.

(2) Option grant was not tied to any performance goals, past or future

For 2016, the Board cut the salaries from 2015 levels as follows: Mr. Zeitoun — 42% reduction: (from \$600,000 to \$350,000) and Mr. Gleeson — 16% reduction (from \$300,000 to \$250,000). Mr. Carney agreed to take options in lieu of 25% of his salary for one year (\$50,000) beginning in August, 2016.

Mr. Zeitoun's 2016 compensation arrangement included a revenue-based bonus of up to \$150,000 (4% of revenues up to \$4 million up to a \$150,000 bonus) and he was paid that amount in full.

The Board agreed to pay performance bonuses to the Named Executive Officers based on financial performance and personal goals. The financial performance bonus required management to cause the Company to perform at a high level in comparison to prior years, the standard for payment of the bonus being sustainable cash flow breakeven after payment of the bonuses. The cash flow performance bonus was structured on an all-or-nothing basis.

If the Company were to reach cash flow breakeven, the entire bonuses (both for financial performance and for personal goals) would have been payable in cash, but if cash flow goal was not met, any bonus for achievement of personal goals would be payable in options. The cash flow goal was not met.

TABLE OF CONTENTS

Mr. Zeitoun's total maximum bonus for 2016 was \$500,000. 80% of Zeitoun's bonus was based on achievement of cash flow goals and 20% was based on achievement of personal goals. The cash flow goals were not met. No bonus for achievement of personal goals will be paid, although no determination was made as to the achievement of personal goals.

The maximum total bonus for each of Messrs. Carney and Gleeson was \$75,000, two-thirds of which is based on the cash flow goal and one-third was based on for personal goals. The cash flow goals were not met. No bonus for achievement of personal goals will be paid, although no determination was made as to the achievement of personal goals.

The following table sets forth 2016 compensation taking into account that the breakeven cash flow goal was not be met and assuming that the Board will determine that the 2016 personal goals were achieved and the full personal goal bonuses will be paid in options, the number of which are calculated using Black-Scholes valuation.

**2016 Compensation**

|                    | <b>2016 cash bonus based on revenue</b> | <b>Total 2016 cash compensation</b> | <b>Reduction in cash compensation 2015 to 2016</b> | <b>2016 option grant in lieu of salary</b> | <b>Bonus payable in options</b> | <b>Reduction in total compensation 2015 to 2016</b> |
|--------------------|---|-------------------------------------|--|--|---------------------------------|---|
| <b>2016 salary</b> | <b>(1)</b>                              | <b>(2)(3)</b>                       |  |  |                                 |   |
| Zeitoun            | \$ 350,000                              | \$ 500,000                          | <i>\$399,000 or 44%</i>                            |  | \$ 0                            | <i>\$550,000 or 57%</i>                             |
| Gleeson            | \$ 250,000                              | \$ 250,000                          | <i>\$87,500 or 26%</i>                             |  | \$ 0                            | <i>\$125,000 or 33%</i>                             |
| Carney             | \$ 181,250 (4)                          | \$ 181,250 (4)                      | <i>\$56,250 or 23%</i>                             | \$18,750 (4)                               | \$ 0                            | <i>\$91,062 or 31%</i>                              |

(1) Mr. Zeitoun's revenue-related bonus was 4% of the first \$4 million in revenues up to \$150,000. The revenue goal was fully achieved.

Bonuses payable in cash, but if cash flow goal was not met, any bonus for achievement of personal goals would be payable in options. 80% of Zeitoun's bonus was based on achievement of cash flow goal and 20% was based on achievement of personal goals. Others' fractions were two-thirds for cash flow goal and one-third for personal goals. No bonus for achievement of personal goals will be paid, although no determination was made as to the achievement of personal goals.

(2) The cash flow goal was met and no cash bonus based on cash flow breakeven was paid.

Mr. Carney's salary was at the rate of \$200,000 per year for first 7.5 months of 2016 and was at the rate of \$150,000 for the final 4.5 months. Mr. Carney agreed to reduce his salary by \$50,000 in the period from August 15, 2016 to August 15, 2017 in exchange for options that had a Black Scholes value of approximately \$40,500. The options are three-year options, but in accordance with Mr. Carney's offer to exchange cash for options, the number of options was based on \$50,000 divided by the Black Scholes value of five-year options.

**2017 Compensation**

In March 2017, on recommendation of the Compensation Committee, the Board determined the compensation of the Named Executive Officers would be as follows:

Mr. Zeitoun's 2017 compensation is as follows: salary — \$350,000; cash receipts bonus — 4% of monthly gross cash receipts, up to a maximum bonus of \$150,000; revenue bonus — \$100,000 if GAAP revenue exceeds \$6 million; cash flow bonus — \$100,000 if the Company is cash flow positive for 2017.

Mr. Carney's 2017 compensation is as follows: salary — \$150,000 per annum until August 15, 2017 and \$200,000 thereafter; revenue bonus — \$25,000 if GAAP revenue exceeds \$6 million;; cash flow bonus — \$25,000 if the Company is

cash flow positive for 2017.

Mr. Gleeson's 2017 compensation is as follows: salary — \$250,000; revenue bonus — \$25,000 if GAAP revenue exceeds \$6 million; cash flow bonus — \$25,000 if the Company is cash flow positive for 2017.

Mr. Zeitoun was paid the revenue bonuses. Because the thresholds were not achieved, none of the other bonuses were paid to any Named Executive Officer.

On August 18, 2017, on the recommendation of the Compensation Committee, the Board, in order that the Named Executive Officers would be properly motivated to take action that would increase value for stockholders, granted

## TABLE OF CONTENTS

options to Named Executive Officers as follows: Andre Zeitoun: 12,910,772 options; Christopher Carney: 4,780,550 options; William Gleeson: 3,749,439 options. The options are ten-year options and the exercise price is \$0.06. Vesting conditions are as follows: (i) 25% of the options will vest upon the closing of the sale of an aggregate of \$600,000 of units (consisting of one share of Common Stock and a warrant to purchase .25 of a share of Common Stock) at \$.04 per unit (this goal has been achieved); (ii) 25% of the options will vest upon the receipt of at least \$900,000 from one or more of the following sources: sale(s) of Common Stock over and above \$600,000, consideration for entering into licensing or similar agreement(s), and/or consideration for entering into agreement(s) relating to the sale or lease of minerals rights or entering into options or other agreements relating mineral rights; (iii) 25% of the options will vest when the Company has toll processing arrangements with two toll processors of halloysite that, in management's good faith belief, can process halloysite to the Company's specifications (one of the agreements may be a back-up or standby arrangement); (iv) 8.3% of the options if EBITDA is positive over a period of twelve months; (v) 8.3% of the options if EBITDA equals or exceeds \$2 million over a period of twelve months; and (vi) 8.3% of the options if EBITDA equals or exceeds \$4 million over a period of twelve months. The vesting under the first three conditions need not be sequential and the vesting under fourth and fifth or under the fourth, fifth, and sixth, or the fifth and sixth can occur simultaneously. EBITDA is defined as operating income plus depreciation and amortization expense plus non-cash expense plus any unusual, one-time expense incurred during the period.

The options were granted under the 2017 Incentive Plan, which was adopted on August 18, 2017 by the Board of Directors. Forty million shares of Common Stock are subject to the plan.

On December 7, 2017, the Board of Directors, on the recommendation of the Compensation Committee, granted to Mr. Zeitoun a bonus for service in 2017 of \$120,000, and in particular for work on amendments to the Series A and Series 2023 Notes and the BASF supply and tolling agreements, and to each of Mr. Carney and Mr. Gleeson a bonus for service in 2017. The bonuses were paid in 2018.

### ***2018 Compensation***

2018 salaries for the Named Executive Officers are as follows: Mr. Zeitoun: \$350,000; Mr. Carney: \$200,000; Mr. Gleeson; \$250,000. There are no arrangements or understandings under which the Board would award equity compensation in 2018 or pay bonuses for 2018 performance, but the Board reserves the award equity compensation or pay bonuses if it deems appropriate.

\* \* \* \*

Approval of the advisory vote on executive compensations requires a majority of votes cast.

## **OUR BOARD UNANIMOUSLY RECOMMENDS VOTING FOR ON THE ADVISORY VOTE ON EXECUTIVE COMPENSATION**

### **Proposal 3: Advisory Vote on Frequency of Future Advisory Vote on Named Executive Officer Compensation**

As described in Proposal No. 2 above, the Company's stockholders are being provided the opportunity to cast an advisory vote on the compensation of the Company's named executive officers.

This Proposal No. 3 affords stockholders the opportunity to cast an advisory vote on how often the Company should include an advisory vote on executive compensation in its proxy materials for future annual stockholder meetings (or special stockholder meeting for which the Company must include executive compensation information in the proxy statement for that meeting). Under this Proposal No. 3, stockholders may vote to have the advisory vote on executive compensation held every one year, every two years or every three years.

Our Board of Directors believes that advisory votes on executive compensation should be conducted every year so that stockholders may annually express their views on the Company's executive compensation program. The Compensation Committee and the Board value the opinions expressed by stockholders in these votes and will consider the outcome of these votes when making future compensation decisions for our Named Executive Officers.

This proposal on the frequency of future advisory votes on executive compensation is advisory only and will not be binding on the Company or our Board. In voting on this proposal, you will be able to indicate your preference

TABLE OF CONTENTS

regarding the frequency of future advisory votes on executive compensation by specifying a choice of one year, two years or three years. If you do not have a preference regarding the frequency of future advisory votes on executive compensation, you should abstain from voting on the proposal. Stockholders are not voting to approve or disapprove the Board's recommendation. Although non-binding, the Board and the Compensation Committee will carefully review the voting results. Notwithstanding the Board's recommendation and the outcome of the stockholder vote, the Board may in the future decide to conduct advisory votes on executive compensation on a more or less frequent basis and may vary practice based on factors such as discussions with stockholders and the adoption of material changes to the Company's executive compensation program.

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE TO HOLD FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION EVERY ONE YEAR (AS OPPOSED TO EVERY TWO YEARS OR EVERY THREE YEARS).**

**Proposal 4: Ratification of Independent Auditor**

The Audit Committee has selected MaloneBaily LLP as the Company's independent auditor for fiscal year 2018, and the Board asks stockholders to ratify that selection.

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE INDEPENDENT AUDITOR.**

TABLE OF CONTENTS



TABLE OF CONTENTS