

DGSE COMPANIES INC
Form DEF 14A
April 30, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

DGSE COMPANIES, 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:

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Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

DGSE Companies, Inc.

15850 DALLAS PARKWAY, SUITE 140

Dallas, Texas 75248

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 14, 2013

Dear Stockholder:

As a stockholder of DGSE Companies, Inc., you are hereby given notice of and invited to attend in person or by proxy our 2013 Annual Meeting of Stockholders to be held at the Marriott Quorum, 14901 Dallas Parkway, Dallas, Texas 75254, on Friday, June 14, 2013 at 10am (local time).

At this year's stockholders' meeting, you will be asked to: (i) elect five directors to serve until the next annual meeting of stockholders and until their respective successors shall have been duly elected and qualified; (ii) ratify the appointment of Whitley Penn LLP ("Whitley Penn") as our independent registered public accountants for the fiscal year ending December 31, 2013; (iii) cast an advisory vote on our current executive compensation; (iv) cast an advisory vote on the frequency of future advisory votes on our executive compensation; and (v) transact such other business as may properly come before the meeting and any adjournment(s) thereof. Our Board of Directors unanimously recommends that you vote: (a) FOR the directors nominated; (b) FOR the ratification of Whitley Penn; (c) FOR the approval of our current executive compensation, and (d) in favor of THREE YEARS as the frequency of the advisory vote on executive compensation. Accordingly, please give careful attention to these proxy materials.

Only holders of record of our Common Stock as of the close of business on **May 7, 2013** are entitled to notice of and to vote at our annual meeting and any adjournment(s) thereof. Our transfer books will not be closed.

You are cordially invited to attend the annual meeting. Whether you expect to attend the annual meeting or not, please vote, sign, date and return in the self-addressed envelope provided the enclosed proxy card as promptly as possible. If you attend the annual meeting, you may vote your shares in person, even though you have previously signed and returned your proxy.

By Order of the Board of Directors,

/s/ C. Brett Burford
C. Brett Burford
Secretary

Dallas, Texas

May 20, 2013

YOUR VOTE IS IMPORTANT.

PLEASE EXECUTE AND RETURN PROMPTLY THE

ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED HEREIN.

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DGSE Companies, Inc.

15850 DALLAS PARKWAY, SUITE 140

Dallas, Texas 75248

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 14, 2013

To Our Stockholders:

This proxy statement (this "Proxy Statement") is furnished in connection with the solicitation of proxies by the Board of Directors (our "Board of Directors" or "Board") of DGSE Companies, Inc., a Nevada corporation ("we," "us," "our," and "DGSE"), to be used at our Annual Meeting of Stockholders to be held at the Marriott Quorum, 14901 Dallas Parkway, Dallas, Texas 75254, on **Friday, June 14, 2013 at 10am** (local time), or at any adjournment or adjournments thereof. Our stockholders of record as of the close of business on **May 7, 2013** (the "Record Date") are entitled to vote at our annual meeting.

Important Notice of Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on June 14, 2013.

Our proxy materials, including our Proxy Statement for the 2013 Annual Meeting, 2012 Annual Report on Form 10-K for the year ended December 31, 2012 and proxy card, were first sent to security holders on or about May 20, 2013 and are available on the internet at www.DGSE.com.

VOTING PROCEDURES AND REVOCABILITY OF PROXIES

The accompanying proxy card is designed to permit each of our stockholders as of the Record Date to vote on each of the proposals properly brought before the annual meeting. As of the Record Date, there were 12,175,584 shares of our

common stock, par value \$.01 per share (our “Common Stock”), issued and outstanding and entitled to vote at the annual meeting. Each outstanding share of our Common Stock is entitled to one vote.

The holders of a majority of our outstanding shares of Common Stock, present in person or by proxy, will constitute a quorum for the transaction of business at the annual meeting. If a quorum is not present, the annual meeting may be adjourned from time to time until a quorum is obtained.

Abstentions and broker non-votes will be counted for the purpose of determining whether a quorum is present. Abstentions, but not broker non-votes, are treated as shares present and entitled to vote, and will be counted as a “no” vote on all other matters. Broker non-votes are treated as not entitled to vote, and so reduce the absolute number, but not the percentage of votes needed for approval of a matter. Broker non-votes occur when nominees, such as banks and brokers holding shares on behalf of beneficial owners, do not receive voting instructions from the beneficial holders at least ten days before the meeting. If that happens, the nominees may vote those shares only on matters deemed “routine” by the NYSE MKT Exchange (the “Exchange”), such as the ratification of auditors. Nominees cannot vote on non-routine matters unless they receive voting instructions from beneficial holders, resulting in so-called “broker non-votes.”

Assuming that a quorum is present, directors will be elected by a plurality vote and the five nominees who receive the most votes will be elected. As a result, abstentions and broker non-votes, if any, will not affect the outcome of the vote on this proposal. There is no right to cumulative voting unless cumulative voting is requested at the Annual Meeting by a stockholder.

Assuming that a quorum is present, the ratification of the appointment of Whitley Penn LLP (“Whitley Penn”) as our independent registered public accountants for the fiscal year ending December 31, 2013 and approval of any other matter that may properly come before the annual meeting, the affirmative vote of a majority of the total votes cast on these proposals, in person or by proxy, is required to approve these proposals. As a result, abstentions will have the same practical effect as a negative vote on these proposals, and broker non-votes, if any, will not affect the outcome of the vote on these proposals. We believe that the proposal for the ratification of our independent registered public accounting firm is considered to be a “routine” matter, and hence we do not expect that there will be a significant number of broker non-votes on such proposal.

On December 10, 2012, NTR Metals, LLC, a Texas limited liability company (“NTR”) filed a Form 4 with the Securities and Exchange Commission (“SEC”) stating that, as of the filing date, NTR owned 5,026,442 shares of our Common Stock. NTR had previously filed, on October 31, 2012, a Schedule 13D/A with the SEC stating that, as of the filing date, NTR had been granted a proxy by Dr. L. S. Smith to vote his 1,628,014 shares until May 25, 2014, and holds an option to purchase up to 5,000,000 shares of our Common Stock, which if exercised would result in ownership of 67.85 percent of the outstanding shares of our Common Stock. On November 11, 2011, as a result of the transactions more fully described in Item 5.01 of our Current Report on Form 8-K, as filed with the SEC on November 15, 2011, NTR gained control over a majority of our Common Stock.

On January 7, 2013 NTR announced that it had agreed to transfer 4,393,142 of its shares of our Common Stock to Elemetal, LLC (“Elemetal”) in exchange for ownership units of Elemetal. NTR also announced its intention to transfer its option to purchase up to 5,000,000 shares of our Common Stock at an exercise price of \$15 per share (the “NTR Option”), to Elemetal. On January 9, 2013 we announced that our Board of Directors had approved the transfer of these options to Elemetal. As of the Record Date, May 7, 2013, (i) no shares have been transferred from NTR to Elemetal and (ii) the NTR Option has not yet been transferred from NTR to Elemetal. NTR has advised us that it expects to complete the necessary steps to complete the transfer of shares of our Common Stock and the NTR Option held by NTR to Elemetal by the end of May.

The accompanying proxy card provides space for you to vote in favor of, against or to withhold voting for: (i) the nominees for the Board of Directors identified herein; (ii) the ratification of the appointment of Whitley Penn as independent registered public accountants of DGSE for the fiscal year ending December 31, 2013; (iii) the proposal regarding an advisory vote on our current executive compensation; and (iv) the proposal that the advisory vote on executive compensation be held every three years. Our Board of Directors urges you to complete, sign, date and return the proxy card in the accompanying envelope, which is postage prepaid for mailing in the United States.

When a signed proxy card is returned with choices specified with respect to voting matters, the proxies designated on the proxy card will vote the shares in accordance with the stockholder’s instructions. We have designated James D. Clem and C. Brett Burford as proxies for the stockholders. If you desire to name another person as your proxy, you may do so by crossing out the names of the designated proxies and inserting the names of the other persons to act as your proxies. In that case, it will be necessary for you to sign the proxy card and deliver it to the person named as your proxy and for the named proxy to be present and vote at the annual meeting. Proxy cards so marked should not be

mailed to us.

If you sign your proxy card and return it to us and you have made no specifications with respect to voting matters, your shares will be voted FOR: (i) the election of the nominees for director identified herein; (ii) the ratification of the appointment of Whitley Penn as our independent registered public accountants for the fiscal year ending December 31, 2013; (iii) the proposal regarding an advisory vote on executive compensation; and (iv) the proposal that the advisory vote on executive compensation be held every three years.

You have the unconditional right to revoke your proxy at any time prior to the voting of the proxy by taking any act inconsistent with the proxy. Acts inconsistent with the proxy include notifying our Secretary in writing of your revocation, executing a subsequent proxy, or personally appearing at the annual meeting and casting a contrary vote. However, no revocation shall be effective unless at or prior to the annual meeting we have received notice of such revocation.

At least ten (10) days before the annual meeting, we will make a complete list of the stockholders entitled to vote at the annual meeting open to the examination of any stockholder for any purpose germane to the meeting. The list will be open for inspection during ordinary business hours at our executive offices located at 15850 Dallas Parkway, Suite 140, Dallas, Texas 75248, and will also be made available to stockholders present at the meeting.

PROPOSAL I: ELECTION OF DIRECTORS

Five directors are proposed to be elected at the annual meeting. If elected, each director will hold office until the next annual meeting of stockholders or until his successor is elected and qualified. The election of directors will be decided by a plurality vote.

The five nominees for election as directors to serve until the next annual meeting of stockholders and until their successors have been duly elected and qualified are Craig Alan-Lee, James D. Clem, William P. Cordeiro, David S. Rector and James J. Vierling. All of the nominees named in this proxy statement are members of our current Board of Directors. All nominees have consented to serve if elected and we have no reason to believe that any of the nominees named will be unable to serve. If any nominee becomes unable to serve, (i) the shares represented by the designated proxies will be voted for the election of a substitute as our Board of Directors may recommend, (ii) our Board of Directors may reduce the number of directors to eliminate the vacancy or (iii) our Board of Directors may fill the vacancy at a later date after selecting an appropriate nominee.

The current Board of Directors nominated the individuals named below for election to our Board of Directors, and information regarding the background and qualifications of each of the nominees is set forth below. See “Security Ownership of Certain Beneficial Owners and Management” for additional information about the nominees, including their ownership of securities issued by DGSE.

Name	Age	Director Since	Position
James J. Vierling	50	2012	Chairman of the Board, Chief Executive Officer and President of DGSE Companies, Inc., President of SBT
James D. Clem	37	2011	Director and Chief Operating Officer of DGSE Companies, Inc.
William P. Cordeiro, Ph.D. (1)(2)	69	1999	Director and Chairman of the Audit Committee
Craig Alan-Lee (1)(2)	55	2004	Director
David S. Rector (1)(2)	66	2007	Director and Chairman of the Compensation Committee

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

The following paragraphs summarize each director's principal occupation, business affiliations and other information.

James J. Vierling replaced William Oyster as our Chief Executive Officer, President, Chairman of the Board and Principal Executive Officer on October 25, 2012. Mr. Vierling was elected to the Board because of his extensive experience in the jewelry industry and his experience in other related enterprises. Prior to his appointment as CEO, since 2009, Mr. Vierling served as the President of Southern Bullion Trading, LLC ("SBT"), now a wholly-owned subsidiary of DGSE Companies, Inc. SBT was acquired by us on September 14, 2011 in an acquisition from NTR. Prior to joining SBT, from 2005 until 2009, Mr. Vierling was Chief Marketing Officer and Strategic Planner of A-1 Premium Acceptance, an installment loan company. Mr. Vierling holds a BA in economics from the University of Missouri.

James D. Clem has served as a director and Chief Operating Officer of DGSE Companies, Inc. since December, 2012. Mr. Clem was elected to the Board because of his extensive experience in the jewelry and precious metals industries and his experience in other related enterprises. Prior to his current position, Mr. Clem had served as our Vice President of Sales and Marketing since 2008. Prior to 2008, Mr. Clem was with the Heritage Organization, LLC, an estate planning firm, for seven years as Vice President of Sales and Marketing and then Chief Operating Officer. Mr. Clem holds a B.B.A. in business from the University of Texas at Arlington.

William P. Cordeiro, Ph.D. has served as a director and an independent member and financial expert of our Audit Committee since 1999. He has been a professor in the California State University system since 1988 and the director of the Martin V. Smith School of Business and Economics at CSU Channel Islands since 2001. He has also been a partner of Bartik, Cordeiro & Associates, Inc., a management consulting firm, since 1990. Dr. Cordeiro holds a B.S. in biology from the University of San Francisco, an M.B.A. in finance from University of Southern California, an M.A. in management from Claremont Graduate School and a Ph.D. in executive management from Claremont Graduate School. Dr. Cordeiro was elected to the Board because of his extensive financial experience.

Craig Alan-Lee has served as a director and independent member of our Audit Committee since 2004. He has served as a senior loan consultant with Castle Funding, Inc., a mortgage loan company, since November 1994. Mr. Alan-Lee was elected to the Board based on his 30 years of experience in business and management.

David S. Rector has served as a director and independent member of our Audit Committee since 2007 and was elected as Chairman of our Compensation Committee in 2012. He also serves on the board of directors of Standard Drilling, Inc., Valor Gold Corp. and Pershing Gold Corp. (formerly Sagebrush Gold, Ltd.) and previously served as a director of Superior Galleries, Inc. (“Superior”) from May 2003 until May 2007. Since 1985, he has served as a principal of David Stephen Group, which provides enterprise consulting services to emerging and developing companies in a variety of industries. Prior to that, he served as president, chief executive officer and chief operating officer of Nanoscience Technologies, Inc., a development stage company engaged in the development and commercialization of DNA nanotechnology. Mr. Rector holds a B.S. in business and finance from Murray State University. Mr. Rector was elected to the Board because of his extensive experience in the precious metals industry and his experience in other related enterprises.

Family Relationships

There are no family relationships among our nominees for director, our officers or our key employees.

Vote Required

Directors will be elected by a plurality of the votes cast by the holders of DGSE Common Stock voting in person or by proxy at the annual meeting. Abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum, but will have no effect on the vote for election of directors.

THE BOARD OF DIRECTORS URGES YOU TO VOTE “FOR”

EACH OF THE NOMINEES FOR DIRECTOR SET FORTH ABOVE.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL**OWNERS AND MANAGEMENT**

The following table sets forth, as of the Record Date, May 7, 2013, the beneficial ownership each stockholder known by us to own beneficially more than 5 percent of our outstanding shares of Common Stock. Common Stock beneficially owned and percentage ownership as of May 7, 2013 was based on 12,175,584 shares outstanding.

(1) Title of class	(2) Name and address of beneficial owner	(3) Amount and nature of beneficial ownership	(4) Percent of class	(5) Sole Voting Power	(6) Shared Voting Power	(7) Sole Investment Power	(8) Shared Investment Power
Common Stock	NTR (1) 10720 Composite Dr. Dallas, TX 75220	11,558,454	67.30 %	11,558,454	-	10,037,642	-
Common Stock	Dr. L. S. Smith (2) 519 I-30, Suite 243 Rockwall, TX 75087	1,520,812	12.49 %	-	-	1,520,812	-
Common Stock	David W. Berry (3) 4200 Montrose Blvd., Suite 400 Houston, TX 77006	957,370	7.86 %	913,379	43,991	913,379	43,991

(1) NTR holds 5,037,642 shares of our Common Stock. NTR has notified us that intends to transfer a substantial portion of its holdings from NTR to Elemental, as more fully described in the Schedule 13D jointly filed by NTR and Elemental on January 2, 2013 (the "NTR-Elemental Schedule 13D"). However, as of the Record Date, the transfer of shares of our Common Stock from NTR to Elemental contemplated by the NTR-Elemental Schedule 13D has not been completed on our books and records. As a consequence, as of the Record Date, NTR remains the holder of 5,037,642 shares of our Common Stock, and Elemental holds 0 shares of our Common Stock. Additionally, NTR holds a proxy to vote 1,520,812 shares of our Common Stock held by Dr. L. S. Smith, which will expire May 25, 2014. Effective January 7, 2013, with our consent, NTR initiated the transfer of the NTR Option to Elemental. However, as of the Record Date, the transfer of the NTR Option has not been effected on our books and records. The NTR Option is vested and exercisable.

(2) Dr. L. S. Smith has granted NTR a proxy to vote his 1,520,812 shares of our Common Stock until May 25, 2014.

(3) This information was disclosed in the Schedule 13G, filed with the SEC on February 14, 2013, pursuant to a Joint Filing Agreement, by (i) Select Contrarian Value Partners, L.P. ("Select Contrarian"), (ii) Kaizen Fundamental Value Fund ("Kaizen Fundamental"), (iii) Trans Continental US Equity Fund ("Trans Continental"), (iv) Kaizen

Management, L.P. ("Kaizen Management"), the general partner of and investment advisor to Select Contrarian, (v) Kaizen Capital, LLC, the general partner of Kaizen Management ("Kaizen Capital"), and (vi) David W. Berry, the manager of Kaizen Management. Kaizen Management also serves as investment advisor to Kaizen Fundamental and Trans Continental. Mr. Berry was reported to hold sole voting and investment power over 913,379 shares of our Common Stock and shared voting and investment power over 43,991 shares of our Common Stock, Kaizen Capital was reported to hold sole voting and investment power over 873,179 shares of our Common Stock and shared voting and investment power over 43,991 shares of our Common Stock, Kaizen Management was reported to hold sole voting and investment power over 873,179 shares of our Common Stock and shared voting and dispositive power over 43,991 shares of our Common Stock, Kaizen Fundamental was reported to hold sole voting and investment power over 0 shares of our Common Stock and shared voting and dispositive power over 26,567 shares of our Common Stock, Trans Continental was reported to hold sole voting and investment power over 0 shares of our Common Stock and shared voting and dispositive power over 17,424 shares of our Common Stock, and Select Contrarian was reported to hold sole voting and investment power over 873,179 shares of our Common Stock. No information was provided by the filers as to the nature of the shared voting or investment power of Kaizen Management, Kaizen Capital, Kaizen Fundamental, Trans Continental or Mr. Berry.

The following table sets forth information with respect to beneficial ownership of our Common Stock at the Record Date May 7, 2013 by our principal executive officers, by each of our directors, and by all executive officers and directors as a group. Except as otherwise noted, the address of each of the following beneficial owners is c/o DGSE Companies, Inc., 15850 Dallas Parkway, Suite 140, Dallas, TX 75248.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Title of class	Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of class	Sole Voting Power	Shared Voting Power	Sole Investment Power	Shared Investment Power
Common Stock	William P. Cordeiro (1)	47,500	0.39	% 47,500	-	47,500	-
Common Stock	Craig Alan-Lee (2)	345,000	2.83	% 345,000	-	345,000	-
Common Stock	David S. Rector (3)	24,150	0.20	% 24,150	-	24,150	-
Common Stock	James J. Vierling (4)	147,000	1.21	% 147,000	-	147,000	-
Common Stock	James D. Clem (5)	47,925	0.39	% 47,925	-	47,925	-
Common Stock	C. Brett Burford (6)	2,000	0.02	% 2,000	-	2,000	-
Common Stock	All Directors and Executive Officers	613,575	5.03	% 613,575	-	613,575	-

William P. Cordeiro is an outside director, owns 10,000 shares directly and has options to purchase 32,500 shares (1) of our Common Stock. Beneficial ownership also includes 5,000 shares owned by Bartik, Cordeiro & Associates, as to which Dr. Cordeiro has shared voting and investment powers.

(2) Craig Alan-Lee is an outside director, owns 330,000 shares and has options to purchase 15,000 shares of our Common Stock.

(3) David S. Rector is an outside director, owns 14,150 shares and has an option to purchase 10,000 shares of our Common Stock.

(4) James J. Vierling was elected as our Chairman of the Board, CEO and President on October 25, 2012, owns 147,000 shares of our Common Stock and has no options to purchase shares of our Common Stock.

(5)

James D. Clem was elected as a director and COO on December 20, 2011 and owns 47,925 shares and has no options to purchase shares of our Common Stock.

(6) C. Brett Burford was appointed as CFO on August 31, 2012, owns 2,000 shares of Common Stock and has no options to purchase shares of our Common Stock.

BOARD OF DIRECTORS AND COMMITTEES

Board Composition

Our Board is currently composed of five directors. Our Board has determined that William P. Cordeiro, Craig Alan-Lee and David S. Rector are “independent” under the standards of the SEC and the Exchange. Under applicable SEC and Exchange rules, the existence of certain “related person” transactions above certain thresholds between a director and us are required to be disclosed and preclude a finding by our Board that the director is independent. In addition to transactions required to be disclosed under SEC rules, our Board considered certain other relationships in making its independence determinations, and determined in each case that such other relationships did not impair the director’s ability to exercise independent judgment on our behalf.

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

Board Meetings

Our Board meets as often as necessary to perform its duties and responsibilities. During the fiscal year ended December 31, 2012 (“Fiscal 2012”), the Board met twelve times in person or telephonically. All members of our Board were present at and participated in all twelve meetings and all members, other than Mr. Rector, attended the 2012 annual meeting. In addition, our Board acted by written consent five times. Management also periodically conferred with directors between meetings regarding our affairs.

Audit Committee

The Audit Committee, established in accordance with Section 3(a)(58)(A) of the Exchange Act, consisting of three independent directors of our Board, is chaired by William P. Cordeiro, who is also an “audit committee financial expert,” as that term is defined in Item 407(d)(5)(ii) of Regulation S-K, promulgated under the Securities Act. Dr. Cordeiro is “independent,” as defined by the listing standards of the Exchange. The other members of the Audit Committee are David S. Rector and Craig Alan-Lee. The Audit Committee is primarily tasked with overseeing our financial reporting process, evaluation of independent auditors and, where appropriate, exercising its duty to replace our independent auditors. Management is responsible for preparing our financial statements, and the independent

auditors are responsible for auditing those financial statements.

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

Audit Committee Report

The Audit Committee has reviewed and discussed the audited financial statements with management and Whitley Penn, our independent registered accounting firm, and all matters required to be discussed by the American Institute of Certified Public Accountants, Professional Standards, Vol. 1, AU Section 380, as adopted by the Public Company Accounting Oversight Board (“PCAOB”) in Rule 3200T.

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

Based on the review and discussions noted in the preceding two paragraphs, the Audit Committee recommended to the Board that the audited financial statements be included in our annual report on Form 10-K for the fiscal year ended December 31, 2012.

The Audit Committee acts pursuant to our Audit Committee Charter. Each of the members of the Audit Committee qualifies as an independent director under the current listing standards of the Exchange.

Compensation Committee

As of August 31, 2012, the Board approved the creation of a Compensation Committee comprised of our independent directors. The Compensation Committee is chaired by David S. Rector and is primarily concerned with reviewing, approving and determining the compensation of our executive officers to ensure that we employ ethical compensation standards and that our executive officers are fairly compensated based upon their performance and contribution to us. The Compensation Committee meets as often as necessary to perform their duties and responsibilities. The charter for the Compensation Committee is available under the “Investor Relations” menu in the “DGSE Companies” section of our website at www.DGSE.com. We have adopted a formal written Compensation Committee Charter, and the Audit Committee reviews and reassesses the adequacy of the charter annually.

Nominations for Directors

At the end of Fiscal 2012, we were classified as a “controlled company,” as that term is defined by the Exchange, and as of that date, we did not have a Nominating and Corporate Governance Committee or any committee performing similar functions.

All nominees standing for election as a member of our Board were selected by the Board, based on a review of each individual’s background, experience and knowledge of our affairs.

Leadership

Pursuant to our bylaws, the Chairman of our Board shall be and is our Chief Executive Officer. We do not have a lead independent director. Pursuant to our bylaws, the Chairman of our Board and Chief Executive Officer presides, when present, at all meetings of the shareholders and at all meetings of our Board. The Chairman of our Board and Chief Executive Officer generally supervises over our affairs, shall have general and active control of all of our business and shall see that all orders and resolutions of our Board and our shareholders are carried into effect. We have determined this leadership structure appropriate given the need for a centralized model of oversight.

Risk Oversight

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

Code of Business Conduct & Ethics and Related Party Transaction Policy

We have adopted a Code of Business Conduct & Ethics, as well as a Related Person Transaction Policy, each of which applies to our directors, executive officers (or persons performing similar functions), employees and certain of our other affiliates, associates and/or related persons. The latest copies of our Code of Business Conduct & Ethics and Related Person Transaction Policy are available under the “Investor Relations” menu in the “DGSE Companies” section of our website at www.DGSE.com. Any transactions between us and our officers, directors, principal shareholders, or other affiliates have been and will be on terms no less favorable to us than the Board believes could be obtained from unaffiliated third parties on an arms-length basis. We intend to disclose future amendments to these policies, or waivers of such provisions, at the same location on our website and also in public filings.