

PANHANDLE OIL & GAS INC
Form DEF 14A
January 26, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

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

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 under §240.14a-12

PANHANDLE OIL AND GAS 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:

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(1) Amount Previously Paid:

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Notice of Annual Shareholders Meeting

To be held March 7, 2018

To the Shareholders of Panhandle Oil and Gas Inc.:

Notice is hereby given that the annual meeting of the shareholders of Panhandle Oil and Gas Inc. (the "Company") will be held at The Oklahoma History Center, 800 Nazih Zuhdi Drive (N.E. 23rd & Lincoln Blvd.), Oklahoma City, Oklahoma on Wednesday, March 7, 2018, at 9:00 a.m. local time, for the following purposes:

1. To elect the two nominees named in the accompanying proxy statement to serve as directors on the Company's Board of Directors for terms of three years or until their successors are duly elected and qualified;
2. To ratify the appointment of Ernst & Young, LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2018;
3. To approve on a non-binding advisory basis, the compensation of our named executive officers; and
4. To consider and act upon any other matter as may properly come before the meeting or any adjournment or postponement thereof.

Only holders of record of Common Stock at the close of business on January 19, 2018, will be entitled to vote at the meeting and any adjournments or postponements.

By Order of the Board of Directors
Lonnie J. Lowry, Secretary

Oklahoma City, Oklahoma

January 26, 2018

Your Vote Is Important.

Whether Or Not You Expect To Attend The Meeting, Please Mark, Sign And Date The Enclosed Proxy And Mail It Promptly In The Postage-Paid Envelope Provided.

Please Vote!

Table Of Contents

	Page
<u>Notice of Annual Meeting</u>	1
<u>Voting of Common Stock</u>	2
<u>Proposal No. 1 – Election of Two Directors for Three-Year Terms Ending in 2021</u>	4
<u>Nominees for Election to the Board of Directors for Three-Year Terms Ending in 2021</u>	5
<u>Directors Whose Terms Continue Beyond the 2018 Annual Meeting and Who are Not Subject to Election this Year</u>	6
<u>Stock Ownership of Directors, Nominees and Executive Officers</u>	9
<u>Lead Independent Director</u>	9
<u>Board Independence</u>	10
<u>Meetings and Committees of the Board of Directors</u>	10
<u>Board Role in Risk Oversight</u>	12
<u>Compensation of Directors</u>	13
<u>Share Ownership Guidelines for Directors</u>	15
<u>Related Person Transactions</u>	15
<u>Compensation Committee Interlocks and Insider Participation</u>	16
<u>Code of Ethics</u>	16
<u>Communications with the Board of Directors</u>	16
<u>Proposal No. 2 – Ratification of Selection of Independent Registered Public Accounting Firm</u>	16
<u>Report of the Audit Committee</u>	17
<u>Independent Accountants’ Fees and Services</u>	19
<u>Proposal No. 3 – Advisory Vote on Executive Compensation</u>	20
<u>Executive Compensation Overview</u>	21
<u>Summary of Current Compensation Program</u>	21
<u>Financial and Operating Performance – Fiscal 2017</u>	21
<u>Information About Our Executive Officers</u>	22
<u>Compensation Discussion and Analysis</u>	23
<u>Compensation Committee Report</u>	33
<u>Executive Compensation</u>	33
<u>Chief Executive Officer Actual Realized Compensation</u>	35
<u>ESOP Plan</u>	35
<u>Amended 2010 Restricted Stock Plan</u>	35
<u>Stock Ownership of Certain Beneficial Owners</u>	40
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	40
<u>Shareholder Proposals</u>	41
<u>Annual Report to Shareholders</u>	42
<u>Form 10-K</u>	42
<u>Other Matters</u>	42

Panhandle Oil and Gas Inc.

5400 N. Grand Boulevard, Suite 300

Oklahoma City, OK 73112-5688

Annual Shareholders Meeting

March 7, 2018

Notice of Annual Meeting

The accompanying proxy is solicited by the Board of Directors (the “Board”) of Panhandle Oil and Gas Inc., an Oklahoma corporation (the “Company”, “Panhandle”, “we”, “us” and “our”), for use at the Company’s annual shareholders meeting (the “annual meeting”) to be held at The Oklahoma History Center, 800 Nazih Zuhdi Drive (N.E. 23rd & Lincoln Blvd.), Oklahoma City, Oklahoma, on Wednesday, March 7, 2018, at 9:00 a.m. local time, and at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Shareholders Meeting.

When the proxy is properly executed and returned, the shares it represents will be voted at the meeting in accordance with the directions noted thereon. If no direction is indicated, the persons named on the enclosed proxy will vote the proxy FOR the nominees for director in Proposal No. 1 and FOR Proposal No. 2 and Proposal No. 3. Signed proxy cards without specified choices will be voted at the discretion of the proxies. Should other matters properly come before the meeting, the proxy will be voted as the Board may recommend, except proxies which are marked to deny discretionary authority.

If the enclosed form of proxy is executed and returned, it still may be revoked at any time before it is exercised by signing and sending to the Company a later dated proxy or a written revocation, or by attending the meeting and voting in person.

If your shares are held in “street name” (that is, through a bank, broker or other nominee), follow the voting instructions on the form you receive from such firm. If you hold shares in “street name” and would like to attend the meeting and vote in person, you will need to bring a proxy to the meeting signed by the nominee in whose name your shares are registered.

The mailing address of the Company is 5400 N. Grand Boulevard, Suite 300, Oklahoma City, OK 73112-5688. The Company anticipates that the proxies and proxy statements will be mailed to shareholders beginning on or about January 26, 2018. A copy of the Company’s Annual Report to Shareholders for the fiscal year ended September 30, 2017, accompanies this proxy statement.

The cost of soliciting proxies for the meeting will be paid by the Company. In addition to solicitation by mail, arrangements may be made with brokerage firms, banks and other custodians, nominees and fiduciaries to send proxy material to their principals. The Company will reimburse these institutions for their reasonable costs. No solicitation is to be made by specially engaged employees or other paid solicitors.

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on March 7, 2018: this proxy statement, form of proxy and the Company’s 2017 Annual Report to Shareholders are available at the following website: www.proxydocs.com/phx.

PLEASE VOTE. YOUR VOTE IS VERY IMPORTANT.

(1)

Voting of Common Stock

All holders of Common Stock of record at the close of business on January 19, 2018, will be entitled to vote at the meeting or any adjournments or postponements. As of January 19, 2018, there were 16,770,732 shares of Class A Common Stock, par value \$0.01666 (“Common Stock”), outstanding, entitled to vote and owned by approximately 5,100 shareholders. A list of record shareholders entitled to vote at the meeting will be available for examination at least 10 days prior to the meeting at the Company’s offices during ordinary business hours and at the meeting.

The Amended Certificate of Incorporation of the Company provides for one vote for each share of Common Stock outstanding. At the meeting, each record holder of Common Stock will be entitled to cast one vote per share of Common Stock held on the record date. Votes may be cast by shareholders either in person or by proxy.

The presence, in person or by proxy, of a majority of the outstanding shares of Common Stock entitled to vote is necessary to constitute a quorum for the transaction of business at the meeting. Abstentions and broker “non-votes” are counted as present and entitled to vote for the purpose of determining a quorum. Broker “non-votes” are shares held by brokers or nominees over which the broker or nominee lacks discretionary power to vote (such as for the election of directors) and for which the broker or nominee has not received specific voting instructions from the beneficial owner. For purposes of determining the outcome of any matter as to which the broker or nominee has indicated on the proxy card that it does not have discretionary authority to vote, those shares will be treated as not present and not entitled to vote with respect to that particular matter, even though those shares will be considered present and entitled to vote for purposes of determining a quorum and may be entitled to vote on other matters.

Under the rules of the New York Stock Exchange, brokers or their nominees do not have the discretionary power to vote shares on most matters. At the meeting, they may only vote shares if they receive specific voting instructions from the beneficial owner. In very limited circumstances, brokers generally do have discretion to vote on matters deemed to be routine such as ratification of the appointment of our auditor. If your shares are held by a broker or other nominee, and if you do not provide such specific voting instructions, your shares cannot be voted for the election of directors or any Proposal other than ratification of the appointment of our independent registered public accounting firm.

The Board has adopted a majority vote standard for the election of directors in uncontested director elections. Accordingly, at the meeting, each nominee will be elected if the holders of a majority of shares of Common Stock present at the meeting and entitled to vote for the election of directors cast their votes “FOR” the nominee.

One of the two nominees for director at the meeting is currently a director of the Company. To be elected a director, the nominee for director who is not currently a director of the Company must receive “FOR” votes from the holders of a majority of the shares of Common Stock present at the meeting and entitled to vote for the election of directors.

(2)

If the incumbent nominee for director fails to receive the required affirmative vote of the holders of a majority of the votes entitled to be cast for that director, under Oklahoma law and the Company's Bylaws, the incumbent will remain in office until his or her successor is elected and qualified or until his or her earlier resignation, retirement, death or removal. If the incumbent nominee for director receives a greater number of votes "WITHHELD" from his or her election than votes "FOR", he or she must promptly submit his or her offer of resignation from the Board for consideration by the Corporate Governance and Nominating Committee of the Board. The Corporate Governance and Nominating Committee will consider all relevant facts and circumstances and recommend to the Board the action to be taken with respect to such offer of resignation. The Board will act on the offered resignation, taking into account such recommendation, and publicly disclose its decision regarding the offered resignation within 90 days from the date of the annual meeting. The director who offered his or her resignation will not participate in any proceedings with respect to his or her offered resignation. If the Board accepts the director's offered resignation, the Corporate Governance and Nominating Committee will recommend to the Board whether to fill such vacancy or reduce the size of the Board. The Company's Corporate Governance Guidelines and Bylaws can be viewed at the Company's website: www.panhandleoilandgas.com.

Proposals No. 2 and No. 3 will be approved if the holders of a majority of shares of Common Stock present at the meeting and entitled to vote on each such Proposal vote "FOR" the Proposal.

The Company knows of no arrangements which would result in a change in control of the Company at any future date.

The Company knows of no other matters to come before the meeting. The Company did not receive any shareholder proposals. If any other matters properly come before the meeting, the proxies solicited hereby will be voted on such matters as the Board may recommend, except proxies which are marked to deny discretionary authority.

A proxy card is enclosed for your signature. Please return it immediately, marked, dated and signed. If your shares are held in "street name", please provide voting instructions on the form you receive from your broker or other nominee.

(3)

Proposal No. 1

Election of Two Directors for Three-Year Terms Ending in 2021

The current directors of the Company and their current Board Committee memberships are as follows:

Name	Age	Positions/Offices Presently Held with the Company	Served As Director Since	Present Term Ends
Paul F. Blanchard, Jr.	57	Director, President and Chief Executive Officer	2017	2020
Mark T. Behrman (2)(4)	55	Director	2017	2020
Lee M. Canaan (2)(4)	61	Director	2015	2018
Robert O. Lorenz (2)(3)	71	Lead Independent Director	2003	2019
Robert E. Robotti (3)(4)	64	Director	2004	2019
Darryl G. Smette (1)(2)(3)	70	Director	2010	2020
Chad L. Stephens III (2)(3)	62	Director	2017	2020

(1) Mr. Smette has informed the Company that he plans to retire from the Board effective on the date of the 2018 annual meeting.

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee.

(4) Member of the Corporate Governance and Nominating Committee.

Our Bylaws state that the Board shall be comprised of not less than five members with the exact number determined by resolution of the Board. The Board temporarily increased the size of the Board to eight members in August 2017 following the appointment of Chad L. Stephens III to the Board as the successor to retiring director Darryl G. Smette. Mr. Smette, who serves as chair of our Compensation Committee, agreed to remain on the Board for a few additional months to ensure a smooth transition, and he plans to retire from the Board on the date of the 2018 annual meeting. Upon Mr. Smette's retirement, the Board intends to set the Board size at seven members. The Board is divided into three classes. Under the classified Board, at each annual shareholders' meeting, the term of one class expires. Directors in each class ordinarily serve three-year terms, or until the director's retirement or until his or her successor is elected and qualified.

The Board believes it is in the Company's best interest to continue to have a classified board structure, with three-year terms for its directors, due to the uniqueness of Company assets, strategies and the minimal amount of shares outstanding. Panhandle's ownership of perpetual fee mineral acres leads the Company to employ business strategies that are more long-term results oriented as compared to more traditional oil and gas exploration and production companies. This requires the Company's directors to have a long-term outlook and understanding rather than being focused on short-term results. This focus on long-term results has served the Company well, with demonstrated operating and financial results that have created value for our shareholders.

Our Bylaws generally provide that a person may not stand for election or re-election as a director after attaining the age of 70.

Nominees for the vacancies for the three-year terms ending in 2021 are Lee M. Canaan and Peter B. Delaney. Ms. Canaan is currently a director. Mr. Delaney has never been a director of the Company.

(4)

These two nominees were recommended by the Corporate Governance and Nominating Committee and approved by the Board. The Board has no reason to believe that any nominee will be unable to serve as a director. However, if any nominee should be unable for any reason to accept nomination or election, it is the intention of the persons named in the enclosed proxy to vote those proxies for the election of such other person or persons as the Board may recommend.

Nominees for Election to the Board of Directors for Three-Year Terms Ending in 2021

Set forth below is information about our nominees for election to the Board for three-year terms ending 2021. The biographical information appearing below regarding the nominees has been furnished to us by the respective nominees.

Lee M. Canaan is the founder and portfolio manager of Braeburn Capital Partners, LLC (a private investment management firm), established in 2003 in Bloomfield Hills, MI. She has served on the board of directors of the following publicly held companies: Noble International Ltd., Warren, MI, (a supplier to the automotive industry) from 2000 to 2004, where she served as the Compensation Committee Chairman from 2002 to 2004; Oakmont Acquisition Corporation, Bloomfield Hills, MI, (a special purpose acquisition corporation) from 2005 to 2007; Equal Energy Ltd., Oklahoma City, OK, (oil and gas exploration and production) from 2013 until its sale in 2014; and Rock Creek Pharmaceuticals, Sarasota, FL, (pharmaceutical research and development) from 2014 to 2016, where she also served as the chairman of the Audit and Nominating and Corporate Governance committees. She holds a bachelor's degree in Geological Sciences, a master's degree in Geophysics, and an MBA degree in Finance. She is also a Chartered Financial Analyst.

Ms. Canaan has over 35 years of oil and gas and investment management experience, starting her career as an Exploration Geophysicist at Amoco Production Company in Houston, TX, then ARCO in Los Angeles, CA, and AIM/Invesco in Houston, TX. She was elected to the Board in 2015.

Ms. Canaan's qualifications to serve on the Board include her corporate finance, capital markets and merger and acquisition experience, her scientific background in geology and geophysics, her oil and gas exploration knowledge of North American basins and her experience serving as a director of several public companies.

Peter B. Delaney, age 64, is currently a principal with Tequesta Capital Partners, an entity which provides funding for various real estate and other ventures. He has held this position since 2016. Mr. Delaney was previously the Chairman and Chief Executive Officer of OGE Energy Corporation for the period 2007 to 2015. OGE Energy is a NYSE listed company and the parent company of OG&E, an electric utility provider, and owns a 50% interest in the General Partner of Enable Midstream Partners (NYSE: ENBL). Mr. Delaney was elected President of OGE Energy and as a member of its Board in 2007. Mr. Delaney retired as CEO of OGE Energy in May 2015 to step in as the Interim CEO of Enable Midstream Partners until December 2015. From 2002 to 2013, Mr. Delaney also served as CEO of Enogex, an OGE Energy subsidiary, involved in natural gas midstream services, and one of the predecessor companies to Enable Midstream Partners.

(5)

During his tenure as CEO, OG&E received numerous industry awards, among them the 2012 Utility of the Year and the 2013 Edison Award, the industry's highest honor.

Mr. Delaney previously completed a 16-year investment banking career on Wall Street, specializing in corporate finance and in providing other advisory services to electric utilities and other energy companies in the United States, Europe and South America. In addition to extensive capital markets experience, he provided advisory services in tender defense and mergers and acquisitions. Mr. Delaney was a Managing Director of UBS Inc., from 1997 until May 2001.

Mr. Delaney has served on the Board of Directors of the following companies: OGE Energy (Chairman) from 2007 to 2015