

PANHANDLE OIL & GAS INC
Form PRE 14A
January 03, 2014

Notice of Annual Shareholders Meeting

To be held March 5, 2014

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 Tower Hotel, formerly the Oklahoma City Marriott, 3233 Northwest Expressway, Oklahoma City, Oklahoma on Wednesday, March 5, 2014, at 1:30 p.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;
- 2.To elect the nominee named in the accompanying proxy statement to serve as a director on the Company's Board of Directors for a term of one year;
- 3.To approve an amendment to the Panhandle Oil and Gas Inc. 2010 Restricted Stock Plan;
- 4.To ratify the appointment of Ernst & Young, LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2014;
- 5.To hold an advisory vote on executive compensation;
- 6.To hold an advisory vote to determine the frequency of future advisory votes on executive compensation; and
- 7.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 the Common Stock at the close of business on January 21, 2014 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 28, 2014

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!

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Panhandle Oil and Gas Inc.

5400 N. Grand Boulevard, Suite 300

Oklahoma City, OK 73112-5688

Annual Shareholders Meeting

March 5, 2014

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 “meeting”) to be held at the Tower Hotel, formerly the Oklahoma City Marriott, 3233 Northwest Expressway, Oklahoma City, Oklahoma, on Wednesday, March 5, 2014, at 1:30 p.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 Proposals No. 1 and No. 2 and FOR Proposals No. 3 through No. 6. Signed proxy cards without specified choices will be voted in 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 28, 2014. A copy of the Company’s Annual Report to Shareholders for the fiscal year ended September 30, 2013 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 5, 2014: this proxy statement, form of proxy and the Company’s 2013 Annual Report to Shareholders are available at the following website: www.proxydocs.com/phx.

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Voting of Common Stock

All holders of Common Stock of record at the close of business on January 21, 2014 will be entitled to vote at the meeting or any adjournments or postponements. As of January 21, 2014, there were 8,319,961 shares of Class A Common Stock, par value \$0.01666 (“Common Stock”), outstanding, entitled to vote, owned by approximately 3,700 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 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. If your shares are held by a broker or other nominee and if you do not provide such specific voting instructions, your shares can not 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.

The three nominees for director at the meeting are currently directors of the Company. If any incumbent nominee for director fails to receive the required affirmative vote of the holders of a majority of the votes cast for that director, under Oklahoma law and the Company’s Bylaws, the incumbent will remain in office until his successor is elected and qualified or until his earlier death, resignation, retirement or removal. If any incumbent for director receives a greater number of votes “WITHHELD” from his election than votes “FOR”, he must promptly submit his 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

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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 resignation will not participate in any proceedings with respect to his offered resignation. If the Board accepts a 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. 3 through No. 6 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 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.

Proposal No. 1

Election of Two Directors for Three Year Terms Ending 2017

Proposal No. 2

Election of One Director for a One Year Term Ending in 2015

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

Name	Age	Positions/Offices Presently Held with the Company	Since	Present
			Served As	Term
Michael C. Coffman	60	Director, President and Chief Executive Officer	2006	2014
Duke R. Ligon (1)(3)	72	Director	2007	2014
Robert O. Lorenz (1)(2)	67	Lead Independent Director	2003	2016
Robert A. Reece (1)(3)	69	Director	1986	2014
Robert E. Robotti (2)(3)	60	Director	2004	2016
Darryl G. Smette (1)(2)	66	Director	2010	2015
H. Grant Swartzwelder (2)(3)	50	Director	2002	2015

(1)Member of the Audit Committee.

(2)Member of the Compensation Committee.

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

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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 companies.

This requires the Company's directors to have a long-term outlook and understanding rather than being focused on short term results. This long-term results oriented focus has served the Company well, with demonstrated operating and financial results that continue to create value for our shareholders. Maintaining a consistent focus by a long-term oriented board is imperative and maintaining longer service for our board of directors is important in order to execute the overall strategy of Panhandle.

Nominees for the vacancies for the three year terms ending in 2017 are Michael C. Coffman and Robert A. Reece, both of whom are currently directors.

The nominee to fill the third vacancy for a one year term ending in 2015 is Duke R. Ligon, who is a current director.

The Board is divided into three classes, with the terms of office of each class ending in successive years. Each director is elected for a three year term. There are three directors whose terms expire in 2014 so normally three nominees would be proposed to fill the three vacancies with three year terms ending 2017. Duke R. Ligon is one of the directors whose term expires in 2014. When Mr. Ligon was re-elected to a three year term in 2011, he was 69 years of age. The Company's Bylaws provide that, at the time of re-election, a director must be less than 70 years of age, unless, in the sole discretion of the Board, a director who is over 70 may be re-elected for one additional term of one year. The Board has determined to nominate Mr. Ligon for an additional term of one year ending in 2015. At the 2015 Annual Shareholders Meeting, a person will be nominated to serve the remaining two years of what would have been a three year term for Mr. Ligon. This will allow the Company to have its three classes of directors as nearly equal in number as possible with the term of office of one class expiring each year.

These three 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 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 2017

Michael C. Coffman has worked in public accounting and as a financial officer with companies involved in the oil and gas industry since 1975. He joined the Company in 1990 as its treasurer. From 1995 to 2006, he served as vice-president and chief financial officer. From 2006 to August 2007, he served as co-president and chief financial officer. Since August 2007, he has served as president and chief executive officer. He was elected to the Board in 2006. Since January 1, 2013, Mr. Coffman has been a director of the Oklahoma City branch of the Federal Reserve Bank of Kansas City and he has been a director of Equal Energy Ltd. (oil and gas production) since May 2013.

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Mr. Coffman's qualifications to serve on the Board include his 37 years in the oil and gas exploration and production industry and his skills and experience in financial, accounting and acquisition matters.

Robert A. Reece is an attorney and since 1980 has been of counsel with the law firm of Crowe & Dunlevy, Oklahoma City, and active in the management of his family's investments, including significant oil and gas holdings. He has been a director of NBC Bank (a state chartered bank) of Oklahoma City since 1982. He holds an MBA degree. Mr. Reece was elected to the Board in 1986.

Mr. Reece's qualifications to serve on the Board include extensive experience in the legal, oil and gas and private equity investment fields. Mr. Reece has managed significant investments for his family for over 35 years.

The Board of Directors Recommends That The Shareholders

Vote "FOR" The Election of

Michael C. Coffman And Robert A. Reece

As Directors

Nominee for Election to the Board of Directors for a One Year Term Ending in 2015

Duke R. Ligon is an attorney and currently is the owner and manager of Mekusukey Oil Company LLC (oil and gas royalty company). He served as senior vice president and general counsel of Devon Energy Corporation (oil and gas exploration, production and transportation) from 1997 until he retired in 2007. Prior to 1997, Mr. Ligon was a partner in the law firm of Mayer Brown LLP, New York City. From 2007 to 2010, he served as strategic advisor to Love's Travel Stops and Country Stores (convenience stores and midstream energy transportation). He has been a director of PostRock Energy Corporation (oil and natural gas transportation) since 2006, Blueknight Energy Partners, L.P. (formerly SemGroup Energy Partners, L.P.) (crude oil terminaling, storage, gathering and transportation) since 2009, Vantage Drilling Company (offshore drilling) since 2010, and Emerald Oil, Inc. (oil and gas production) since 2011. He was a director of Pre-Paid Legal Services, Inc. (sale of legal expense plans) from 2007 until its sale in 2011, TransMontaigne Partners, L.P. (distribution and marketing of petroleum products) from 2008 to 2009, Teppco Partners LP (crude oil transportation) in 2009, and SteelPath MLP Funds Trust (investment company) from 2010 until November 2012 when the company was sold, but remains on the Advisory Board through 2014. Mr. Ligon was elected to the Board in August 2007.

Mr. Ligon brings expertise to the Board in legal, investment banking and financial matters having practiced law in a large New York law firm, worked in the investment banking business and served as general counsel of a large independent oil and gas company. Mr. Ligon has served as a director of several public companies and has extensive contacts in the oil and gas and financial industries.

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The Board of Directors Recommends That The Shareholders

Vote “FOR” The Election of

Duke R. Ligon As A Director

Directors Whose Terms Continue Beyond the 2014 Annual Meeting and Who are Not Subject to Election this Year
Directors Whose Terms End in 2015

Darryl G. Smette joined Devon Energy Corporation (oil and gas exploration, production and transportation) in 1986 and currently serves as Executive Vice President of Marketing, Midstream and Supply Chain. Mr. Smette is a member of Devon’s Capital Budget Committee and the senior management Executive Committee and as such is charged with developing and executing Devon’s corporate strategy. Mr. Smette is also responsible for marketing, midstream operations and procurement and logistics of goods and services. Prior to joining Devon, Mr. Smette worked in the oil and gas industry for 16 years. Mr. Smette holds an MBA degree. He was elected to the Board in August 2010.

Mr. Smette’s qualifications to serve on the Board are his extensive operational experience in the oil and gas industry, including, exploration, production, distribution and marketing, and in developing and executing corporate business strategies for a large independent oil and gas company.

H. Grant Swartzwelder is president of PetroGrowth Advisors and PG Energy Holdings, LP, Irving, Texas (investment banking and venture capital), both of which he founded in 1998. Since 1998, he has founded and managed several private companies engaged in various aspects of the oil and gas service business. Prior to 1998, he was vice president of Principal Financial Securities, Inc., Dallas, Texas (an investment-banking firm). He holds a Bachelor of Science degree in Petroleum Engineering and an MBA degree. He was elected to the Board in 2002.

Mr. Swartzwelder’s qualifications to serve on the Board include his investment banking and venture capital experience, his founding and management of several oil and gas service businesses and his background in petroleum engineering.

Directors Whose Terms End in 2016

Robert O. Lorenz is a former audit partner of Arthur Andersen LLP. He served as the managing partner of the Oklahoma City office beginning in 1994 and as the managing partner of the Oklahoma practice beginning in 2000. He retired from Arthur Andersen in 2002. Since 2005, Mr. Lorenz has been a director of OGE Energy Corp. (regulated electric utility and natural gas transportation), and was a director of Infinity Inc. (oil and gas exploration and development) from 2004 to 2009. He was elected to the Board in 2003.

Mr. Lorenz’s qualifications to serve on the Board include over 30 years in public accounting, his expertise in the areas of finance and accounting, and his broad experience as a director of public companies engaged in the energy business.

Robert E. Robotti, since 1983, has been the president of Robotti & Company, LLC (a registered broker-dealer), president of Robotti & Company Advisors, LLC (a registered investment

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advisor), or their predecessors, and, since 1980, has been the managing member of Ravenswood Investment Company, LLC, which serves as the general partner of three investment partnerships, all located in New York City. Since 2007, Mr. Robotti has served as a portfolio manager and managing member of Robotti Global Fund, LLC, a global equity fund. Mr. Robotti has been a director of Pulse Seismic, Inc. (oil and gas seismic) since 2007. Mr. Robotti holds an MBA degree and is a member of the New York Society of Security Analysts. He was elected to the Board in 2004.

Mr. Robotti's qualifications to serve on the Board include his extensive experience in the investment business as the owner of a registered broker-dealer and a registered investment advisor, as the manager of several investment partnerships and as a portfolio manager of a global equity fund. He has served as a director of several public companies.

None of the organizations described in the business experiences of the Company's directors and officers are parents, subsidiaries or affiliates of the Company, or do business with the Company. The Company for many years, in the ordinary course of its business, has participated on industry terms through its mineral acreage ownership in the drilling and completion of oil and gas wells for which Devon Energy Corporation serves as the operator. Darryl G. Smette is an Executive Vice President of Devon. See "Transactions with Directors" below.

None of the non-management directors have ever been employees of the Company.

Stock Ownership of Directors and Executive Officers

The following table sets forth information with respect to the outstanding shares of Common Stock owned beneficially as of December 31, 2013 by each director, nominee for director and executive officers and by all directors and executive officers as a group.