

BARNWELL INDUSTRIES INC
Form DEF 14A
January 19, 2017

BARNWELL INDUSTRIES, INC.

Notice of Annual Meeting of Stockholders

To the Stockholders of BARNWELL INDUSTRIES, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of BARNWELL INDUSTRIES, INC., a Delaware corporation, will be held on March 6, 2017, at 9:00 a.m., Hawaii Standard Time, in Suite 210, Alakea Corporate Tower, 1100 Alakea Street, Honolulu, Hawaii, for the following purposes:

- (1) the election of a Board of Directors to serve until the next Annual Meeting of Stockholders and until their successors shall have been elected and qualified;
- (2) an advisory (non-binding) vote on executive compensation;
- (3) an advisory (non-binding) vote on the frequency of the advisory vote on executive compensation;
- (4) the ratification of the selection of the independent auditor for 2017; and
- (5) any and all other business which may properly come before the meeting.

Only stockholders of record at the close of business on January 9, 2017, are entitled to notice of and to vote at this meeting or any adjournment thereof. The Company's Annual Report to Stockholders for the fiscal year ended September 30, 2016, which includes consolidated financial statements, is enclosed herewith.

We will be pleased to have you attend the meeting. However, if you are unable to do so, please sign and return the accompanying Proxy in the enclosed addressed envelope.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MARCH 6, 2017. THE PROXY STATEMENT AND OUR 2016 ANNUAL REPORT ARE AVAILABLE AT [HTTP://WWW.BRNINC.COM](http://www.brninc.com).

By Order of the Board of Directors,

RUSSELL M. GIFFORD
Secretary

Dated: January 19, 2017

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BARNWELL INDUSTRIES, INC.

1100 ALAKEA STREET, SUITE 2900

HONOLULU, HAWAII 96813

PROXY STATEMENT

SOLICITATION AND REVOCATION OF PROXIES

The following information is furnished in connection with the Annual Meeting of Stockholders of Barnwell Industries, Inc., a Delaware corporation (the "Company"), to be held on March 6, 2017 at 9:00 a.m., Hawaii Standard Time, in Suite 210, Alakea Corporate Tower, 1100 Alakea Street, Honolulu, Hawaii.

The accompanying Proxy is solicited by the Board of Directors (the "Board" or the "Board of Directors") of the Company. The Company will bear the cost of such solicitation. Solicitation of proxies will be primarily by mail. Proxies may also be solicited by regular employees of the Company by telephone at a nominal cost. Brokerage houses and other custodians, nominees and fiduciaries will be requested to forward soliciting material to the beneficial owners of Common Stock (as defined below) and will be reimbursed for their expenses. All properly executed proxies will be voted as instructed.

Stockholders who execute proxies may revoke them by delivering subsequently dated proxies or by giving written notice of revocation to the Secretary of the Company at any time before such proxies are voted. No proxy will be voted for a stockholder if the stockholder attends the meeting and elects to vote in person.

This Proxy Statement and the accompanying form of proxy are first being sent to stockholders on or about January 19, 2017. The Company's website address is www.brninc.com.

VOTING AT THE MEETING

Only stockholders of record at the close of business on January 9, 2017 (the "Record Date") will be entitled to vote at the annual meeting and any adjournment thereof. As of the Record Date, 8,277,160 shares of common stock, par value \$0.50, of the Company (the "Common Stock") were issued and outstanding. Each share of Common Stock outstanding as of the Record Date is entitled to one vote on any proposal presented at the meeting. The presence, in person or by proxy, of holders representing a majority of all the votes entitled to be cast at the meeting will constitute a quorum at the meeting. Abstentions and broker non-votes (described below) are counted for the purposes of determining the presence or absence of a quorum for the transaction of business. The election of directors requires a plurality of the votes cast at the meeting. Any other item on the agenda must receive the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote on the item at the meeting in order to pass. Abstentions are counted in the calculation of the votes cast with respect to any of the matters submitted to a vote and have the same effect as votes against the matter except in the election of directors. Brokers and nominees are precluded from exercising their voting discretion with respect to all matters to be acted upon at the meeting, other than the ratification of KPMG LLP as our independent auditor. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted with respect to the election of directors and the other proposals. A broker non-vote will not have any effect on any of the proposals.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

Eight directors of the Company are proposed to be elected at the meeting. Each elected director shall hold office until the next annual meeting and until his successor is duly elected and qualified. The persons named as proxies in the enclosed Proxy are executive officers of the Company and, unless contrary instructions are given, they will vote the shares represented by the Proxy FOR the election to the Board of Directors of the persons named below. The Board of Directors has no reason to believe that any of the nominees for director will be unable to serve; however, in the event any of the nominees should withdraw or otherwise become unavailable for reasons not presently known, the persons named as proxies may vote for other persons in place of such nominees.

Our Board of Directors recommends a vote FOR the election of each of the following eight directors of the Company.

NOMINEES TO THE BOARD OF DIRECTORS

The Board of Directors held five meetings during the fiscal year ended September 30, 2016. All directors attended at least 75% of the meetings of the Board of Directors and of the committees of the Board on which each director served. The independent directors met on four occasions out of the presence of management during the fiscal year ended September 30, 2016.

The following table sets forth, as to the nominees for election as directors: (1) such person's name; (2) the year in which such person was first elected a director of the Company; (3) such person's age; (4) all positions and offices with the Company held by such person; (5) the business experience of such person during the past five years; (6) certain other directorships, if any, held by such person; and briefly discusses the specific experience, qualifications, attributes or skills that led to the conclusion that each such person should serve as a director of Barnwell.

Name	Director Since	Age	All other Present Positions with the Company and Principal Occupations
Morton H. Kinzler	1956	91	Chairman of the Board of the Company since 1980 and Chief Executive Officer from 1971 until December 2016. Mr. Kinzler is the father of Alexander C. Kinzler, Chief Executive Officer, President, Chief Operating Officer, General Counsel and a Director of the Company. Mr. Kinzler, an attorney, is a founder and incorporator of the Company and has served in various capacities including Vice President, Secretary, President, CEO and Chairman. He has been a member of the Board of Directors since the Company was founded. This extensive experience allows Mr. Kinzler to bring to the Board deep insight into the operations, challenges and complex issues facing the Company, as well as oil and gas and real estate businesses in general. As a beneficial holder of over 25 percent of the Company's shares, Mr. Kinzler brings to the Board a stockholder's perspective in managing and operating the Company in the long-term best interests of stockholders and also brings to the Board significant operational, strategic, consensus-building and management skills from his years with the Company and legal background.
Martin Anderson	1985	93	Partner, Goodsell Anderson and Quinn 1951 to 2011. Trustee, Stanford University 1981 to 1985. Overseer, Hoover Institute 1981 to date and named Chairman in 1993 to 1996 and thereafter designated for life as Distinguished

¹ This director is independent as defined in Section 803(A) of the NYSE MKT listing standards.

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Overseer. Mr. Anderson brings to the Board of Directors broad experience, expertise and qualifications as a result of his extensive legal background and boardroom experience with both public and private entities, including Hawaiian Airlines and the entities listed above. Mr. Anderson was a senior partner in a major Honolulu law firm from 1951 until 2011 and therefore brings to the Board extensive leadership and management skills, as well as a strong consensus-building capacity from his other board and trusteeship experiences.

Murray C.
Gardner,
Ph.D. ¹

199684

Geothermal resource, oil and gas exploration and reservoir consultant and investor, self-employed since 1995. Dr. Gardner has a Ph.D. in geology and brings to the Board of Directors extensive knowledge and experience of geology, geophysics, the oil and gas industry and the geothermal industry and operations. As a former officer and director of Geothermex, Inc., a geothermal exploration consulting firm now owned by Schlumberger, Inc., Dr. Gardner also brings to the Board broad business and general management experience in corporate operations, as well as extensive leadership and consensus-building skills.

Alexander
C. Kinzler

199958

Chief Executive Officer of the Company since December 2016. President and Chief Operating Officer of the Company since December 2002 and General Counsel of the Company since December 2001. Mr. Kinzler is the son of Morton H. Kinzler, Chairman of the Board of Directors of the Company. Mr. Kinzler, an attorney, has been employed by the Company since 1984 in various capacities, including Vice President, Executive Vice President, and currently Chief Executive Officer, President and Chief Operating Officer, and brings to the Board deep insight into the operations, challenges and complex issues facing the Company. He has served on the boards of directors of business groups including the Hawaii Leeward Planning Conference, and also brings to the Board significant operational, strategic, consensus-building and management skills from his years with the Company and legal background.

Russell M.
Gifford

200362

Secretary of the Company since December 2002. Executive Vice President since December 1997, Treasurer since November 1986 and Chief Financial Officer since August 1985. President of Water Resources International, Inc., a wholly-owned subsidiary of the Company, since December 1999. Mr. Gifford, a Certified Public Accountant, has been employed by the Company since 1982 in various capacities including Vice President, Executive Vice President and Chief Financial Officer, and has also served as President of the Company's water well drilling subsidiary since 1999. Mr. Gifford has substantial financial and accounting expertise, including experience working in public accounting as an auditor at Touche Ross & Company prior to his employment by the Company. Mr. Gifford brings to the Board of Directors substantial financial and accounting knowledge, as well as deep insight into the operations, challenges and complex issues facing the Company. Mr. Gifford also serves on the boards of various community

¹ This director is independent as defined in Section 803(A) of the NYSE MKT listing standards.

organizations and has substantial strategic planning and consensus-building skills as a result of that experience.

Kevin K. Takata¹ 200460
 Supervising Deputy Attorney General, Criminal Justice Division, State of Hawaii, since June 1, 2015; First Deputy Prosecutor, County of Kauai, from December 3, 2012 to May 31, 2015; Deputy Attorney General, State of Hawaii, from October 2010 to November 30, 2012; Deputy Prosecuting Attorney, City and County of Honolulu, from 1987 to October 2010, Trials Division Chief from 1997 to 2006. Instructor, National Advocacy Center since 2000. Mr. Takata, an attorney, has broad leadership, management and consensus-building skills from his years as Trials Division Chief of the Office of the Prosecuting Attorney of the City and County of Honolulu. Mr. Takata's lifelong residency in Hawaii has also assisted the Board of Directors in overseeing the Company's various Hawaii-based businesses, including its real estate and water well drilling divisions. Mr. Takata's experience as a prosecutor and expertise in trial tactics and legal ethics has also given the Board of Directors valuable insights into the challenges and complex issues, both legal and otherwise, facing the Company and businesses in general.

Robert J. Inglima, Jr.¹ 200758
 Investor; Sole practitioner, Robert J. Inglima, Jr., Attorney-at-Law, since October 2002; Attorney in private practice since 1985. Mr. Inglima, an attorney-at-law, brings to the Board of Directors substantial legal and financial expertise from his practice of law since 1985 and his work with an accounting and consulting firm. Mr. Inglima also has substantial experience in real estate and corporate law, and has advised numerous clients on matters of business, finance and taxation as well. Mr. Inglima has extensive experience representing clients with respect to real estate development and land use, commercial transactions, taxation, contract law, general corporate, and business formation and planning. He has represented domestic as well as international companies, government agencies and individuals in complex business transactions. His experience as a Principal and Member of Cipolla Sziklay, LLC (certified public accountants and consultants) from 2004 to 2006 with respect to business valuation and litigation support services also adds to his significant business experience.

James S. Barnwell III¹ 201271
 Investor in oil and gas and real estate since 1967. Served on the board of directors and as president of the Larry D. Large Foundation (charitable 501(c)(3) organization) from 2004 to 2010. Mr. Barnwell, who has a B.S. in geology and an M.B.A., spent 29 years in the telecommunications industry with AT&T and its successor Lucent Technologies. He worked in the oil and gas industry as part of the Company's founding Barnwell family, served as director of various civic organizations, including the Louisiana Chamber of Commerce and Municipal Affairs Committee Shreveport, and is a certified member of the American Production and Inventory Control Society. Mr. Barnwell's

¹ This director or nominee is independent as defined in Section 803(A) of the NYSE MKT listing standards.

many years of management experience developing complex business plans and budgets provides valuable insight into corporate operations and business enterprise development. His oil and gas background, together with his broad range of business, management and civic experience and strong personal and professional ethics provide a strong foundation to assist the Board of Directors with regard to many challenges and complex issues facing the Company and businesses in general. Mr. Barnwell also has strong consensus-building skills from his management experience and service with charitable organizations.

Board Nomination Process

The Board of Directors has a standing Compensation Committee, a standing Audit Committee, a standing Executive Committee and a standing Reserves Committee. It has no standing nominating committee and there is no nominating committee charter. The Board of Directors believes that it is appropriate for the Company not to have a nominating committee because potential nominees are recommended to the full Board by a majority vote of the independent directors. The Board identifies nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience relevant to the Company's business and willing to continue in service are considered for re-nomination. If any member of the Board up for re-election at an upcoming annual meeting of stockholders does not wish to continue in service, the Board determines whether it is appropriate to replace the retiring member. If deemed appropriate, the Board identifies the desired skills and experience of a new nominee. The Board believes that potential directors should possess sound judgment, understanding of the business issues affecting the Company, integrity and the highest personal and professional ethics. The Board seeks directors possessing a range of business, management and civic experience appropriate for the Board to discharge its responsibilities. In the case of both incumbent and new directors, the Board seeks persons who are able to devote significant time and effort to Board and Board committee responsibilities. Once nominees have been identified, the independent directors recommend to the Board such nominees, and the Board reviews and votes on such recommendation.

The Company does not have a specific policy regarding the diversity of the Board. Instead, the Board considers its overall composition when considering director candidates, including whether the Board has an appropriate combination of professional experience, skills, knowledge and variety of viewpoints and backgrounds in light of the Company's current and expected future needs. The Board also believes that it is desirable for new candidates to contribute to a variety of viewpoints on the Board, which may be enhanced by a mix of different professional and personal backgrounds and experiences.

The Board will consider potential nominees brought to its attention by any director or officer of the Company. It will also evaluate recommendations for director nominees proposed by a stockholder who (i) has continuously held at least 1% of the outstanding shares of the Company's Common Stock entitled to vote at the annual meeting of stockholders for at least one year prior to the date the stockholder makes the recommendation and (ii) undertakes to continue to hold such number of shares through the date of the upcoming annual meeting. For possible inclusion in next year's proxy statement, any recommendation for a director nominee submitted by a qualifying stockholder must be received by the Company no later than the date for stockholder proposals set forth herein under the heading "Stockholder Proposals." Any stockholder recommendation for a director nominee must be submitted to the Company's Chairman of the Board in writing and must include:

- a statement by the stockholder that such stockholder is the holder of at least 1% of the outstanding shares of the Company's Common Stock, that the shares have been held for at least one year prior to the date of the submission and that such stockholder will continue to hold the shares through the date of the upcoming annual meeting of stockholders;
- the candidate's name, age, contact information and current principal occupation or employment;

- the candidate's resume, which will include a description of the candidate's qualifications and business experience during, at a minimum, the last five years, including his/her principal occupation or

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employment and the name and principal business of any corporation or other organization in which the candidate was employed; and

- at least three (3) references for the candidate.

The Board will evaluate recommendations for director nominees submitted by directors, management or qualifying stockholders in the same manner, using the criteria stated above. All directors and director nominees will submit a completed form of directors' and officers' questionnaire as part of the nominating process.

Stockholders may send any communication to the Board of Directors, as a whole, or individually, by mail to the Company's address listed on page one of this Proxy Statement, to the attention of Russell M. Gifford, Secretary. All such communications will be forwarded to the Board of Directors or individual directors as appropriate.

The Company strongly encourages each member of the Board of Directors to attend the Annual Meeting. Eight members of the Board of Directors attended the 2016 Annual Meeting of Stockholders of the Company, of which four attended in person and four attended by telephone.

BOARD LEADERSHIP STRUCTURE; RISK OVERSIGHT

The positions of Chairman and CEO were jointly held by Mr. Morton H. Kinzler from the time of his selection as Chairman of the Board in 1980 until December 2016. Since December 31, 2016, Mr. Morton H. Kinzler has been Chairman of the Board and Mr. Alexander C. Kinzler has been Chief Executive Officer. Barnwell Industries, Inc. is a smaller reporting company and the Board has determined that the current structure is appropriate at this time in that it enables Mr. Alexander C. Kinzler to handle the complexities of his role as a CEO while allowing Mr. Morton H. Kinzler to continue to provide leadership on policy at the Board level. Although the roles of CEO and Chairman are currently held by different persons, the Board regularly considers the appropriate leadership structure for the Company and has concluded that the Company and its stockholders are best served by not having a formal policy on whether the same individual should serve as both Chief Executive Officer and Chairman of the Board, and the Board has not adopted such a policy. The Board believes that it is important to retain the flexibility to make this determination at any given point in time based upon what it believes will provide the best leadership structure for the Company at that time. This approach allows the Board to utilize its considerable experience and knowledge to elect the most qualified director as Chairman of the Board, while maintaining the ability to combine or separate the Chairman and Chief Executive Officer roles when necessary. Accordingly, at different points in time in the Company's history, the Chief Executive Officer and Chairman of the Board roles have been held by the same person. At other times, they have been held by different individuals. In each instance, the decision on whether to combine or separate the roles was made in the best interest of the Company's stockholders, based on the circumstances at the time.

The Board's primary function with respect to risk is oversight. The Board administers its risk oversight function both as a whole and through its committees. The Audit Committee reviews and makes inquiry as to risk management and reports to the Board on its findings. The Board of Directors has an active role, as a whole and also at the committee level, in overseeing management of the Company's risks. Management is responsible for the Company's day-to-day risk management activities. Other Board committees also consider and address risk as they perform their committee responsibilities. For example, the Compensation Committee, comprised solely of independent directors, discusses and reviews compensation arrangements for the Company's Executive Officers to avoid incentives that would promote excessive risk-taking that is reasonably likely to have a material adverse effect on the Company. The full Board is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters. We believe the division of risk management responsibilities as described above is an effective approach for evaluating and addressing the risks facing the Company and that our Board leadership structure supports this approach because it allows our independent directors to exercise effective oversight of the actions of management.

COMPENSATION COMMITTEE

The members of the Compensation Committee are Mr. Anderson, Dr. Gardner, Mr. Takata and Mr. Barnwell, Chairman. The Compensation Committee (i) determines the annual compensation of the Company's Executive Officers; (ii) recommends, if appropriate, new employee benefit plans to the Board of Directors; (iii) administers all employee benefit plans; and (iv) makes such other determinations regarding compensation or benefits as may be necessary or advisable. The Compensation Committee held two meetings during the fiscal year ended September 30, 2016. The Board of Directors has adopted a written charter for the Compensation Committee, a copy of which is available on our website.

NAMED EXECUTIVE OFFICERS OF THE COMPANY

The Company currently has two executive officers (the "Named Executive Officers")¹. The following table sets forth the names and ages of all Named Executive Officers of the Company during fiscal 2016, their positions and offices with the Company and the period during which each has served.

Name	Age	Position with the Company
Morton H. Kinzler	91	Chairman of the Board of the Company since 1980 and Chief Executive Officer from 1971 until December 2016. Mr. Kinzler is the father of Alexander C. Kinzler, Chief Executive Officer, President and General Counsel of the Company.
Alexander C. Kinzler	58	Chief Executive Officer since December 2016. President and Chief Operating Officer since December 2002 and General Counsel since December 2001. Director of the Company since December 1999. Mr. Kinzler is the son of Morton H. Kinzler, Chairman of the Board of Directors of the Company.
Russell M. Gifford	62	Secretary since December 2002, Executive Vice President since December 1997, Treasurer since November 1986 and Chief Financial Officer since August 1985. President of Water Resources International, Inc., a wholly-owned subsidiary of the Company, since December 1999.

EXECUTIVE COMPENSATION

Summary Compensation Table

The Summary Compensation Table below sets forth certain information regarding compensation paid during the fiscal years ended September 30, 2016, September 30, 2015 and September 30, 2014 to (1) Morton H. Kinzler, our Chairman of the Board of Directors¹, (2) Alexander C. Kinzler, our Chief Executive Officer¹, President, Chief Operating Officer and General Counsel, and (3) Russell M. Gifford, our Executive Vice President, Chief Financial Officer, Treasurer and Secretary.

No Named Executive Officer was granted a stock award or an option award in fiscal year 2016, 2015 or 2014. As a result, such columns have been omitted.

We reflect portions of our Chairman's and our CEO's annual performance bonuses in the "Non Equity Incentive Plan Compensation" column. These amounts for 2016 represent cash payments for our Chairman's and our CEO's and our President's 2016 performance under our Pay for Performance Plan adopted in 2014 (the "Plan"). Performance measures and targeted goals for the Company's 2016 fiscal year performance period were established by the Compensation Committee in December 2015 and the

1 Mr. Morton H. Kinzler resigned as Chief Executive Officer in December 2016 and Mr. Alexander C. Kinzler was appointed Chief Executive at that time.

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Committee designated the CEO and the President to be eligible to participate in the Plan for fiscal year 2016. The material terms of such performance measures and targeted goals are as follows:

The Compensation Committee determined that the sum of the following three components shall represent the maximum bonus that may be achieved under the Plan for fiscal 2016 by each of the CEO and the President/COO (the "2016 Maximum Bonus Amount"), which is designed so that the Company will be in compliance with Section 162(m) of the Internal Revenue Code of 1986, as amended:

- (a) an amount equal to 5% of the earnings before income taxes on a GAAP basis of the Company;
- (b) for an increase in earnings attributable to the combined Land Investment and Residential Real Estate segments in the State of Hawaii on a GAAP basis over the prior fiscal year with respect to such segments, 20% of the first 100% of such increase and 10% of the remaining amount of such increase; and
- (c) for an increase in the Company's market capitalization of up to 10%, determined by comparing the closing price of the Common Stock on September 30, 2015 and September 30, 2016, 10% of the amount of such increase.

The 2016 Maximum Bonus Amount for each participant shall in no case exceed 150% of such participant's base salary as of January 2016. Additionally, a decrease in earnings before income taxes or market capitalization will not decrease the amounts of the other respective components of the 2016 Maximum Bonus Amount. The Committee, in its sole discretion, reserves the right to eliminate or reduce the 2016 Maximum Bonus Amount payable to the CEO and/or to the President/COO pursuant to the bonus formula described above and in addition or alternatively to grant ordinary bonuses.

The Compensation Committee determined that, pursuant to the adopted performance measures and targeted goals, the maximum bonus grant which could have been payable as calculated under the Plan was \$0 as to our Chairman¹ and \$0 as to our CEO¹. The Compensation Committee reviewed the performance of our Chairman and CEO during fiscal 2016, analyzed the Company's results for the year, reviewed the overall performance of management for the fiscal year, reviewed with management various factors the Committee takes into account in setting compensation, including individual and corporate, financial and non-financial performance, the creation of value for our stockholders, the long-term commitment and contributions of management to the Company, including the beneficial ownership by management of approximately 34% of the Company's outstanding stock. The Committee determined that, as a result of the Company's 2016 performance, it was appropriate not to pay any annual performance bonus amounts as shown in the table, below.

¹ Mr. Morton H. Kinzler resigned as Chief Executive Officer in December 2016 and Mr. Alexander C. Kinzler was appointed Chief Executive at that time.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Morton H. Kinzler Chairman of the Board and Chief Executive Officer	2016	212,000	-	-	40,205 ¹	252,205
	2015	568,000	-	-	48,672	616,672
	2014	775,000	-	50,000	65,546	890,546
Alexander C. Kinzler President, Chief Operating Officer and General Counsel	2016	333,000	-	-	30,439 ²	363,439
	2015	527,000	-	-	36,116	563,116
	2014	650,000	-	50,000	28,214	728,214
Russell M. Gifford Executive Vice President, Chief Financial Officer, Treasurer and Secretary	2016	333,000	-	-	17,928 ²	350,928
	2015	457,000	-	-	20,005	477,005
	2014	525,000	50,000	-	18,251	593,251

No Named Executive Officer was granted a plan-based award or stock award in fiscal 2016. As a result, such table has been omitted.

Outstanding Equity Awards At Fiscal Year-End 2016

The following table sets forth grants of stock options and grants of unvested stock awards outstanding on the last day of the fiscal year ended September 30, 2016 to each of the Named Executive Officers. No Named Executive Officer held unvested stock awards as of fiscal year end 2016. As a result, such columns have been omitted.

Option Awards

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
Morton H. Kinzler	None	None	N/A	N/A
Alexander C. Kinzler	100,000	-	12.92	12/2017
	125,000	-	4.32	12/2019
Russell M. Gifford	75,000	-	11.40	05/2018
	67,500	-	4.32	12/2019

If a change in control occurs, then all unvested stock options will accelerate and will become exercisable in full. Assuming a change in control occurred September 30, 2016 and using the closing price

¹ This amount represents perquisites received with respect to (1) personal use of Company office; (2) medical insurance; (3) medical expense reimbursements; (4) club memberships; (5) vehicle expense (including depreciation on a straight-line basis with a 7-year life); (6) in-office meals; and (7) supplementary retirement payments made pursuant to an agreement with the Company.

This amount represents perquisites received with respect to: (1) medical insurance; (2) medical expense reimbursements; (3) a club membership; (4) vehicle expense (including depreciation on a straight-line basis with a 7-year life); and (5) imputed interest on a loan from the Company made prior to the enactment of the Sarbanes-Oxley Act.

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of the Company's stock on that date, the value of the accelerated vesting of these options would be \$0 and \$0 for Mr. A. Kinzler and Mr. Gifford, respectively.

DIRECTOR COMPENSATION

The Company's program of director compensation is intended to fairly pay directors for work required for a company of our size and scope. Directors who are not officers of the Company currently receive an annual fee of \$10,000 and are reimbursed for expenses incurred in connection with meeting attendance. The Chairmen of the Compensation Committee and the Reserves Committee currently receive an additional \$6,000 annual fee and the Chairperson of the Audit Committee currently receives an additional \$12,500 annual fee. The members of the Reserves Committee and Compensation Committee, other than the Chairmen, currently receive an additional \$1,250 annual fee. The members of the Audit Committee, other than the Chairperson, currently receive an additional \$5,000 annual fee. The Chairman of the Board of Directors, if he or she is not an officer of the Company, receives a \$100,000 annual fee.

Non-Employee Director Compensation

The following Non-Employee Director Compensation table sets forth information with regard to the nominees to the Board of Directors as listed in the table under "Proposal No. 1", above, Ms. Diane G. Kranz, a director until March 7, 2016 and Mr. Ahron H. Haspel, a director until December 15, 2015, with regard to compensation paid to them during the fiscal year ended September 30, 2016. Directors who are officers of the Company do not receive any fees for their service as directors, and their compensation as officers of the Company is disclosed in the Summary Compensation Table.

No named director was granted a stock award or option award in fiscal year 2016 nor earned any non-equity incentive plan compensation in fiscal year 2016. As a result, such columns have been omitted.

Name	Fees Earned or Paid in Cash (\$)	Total (\$)
Martin Anderson	\$16,875	\$16,875
Murray C. Gardner, Ph.D.	\$18,125	\$18,125
Diane G. Kranz	\$12,500	\$12,500
Kevin K. Takata	\$16,875	\$16,875
Ahron H. Haspel	\$5,875	\$5,875
Robert J. Inglima, Jr.	\$20,000	\$20,000
James S. Barnwell III	\$24,625	\$24,625
Morton H. Kinzler	\$0 ¹	\$0 ¹

Mr. Morton Kinzler resigned as Chief Executive Officer of the Company in December, 2016. Consequently his compensation as an officer of the Company is disclosed in the Summary Compensation Table. Since Mr. Morton Kinzler is now the Chairman of the Board, but not an officer of the Company, he will receive a \$100,000 annual fee for fiscal 2017 for serving as Chairman of the Board.

AUDIT COMMITTEE

The members of the Audit Committee are Mr. Inglima, Chairperson, Dr. Gardner, and Messrs. Anderson, Takata, and Barnwell. All of the members of the Audit Committee are independent (as independence is defined in Section 803 (A) of the NYSE MKT listing standards). The Board of Directors has determined that the Audit Committee has an audit committee financial expert, Mr. Inglima, who is a financial expert based on his degree in finance, education in accounting, his work with an accounting and consulting firm on business valuation and litigation support services, as well as his many years of legal experience advising clients on matters of business, finance and taxation. Mr. Inglima, while not a CPA, has in-depth financial and accounting expertise and has been determined by the Board of Directors to qualify as an Audit Committee financial expert. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which is available on our website. The Audit Committee reviews the services of the independent accountants employed by the Company to audit the consolidated financial statements of the Company. The Audit Committee periodically reviews major issues regarding accounting and auditing principles and practices, the adequacy of internal controls that could affect the consolidated financial statements as well as all related party transactions and potential conflicts of interest. During the fiscal year ended September 30, 2016, the Audit Committee held four meetings.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee has reviewed and discussed the audited consolidated financial statements with management, and the Audit Committee has discussed with KPMG LLP, the independent registered public accounting firm, the matters required to be discussed by PCAOB Auditing Standard No. 16, "Communications with Audit Committee; Related Amendments to PCAOB Standards; and Transitional Amendments to PCAOB AU Section 380.", as such may be modified or supplemented. The Audit Committee has also received the written disclosures and the letter from KPMG LLP that are required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committee) as may be modified or supplemented, and has discussed with KPMG LLP its independence. Based upon its discussions with management and with KPMG LLP, the Audit Committee has recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016.

Audit Fees

The aggregate fees billed to the Company by KPMG LLP, the Company's independent registered public accounting firm, for professional services rendered in connection with the audit of the annual financial statements included in the Company's Annual Report on Form 10-K, review of financial statements included in the Company's Quarterly Reports on Form 10-Q and services to the Company in connection with statutory or regulatory filings or engagements for the fiscal year ended September 30, 2016 totaled \$387,400. For the comparable services provided for the fiscal year ended September 30, 2015, KPMG LLP billed the Company \$365,300.

Audit-Related Fees

For the fiscal years ended September 30, 2016 and September 30, 2015, KPMG LLP, the Company's independent registered public accounting firm, d