AMERICAN PETRO-HUNTER INC
Form 10QSB
September 03, 2003

FORM 10-QSB

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2003

Or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 0-22723

AMERICAN PETRO-HUNTER INC.

(Formerly Travelport Systems Inc.)

(Exact name of registrant as specified in its charter)

NEVADA	98-0171619
(State of incorporation)	(IRS Employer ID No.)

Suite 205 – 16055 Fraser Highway

Surrey, British Columbia, Canada V3S 2W9

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (604) 507-2181

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

As of August 15, 2003, the Registrant had 6,050,639 shares of Common Stock outstanding.

Transitional Small Business Disclosure Format (check one); Yes No X

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

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Item 3. Defaults Upon Senior Securities

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Item 5. Other Information

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Part I. Financial Information

Item 1. Financial Statements.

Consolidated Balance Sheet

	6Months Ended June 30, 2003 (Unaudited)	12 Months Ended December 31, 2002
Assets		
Current		
Cash	$ 58	$ 8

Accounts receivable		176		125
		234		133
Intangible Assets (Net)		1		1
	$	235	$	134

Liabilities

Current				
Bank Indebtedness	$	--	$	--
Accounts payable and accrued liabilities	$	194,423	$	197,314
		194,423		197,314

Stockholders' Deficiency

	2,900,424	2,874,624

Capital stock - Authorized 200,000,000 common, par $.001, Issued 6,050,639 shares (2002 - 5,400,639)		
Deficit	(3,094,612)	(3,071,804)
	(194,423)	(197,170)
	$ 235	$ 134

Interim Consolidated Statement of Loss and Deficit

(Unaudited)

	3 Months Ended June 30, 2003	3 Months Ended June 30, 2002	6 Months Ended June 30, 2003	6 Months Ended June 30, 2002	Inception January 4, 1996 to June 30, 2003
Product Sales	$ --	$ --	$ --	$ --	$ 590,081
Cost of Goods Sold	--	--	--	--	302,963
Gross Margin	--	--	--	--	287,118
Expenses					
Amortization	--	--	--	--	109,238
Administration	6,199	6,279	10,313	21,008	1,567,180
Executive Compensation	4,558	10,282	11,793	19,691	380,074
Finders Fees	--	--	--	--	48,000
Interest on long term debt	--	--	--	--	18,904
Rent	518	434	702	810	121,277
Research & development (recovery)	--	--	--	--	566,875
	11,275	16,995	22,808	41,509	2,811,548
Loss from operations	(11,275)	(16,995)	(22,808)	(41,509)	(2,524,430)

Advances to Travelport Media	--	--	--	--	(327,451)
Recovery of amortization of intangible	--	--	--	--	50,400
Write down investment in AEI Trucolor	--	--	--	--	(4,062)
Loss from discontinued operations	--	--	--	--	(14,350)
Loss on sale of subsidiary	--	--	--	--	(273,099)
Loss for the period	(11,275)	(16,995)	(22,808)	(41,509)	(3,092,992)
Income taxes	--	--	--	--	(1,620)
Net Loss	(11,275)	(16,995)	(22,808)	(41,509)	(3,094,612)
Deficit, beginning of period	(3,083,337)	(3,066,654)	(3,071,804)	(3,042,140)	--
Deficit, end of period	$ (3,094,612)	$ (3,083,649)	$ (3,094,612)	$ (3,083,649)	$ (3,094,612)

Interim Consolidated Statement of Cash Flows

(Unaudited)

	3 Months Ended		6 Months Ended		Inception
	June 30,		June 30,		January 4, 1996 to June 30, 2003
	2003	2002	2003	2002	
Cash Provided by (Used for) Operating Activities					
Loss from continuing operations	$ (11,275)	$ (16,995)	$ (22,808)	$ (41,509)	$ (2,729,094)
Items not affecting cash					
Amortization	--	--	--	--	53,837
Write down investment in AEI Trucolor	--	--	--	--	4,062
Recovery of amortization of intangible	--	--	--	--	(50,400)
Compensation stock purchase warrants issued	--	--	--	--	80,000
Stock purchase warrants issued for finder's fees	--	--	--	--	48,000
Changes in working capital					
Accounts receivable	474	385	(51)	(76)	(176)
Accounts payable	10,924	16,744	22,909	41,568	1,924,125
Discontinued operations	--	--	--	--	(365,519)

	123	134	50	(17)	(1,035,165)
Financing Activities					
Issuance of common shares for cash	--	--	--	--	1,130,955
Shares issued costs	--	--	--	--	(95,732)
	--	--	--	--	1,035,223
Increase (Decrease) in Cash	123	134	50	(17)	58
Cash (Bank Indebtedness)					
Beginning of period	(65)	(113)	8	38	--
End of Period	$ 58	$ 21	$ 58	$ 21	$ 58

Supplemental Disclosure on non-cash financing and investing activities

During the period ended June 30, 2003, the Company issued 430,000 shares (March 31, 2002 - nil) common shares for non-cash consideration of debt owing for services provided to the Company in the amount $25,800 (June 30, 2002 - nil).

The foregoing unaudited financial statements contain all adjustments considered necessary by management to make the financial statements not misleading.

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information necessary for a comprehensive presentation of financial position and results of operations.

It is management's opinion, however that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statements presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

For further information, refer to the financial statements and footnotes for the year ended December 31, 2001 included in the Company's form 10 KSB filed on or about April 15, 2003.

(a)

Liquidity

The Company is experiencing illiquidity and has been dependent upon shareholders to provide funds to maintain its activities. The shareholders have provided $1,418,721 to June 30, 2003, and were repaid $53,230 during 1999, $1,009,889 in 2000, and $325,579 in 2001, leaving a balance of $30,023, which is included in accounts payable. There are no specific terms of repayment.

(b) Capital Resources

The Company had a working capital deficiency of $194,189 at June 30, 2003. As noted above, the Company is receiving funding from shareholders.

(c) Results of Operations

For the six-months ended June 30, 2003, the Company incurred a net loss of $22,808.

Administration expenses for the three-month period amounted to $10,313, compared to $21,008 in the same period of 2002.

Item 2. Management's Discussion and Analysis or Plan of Operation

Liquidity

The Company is experiencing illiquidity and has been dependent upon shareholders to provide funds to maintain its activities. The shareholders have provided $1,418,721 to June 30, 2003, and were repaid $53,230 during 1999, $1,009,889 in 2000, and $325,579 in 2001, leaving a balance of $30,023, which is included in accounts payable. There are no specific terms of repayment.

Capital Resources

The Company had a working capital deficiency of $194,189 at June 30, 2003. As noted above, the Company is receiving funding from shareholders.

Results of Operations

For the six-months ended June 30, 2003, the Company incurred a net loss of $22,808.

Administration expenses for the three-month period amounted to $10,313, compared to $21,008 in the same period of 2002.

Item 3. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on an evaluation conducted within 90 days prior to the filing date of this quarterly report on Form 10-QSB, that the Company's disclosure controls and procedures have functioned effectively so as to provide those officers the information necessary whether:

(i) this quarterly report on Form 10-QSB contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report on Form 10-QSB, and

(ii) the financial statements, and other financial information included in this quarterly report on Form 10-QSB, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report on Form 10-QSB.

There have been no significant changes in the Company's internal controls or in other factors since the date of the Chief Executive Officer's and Chief Financial Officer's evaluation that could significantly affect these internal controls, including any corrective actions with regards to significant deficiencies and material weaknesses.

Part II - Other Information

Item 1 - Legal Proceedings

None

Item 2 – Changes in Securities

None.

Item 3 - Default Upon Senior Securities

There are no defaults to report.

Item 4 - Submission of Matters to a Vote of Security Holders

None

Item 5 - Other Information.

None

Item 6: Exhibits and Reports on Form 8-K

Exhibit 99.1 - CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Exhibit 99.2 - Certifications pursuant to the requirements of Rule 13a-14 of the Securities Exchange Act of 1934

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN PETRO-HUNTER INC.

(Formerly Travelport Systems Inc.)

Dated: September 3, 2003

/s/ Patrick A. McGowan

Patrick A. McGowan, President

/s/ Peter G. Rook-Green

Peter G. Rook-Green, Chief Financial Officer

Exhibit 99.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of American Petro-Hunter, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report'), I, Patrick A. McGowen, President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Patrick A. McGowan
Patrick A. McGowan
Dated: September 3, 2003

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of American Petro-Hunter, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report'), I, Peter G. Rook-Green, President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Peter G. Rook-Green
Peter G. Rook-Green
Dated: September 3, 2003

Exhibit 99.2

Pursuant to the requirements of Rule 13a-14 of the Securities Exchange Act of 1934, as amended, Patrick A. McGowan provides the following certification.

I, Patrick A. McGowan, President of American Petro-Hunter, Inc. ("Company"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of the Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have designed such disclosure controls and procedures to ensure that material information relating to the Company is made known to me by others, particularly during the period in which this quarterly report is being prepared;

5. I have disclosed, based on my most recent evaluation, to the Company's auditors and the audit committee of our board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls, and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: September 3, 2003 /s/ Patrick A. McGowan
Patrick A. McGowan, President

Pursuant to the requirements of Rule 13a-14 of the Securities Exchange Act of 1934, as amended, Peter G. Rook-Green provides the following certification.

I, Peter G. Rook-Green, Chief Financial Officer of American Petro-Hunter, Inc. ("Company"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of the Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have designed such disclosure controls and procedures to ensure that material information relating to the Company is made known to me by others, particularly during the period in which this quarterly report is being prepared;

5. I have disclosed, based on my most recent evaluation, to the Company's auditors and the audit committee of our board of directors (or persons performing the equivalent functions):

a. All significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls, and
b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: September 3, 2003 /s/ Peter G. Rook-Green
Peter G. Rook-Green, CFO

pt;">(9)	912,102(4)	912,102(4)	Robert K. Wiberg	813,838(5)	471,767(10)	471,767(10)

(1)
Includes $5,469,310 representing the value of unvested equity awards that would vest upon each triggering event.

(2)
Includes $1,973,575 representing the value of unvested equity awards that would vest upon each triggering event.

(3)
Includes $526,225 representing the value of unvested equity awards that would vest upon each triggering event.

(4)
Includes $912,102 representing the value of unvested equity awards that would vest upon each triggering event.

(5)
Includes $813,838 representing the value of unvested equity awards that would vest upon each triggering event.

(6)
Includes $3,402,806 representing the estimated pro-rata value of unvested Performance Share Program awards that would vest upon each triggering event.

(7)
Includes $1,229,646 representing the estimated pro-rata value of unvested Performance Share Program awards that would vest upon each triggering event.

(8)
Includes $297,285 representing the estimated pro-rata value of unvested Performance Share Program awards that would vest upon each triggering event.

(9)
Includes $434,369 representing the estimated pro-rata value of unvested Performance Share Program awards that would vest upon each triggering event.

(10)
Includes $471,767 representing the estimated pro-rata value of unvested Performance Share Program awards that would vest upon each triggering event.

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The estimated value of all unvested equity awards in the above table is based our closing stock price as of December 31, 2018 of $17.04 per share, plus applicable dividend equivalent rights that would vest upon the vesting of the underlying shares. Further, the estimated value of all unvested performance share awards in the above table is based on the Company's relative TSR performance for each performance period as of December 31, 2018.

None of our employment or other compensatory agreements provide for tax “gross ups” in the event that any of the above payments are made.

Potential Payments Pursuant to Agreements Put in Place Subsequent to December 31, 2018.

As described above under "Employment and Other Agreements with our NEOs", subsequent to December 31, 2018 we entered into employment agreements with Messrs. Kollme and Smith and a Retirement Agreement with Mr. Miller.

Mr. Smith's employment agreement entitles him to a cash payment based on identical terms to Messrs. Bowers and Miller in the event of his termination without Cause or resignation for Good Reason, except that change of control is omitted from the definition of Good Reason. Mr. Kollme's employment agreement entitles him to a cash payment based on identical terms to Mr. Smith, except that he is only entitled to one year of annual salary and average bonus and one year of medical benefits. After giving consideration to these agreements, in addition to the amounts set forth in the table above, Messrs. Kollme and Smith would also be entitled to potential cash payments of approximately $748,077 and $1,914, 352, respectively in the event of a termination without Cause, resignation for Good Reason (both as defined in their employment agreements) or death or disability.

In addition to the pro-rated value of Mr. Miller's unvested Performance Share Program awards set forth under the “Resignation without Good Reason” scenario in the table above, Mr. Miller's Retirement Agreement stipulates that all of his unvested Deferred Stock Unit Awards (estimated value of $2,066,504 as of December 31, 2018 based on our closing stock price as of December 31, 2018 of $17.04 per share, plus applicable dividend equivalent rights that would vest upon the vesting of the underlying shares) will vest upon his Retirement Date, as defined in his Retirement Agreement and that he will receive a one-time retirement payment equal to $1,050,000 to be paid within 30 days after the Retirement Date, and COBRA premiums for continued medical coverage following the Retirement Date.

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Compensation Committee Report

The Compensation Committee is responsible for, among other things, reviewing and approving compensation for the executive officers, establishing the performance goals on which the compensation plans are based and setting the overall compensation principles that guide the committee's decision-making. The Compensation Committee has reviewed the Compensation Discussion and Analysis ("CD&A") and discussed it with management. Based on the review and the discussions with management, the Compensation Committee recommended to the board of directors that the CD&A be included in this 2019 proxy statement and incorporated by reference into the Annual Report on Form 10-K for the year ended December 31, 2018.

The 2018 Compensation Committee:

Frank C. McDowell (Chairman)
Wesley E. Cantrell
Barbara B. Lang
Jeffrey L. Swope

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee is or has been employed by us. None of our executive officers currently serve, or in the past three years has served, as a member of the board of directors or Compensation Committee of another entity that has one or more executive officers serving on our board of directors.

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DIRECTOR COMPENSATION

We pay our non-employee directors a combination of cash and equity compensation for serving on the board of directors.

Cash Compensation

As compensation for serving on the board of directors, during 2018 we paid each of our non-employee directors an annual retainer of $65,000 ($72,500 for Audit Committee members excluding the Chairman) and paid our chairman of the board an additional $50,000 annual retainer. Additionally, we also paid annual retainers to each of our committee chairmen in the following amounts:

$20,000 to the Chairman of the Audit Committee;

$15,000 to the Chairman of the Compensation Committee; and

$10,000 to the Chairman of each of our other committees.

All directors may receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors. We do not provide any perquisites to our directors.

Non-Employee Director Equity Awards

Non-employee directors are granted an equity award pursuant to the Amended and Restated 2007 Omnibus Incentive Plan either annually or upon their initial appointment to the board of directors. The annual award is equivalent to $80,000 payable in the form of shares of our common stock and vests upon the earlier of the first anniversary of the date of grant or the next annual stockholders meeting. The amount of the award was determined based on the advice and recommendation of our compensation consultant after considering the peer group described in the Compensation Discussion and Analysis. Effective as of the Annual Meeting, the dollar amount of annual non-employee director equity awards will increase to $90,000.

2018 Director Compensation Paid

The following table sets forth information regarding the compensation that we paid to any person that served as one of our non-employee directors during the year ended December 31, 2018. Mr. Miller and Mr. Smith, employees of the Company, do not receive any additional compensation for their service as directors.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	All Other Compensation ($)	Total ($)
Kelly H. Barrett	71,875	80,000	—	151,875
Wesley E. Cantrell	75,000	80,000	—	155,000
Frank C. McDowell	133,750	80,000	—	213,750
Barbara B. Lang	65,000	80,000	—	145,000
Raymond G. Milnes, Jr.	85,000	80,000	—	165,000
Jeffrey L. Swope	75,000	80,000	—	155,000
Dale H. Taysom	71,875	80,000	—	151,875

(1)
Amount represents the grant date fair value for financial statement reporting purposes in accordance with FASB ASC Topic 718 and is based on the closing price of our common stock on May 17, 2018, the date of grant, of $17.84 per share. Shares granted vest on the earlier of the 2019 Annual Meeting of Stockholders or the one year anniversary of the date of grant.

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EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes shares remaining for future issuance under our Amended and Restated 2007 Omnibus Incentive Plan as of December 31, 2018:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (#)	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (#)
Equity compensation plans approved by security holders	—	$ —	2,204,637
Equity compensation plans not approved by security holders	—	—	—
Total	—	$ —	2,204,637

CEO PAY RATIO

Item 402(u) of Regulation S-K sets forth “CEO pay ratio” disclosure requirements that were mandated by Congress pursuant to Section 953(b) of The Dodd-Frank Wall Street Reform and Consumer Protection Act. The rule requires registrants to disclose the ratio of the median employee’s annual total compensation to their Chief Executive Officer’s annual total compensation. Our Chief Executive Officer pay ratio set forth below is a reasonable estimate that has been calculated in accordance with the SEC’s rules regarding the Chief Executive Officer pay ratio disclosure requirements.

As of December 31, 2018, we had 134 full-time employees, with 49 of our employees working in our corporate office located in Atlanta, Georgia, and our remaining employees working in regional and local management offices located primarily in our eight major U.S. markets. These employees are involved in acquiring, developing, leasing, and managing our portfolio of properties. Approximately 67% of our workforce is salaried, with the remaining 33% compensated on an hourly basis.

SEC rules allow us to identify our median employee once every three years unless there has been a change in our employee population or employee compensation arrangements that we reasonably believe would result in a significant change in our CEO pay ratio disclosure. Accordingly, our 2018 CEO pay ratio is calculated utilizing the same median employee identified in 2017. In determining that it was still appropriate to utilize our 2017 median employee for this disclosure, we considered the changes to our employee population and compensation programs during 2018, as well as the absence of a material change in that employee’s job description or compensation during 2018.

During 2017, we identified our median employee by calculating the total 2017 compensation of each of our employees, excluding our Chief Executive Officer, that was included on our November 24, 2017 payroll using the same SEC rules and methodology that were used to calculate our NEOs total compensation as set forth in the Summary Compensation Table below. For employees that were not employed by us for the entire fiscal year, wages and salaries, matching contributions to 401(k), and premiums for company paid life insurance were annualized. Other than annualizing these components, we made no other assumptions, adjustments, or estimates with respect to our employees’ total compensation and used this consistently applied compensation measure to identify our median employee.

For the year ended December 31, 2018, the total compensation of our median employee was $111,817, and our Chief Executive Officer’s total compensation as reported in the 2018 Summary Compensation Table below was $5,081,683. The resulting ratio of the total compensation of our Chief Executive Officer compared to that of our median employee for the year ended December 31, 2018 was 45.4:1.

The Summary Compensation Table includes stock grants at the estimated fair value of performance shares at target. No value will be realized unless performance targets are realized, and there is no guarantee that this amount will ultimately be earned and paid to our Chief Executive Officer.

The Chief Executive Officer pay ratio disclosed above was calculated in accordance with SEC rules based upon the methodology described above. The SEC rules do not specify a single methodology for identification of the median employee or calculation of the Chief Executive Officer pay ratio, and other companies may use assumptions and methodologies that

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are different from those used by us in calculating their Chief Executive Officer pay ratio. Accordingly, the Chief Executive Officer pay ratio disclosed by other companies may not be comparable to our Chief Executive Officer pay ratio as disclosed above.

COMPENSATION POLICIES AND PRACTICES AS THEY RELATE TO RISK MANAGEMENT

To address potential risk to our stockholders our Compensation Committee designed our compensation programs with the following characteristics:

the Compensation Committee of the board of directors has discretion to adjust any award that is earned based on achievement of performance goals. If the Compensation Committee believes that any of the targets set forth in the compensation plans has been achieved in a manner that is not consistent with the long-term best interests of the Company's stockholders, or believes that the overall compensation to be paid under the terms of the plan is not appropriate for any reason, the Compensation Committee may adjust the calculated compensation associated with that plan accordingly;

oversight of programs (or components of programs) by a broad-based group of individuals, including human resources, finance, internal audit, and an independent compensation consultant;

a mix of compensation elements that provide focus on both short- and long-term goals as well as cash and equity-based compensation so as not to inappropriately emphasize one measure of our performance;

caps on the maximum payouts available and minimum thresholds required before payment under certain incentive programs, including both short and long-term incentive plans;

performance goals within incentive programs that reference reportable, broad-based financial metrics;

setting performance goals that are intended to be challenging yet provide employees a reasonable opportunity to reach the threshold amount, while requiring meaningful performance to reach the target level and substantial performance to reach the maximum level;

equity compensation awards that may be earned or vest over a number of years ensuring that our executives' interests align with those of our stockholders over the long term; and

stock ownership guidelines that require our executive officers and directors to accumulate and maintain a significant ownership interest in the Company.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Review, Approval or Ratification of Transactions with Related Persons

Our Code of Ethics, which is posted on our website at www.piedmontreit.com, prohibits directors and executive officers from engaging in transactions that may result in a conflict of interest with us. Our Audit Committee and Nominating and Corporate Governance Committee review any transaction a director or executive officer proposes to have with us that could give rise to a conflict of interest or the appearance of a conflict of interest, including any

transaction that would require disclosure under Item 404(a) of Regulation S-K. In conducting this review, these committees ensure that all such
transactions are approved by a majority of the board of directors (including a majority of independent directors) not otherwise interested in the transaction and are fair and reasonable to us and on terms not less favorable to us than those available from unaffiliated third parties. No transaction has been entered into with any director or executive officer that does not comply with those policies and procedures. There were no related-party transactions since January 1, 2018 that would require disclosure under Item 404(a) of Regulation S-K.

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STOCK OWNERSHIP

The following table sets forth certain information regarding the beneficial ownership of shares of our common stock as of February 28, 2019. Except as described below, each stockholder has sole investment and dispositive power over such shares.

Name of Beneficial Owner(1)	Common Stock Beneficially Owned	Percentage(5)
Directors and Named Executive Officers:		
Kelly H. Barrett	15,398	0.01%
Wesley E. Cantrell	35,973	0.03%
Barbara B. Lang	8,791	0.01%
Frank C. McDowell	51,915	0.04%
Raymond G. Milnes, Jr.	19,307	0.02%
Jeffrey L. Swope	65,186	0.05%
Dale H. Taysom	12,324	0.01%
Donald A. Miller, CFA	671,804	0.52%
Robert E. Bowers	217,415	0.17%
Christopher A. Kollme	4,665	*
C. Brent Smith	50,733	0.04%
Robert K. Wiberg	72,766	0.06%
5% Stockholders:		
Blackrock, Inc.(2)	13,652,709	10.62%
LSV Asset Management(3)	7,189,590	5.59%
The Vanguard Group, Inc.(4)	18,977,596	14.76%
All executive officers and directors as a group (17 persons)	1,438,753	1.12%

*
Less than 0.01% of the outstanding common stock.

(1)
The address of each of the stockholders listed, other than Blackrock, Inc., LSV Asset Management, and The Vanguard Group, Inc., is c/o Piedmont Office Realty Trust, Inc., 5565 Glenridge Connector, Suite 450, Atlanta, Georgia 30342.

(2)
According to Amendment No. 7 to Schedule 13G filed on January 31, 2019 BlackRock Inc. has sole voting power over 13,283,061 shares and dispositive power over 13,652,709 shares. The address of Blackrock, Inc. is 55 East 52nd Street, New York, NY 10055.

(3)
According to Schedule 13G filed on February 12, 2019, LSV Asset Management has sole voting power over 4,628,890 shares and sole dispositive power over 7,189,590 shares. The address of LSV Asset Management is 155 N. Wacker Drive, Suite 4600, Chicago, IL 60606.

(4)

According to Amendment No. 9 to Schedule 13G filed on February 11, 2019, The Vanguard Group has sole voting power over 240,485 shares, shared voting power over 146,800 shares, sole dispositive power over 18,717,692 shares, and shared dispositive power over 259,904 shares. The address of the Vanguard Group, Inc. is 100 Vanguard Blvd., Malvern, PA 19355. We understand that The Vanguard Group, Inc. has determined that it does not own such shares for purposes of the 9.8% ownership limitation in our corporate charter (giving effect to the ownership definitions in our corporate charter), notwithstanding that it