

Iridium Communications Inc.
Form 8-K
February 15, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)

of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 13, 2019

Iridium Communications Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

001-33963
(Commission
File Number)
1750 Tysons Boulevard

26-1344998
(IRS Employer
Identification No.)

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Suite 1400

McLean, VA 22102

(Address of principal executive offices, including zip code)

(703) 287-7400

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) Amended and Restated Performance Share Program

On February 13, 2019, the Compensation Committee of the Board of Directors (the *Committee*) of Iridium Communications Inc. (the *Company*) approved the Amended and Restated Performance Share Program (the *A&R Program*), which provides for the grant of restricted stock units (*Awards*) under the terms of the Company's 2015 Equity Incentive Plan, as amended and restated (the *Plan*). The A&R Program replaces the Performance Share Program the Company previously adopted under the terms of the Company's 2015 Equity Incentive Plan (the *Prior Program*) with respect to the grant of new Awards upon and following the adoption of the A&R Program. Effective as of the effective date of the A&R Program, no additional awards will be granted pursuant to the Prior Program, but the terms of the Prior Program will continue to govern the restricted stock unit awards previously granted and outstanding under the Prior Program. The adoption of the A&R Program does not apply to or affect the terms of any restricted stock unit awards previously granted under the Prior Program.

The Committee adopted the A&R Program to remove all references and provisions related to the exception for performance-based compensation under Section 162(m) of the Internal Revenue Code, which was repealed by the Tax Cuts and Jobs Act of 2017 for taxable years beginning after December 31, 2017. Similar to the Prior Program, the Committee established the A&R Program for the grant of Awards on and after the effective date of the A&R Program to (i) focus key employees on achieving specific performance targets, (ii) reinforce a team-oriented approach, (iii) provide significant award potential for achieving outstanding performance, and (iv) enhance the ability of the Company to attract and retain highly talented and competent individuals. The A&R Program provides that the Committee may grant Awards (referred to as *Maximum Awards*) to designated key employees, with each such Maximum Award representing a specified maximum number of shares of common stock that may ultimately be earned by each such employee under the Award. The Maximum Award is calculated by reference to the target award value (the *Target Award*). The A&R Program contemplates that the Committee may establish criteria for determining the number of shares ultimately awarded (the *Actual Awards*), including (a) one or more performance goals of the type enumerated in the Plan, the satisfaction of which is a condition to some or all of the Maximum Award being earned, (b) other performance goals that may or may not be of the type specifically enumerated in the Plan which may form the basis for a determination by the Committee to reduce the award to the participant (*Other Performance Goals*), and (c) the performance period over which attainment of the Performance Goals and Other Performance Goals is determined (the *Performance Period*). The A&R Program also contemplates that the Committee may establish a vesting period over which the respective key employee must remain employed by the Company following the Performance Period in order to earn the shares underlying his or her Actual Award.

On February 13, 2019, the Committee approved Awards under the A&R Program to be granted on March 1, 2019 to the Company's principal executive officer, principal financial officer and other executive officers, designated a Performance Goal, an Other Performance Goal and a Performance Period related to such Awards and specified a vesting schedule for the Awards. These Awards specified a Target Award (and the related Maximum Award) for each of these executives. Target Awards and the related Maximum Awards for the principal executive officer, principal financial officer and other named executive officers are set forth in the table below. The Awards were approved with a specified dollar value and will be converted to an equivalent number of shares of common stock based on the closing price of the common stock on the grant date, rounded down to the nearest whole share. As described in the Company's Form 8-K filed on February 1, 2019, S. Scott Smith will be retiring and resigning from his positions with the Company effective as of March 15, 2019 and ceased serving as the Company's principal operating officer as of February 11, 2019, and therefore did not receive an Award pursuant to the A&R Program for 2019. Suzanne E. McBride was appointed as the Company's Chief Operations Officer effective as of February 11, 2019, and the terms of her Award are also included in the table below.

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| Officer | Title | Target Award (\$) | Maximum Award (\$) |
|-----------------------|---|--------------------------|---------------------------|
| Matthew J. Desch | Chief Executive Officer | \$ 850,000 | \$ 1,275,000 |
| Thomas J. Fitzpatrick | Chief Financial Officer and Chief Administrative Officer | \$ 375,000 | \$ 562,500 |
| Suzanne E. McBride | Chief Operations Officer | \$ 300,000 | \$ 450,000 |
| Bryan J. Hartin | Executive Vice President Sales and Marketing | \$ 250,000 | \$ 375,000 |
| Thomas D. Hickey | Chief Legal Officer | \$ 187,500 | \$ 281,250 |

The Actual Awards for each executive will be based on the level of achievement of the Performance Goal, which is the growth of the Company's average service revenue for 2019 and 2020, calculated in accordance with generally accepted accounting principles (**GAAP**), over the service revenue that was reported by the Company for 2018. The Actual Awards will be reduced to zero if the Company fails to achieve the Other Performance Goal specified by the Committee, which is the achievement of a specified average OEBITDA margin for 2019 and 2020. OEBITDA margin is OEBITDA expressed as a percentage of revenue. OEBITDA is defined as earnings before interest, income taxes, depreciation and amortization, loss from the Company's investment in its Aireon LLC joint venture, share-based compensation expenses, and the impact of purchase accounting. In addition, GAAP requires that a portion of the approximately \$3 billion construction costs of the Company's recently completed constellation upgrade (the **Construction Costs**) be expensed. These expensed Construction Costs, which are principally in-orbit insurance, are also excluded from the calculation of OEBITDA.

The Actual Award will vest as to 50% of the underlying shares when the Committee determines the Company's level of achievement of the Performance Goal and the Other Performance Goal, which would occur in the first quarter of 2021, and as to the remaining 50% on March 1, 2022, subject to continuous employment of the participant through such dates. If a change in control of the Company occurs before the date the Committee determines the Company's level of achievement of the Performance Goal and Other Performance Goal, each participant will be credited with an Actual Award equal to the participant's Target Award, and the Actual Award will remain subject to the same time-based vesting schedule with the first vesting date being March 1, 2021. Actual Awards and any shares issued thereunder are subject to recoupment from participants in accordance with any clawback policy that the Company is required to adopt pursuant to applicable laws.

The description of the A&R Program contained herein is a summary of its material terms, does not purport to be complete and is qualified in its entirety by reference to the A&R Program and the Plan. The A&R Program and forms of Performance Share Award Grant Notice and Performance Share Award Agreement for use in connection with grants under the A&R Program will be filed as exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ending March 31, 2019.

Iridium 2019 Performance Bonus Plan

On February 13, 2019, the Committee approved the terms of the Company's 2019 Performance Bonus Plan (the **Iridium Bonus Plan**). Employees of the Company who are employed during the 2019 calendar year, including the Company's principal executive officer, principal financial officer and other named executive officers are eligible to participate in the Iridium Bonus Plan, provided that a participant must be employed through the date bonuses are paid in order to be eligible to receive a bonus, except as provided in an applicable severance plan or individual agreement. Pursuant to the Iridium Bonus Plan, each participant is eligible to receive an incentive bonus (the **Bonus Award**) calculated in part by reference to a Target Bonus Award determined for such participant by the Committee. The Target Bonus Award is calculated by multiplying the participant's base salary earned during the 2019 calendar year by a Committee approved Target Bonus Percentage.

On February 13, 2019, the Committee established the Target Bonus Percentage (expressed as a percentage of earned base salary) under the Iridium Bonus Plan for each of the Company's principal executive officer, principal financial officer and other named executive officers as well, as set forth in the table below. Due to his retirement and resignation, Mr. Smith is not eligible for an annual bonus for 2019 under the Iridium Bonus Plan.

| Officer | Title | Target Bonus Percentage |
|------------------|-------------------------|--------------------------------|
| Matthew J. Desch | Chief Executive Officer | 90% |

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| | | |
|-----------------------|--|-----|
| Thomas J. Fitzpatrick | Chief Financial Officer and Chief Administrative Officer | 75% |
| Suzanne E. McBride | Chief Operations Officer | 60% |
| Bryan J. Hartin | Executive Vice President, Sales and Marketing | 60% |
| Thomas D. Hickey | Chief Legal Officer | 60% |

The actual Bonus Award will be calculated by multiplying the Target Bonus Award by a corporate performance factor determined by the Committee based on the achievement of the following corporate performance goals: (i) OEBITDA (as defined under Performance Share Program above); (ii) specified strategic goals; and (iii) specified measures of user satisfaction. The resulting amount may then be reduced but not increased by the Committee based on a personal performance factor ranging from 0% to 100%. Any actual Bonus Award earned by any participant may not exceed 200% of the participant's Target Bonus Award.

Bonus Awards up to the Target Bonus Award will be paid in a combination of common stock of the Company in the form of restricted stock units granted under the Plan and cash. Restricted stock units equal in value to 20% of each executive's Target Bonus Award will be granted on March 1, 2019 and will vest, if at all, in March 2020 upon the determination by the Committee as to the achievement of the specified performance goals and the executive's personal performance factor and the executive's continued service through the applicable vesting date. The first 20% of the Target Bonus Award, if earned, will be paid via these restricted stock units, with any excess actual bonus award to be paid in cash no later than March 15, 2020.

Any amounts paid under the Iridium Bonus Plan are subject to recoupment from participants in accordance with any clawback policy that the Company is required to adopt pursuant to applicable laws.

The description of the Iridium Bonus Plan contained herein is a summary of the material terms of the Iridium Bonus Plan, does not purport to be complete, and is qualified in its entirety by reference to the Iridium Bonus Plan, which will be filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ending March 31, 2019.

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 hereunto duly authorized.

IRIDIUM COMMUNICATIONS INC.

By: /s/ Matthew J. Desch
Matthew J. Desch

Chief Executive Officer

Date: February 15, 2019