

ENTERPRISE BANCORP INC /MA/
Form 8-K
March 22, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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): March 22, 2019 (March 19, 2019)

ENTERPRISE BANCORP, INC.
(exact name of registrant as specified in charter)

Massachusetts	001-33912	04-3308902
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

222 Merrimack Street
Lowell, Massachusetts 01852
(address of principal executive offices) (Zip Code)

(978) 459-9000
(Registrant's telephone number, including area code)

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) 2019 Variable Compensation Incentive Plan. On March 19, 2019, the Board of Directors of Enterprise Bank and Trust Company (the “Bank”), the wholly owned banking subsidiary of Enterprise Bancorp, Inc. (the “Company”), approved the Enterprise Bank 2019 Variable Compensation Incentive Plan (the “2019 Incentive Plan”), including approval of specific performance factors, performance targets and percentage payout amounts for 2019. The 2019 Incentive Plan applies to employees, including the Company’s named executive officers, who do not otherwise participate in any form of individual-based incentive plan maintained by the Bank.

The 2019 Incentive Plan is designed to acknowledge and reward bank-wide and individual performance objectives. Eligible employees receive a target incentive opportunity, which is a set percentage of an individual’s base salary for the plan year (i.e., salary earnings for the year ending on December 31, 2019). Each participating employee is assigned to an incentive group based upon the employee’s position and role in the Bank. The performance factors that apply to each incentive group are generally similar, but there is some variation as performance factors are selected based on the role of the employee. The weights assigned to each performance factor (which determine the percentage of the total incentive payment that may be earned by an employee through accomplishment of the performance target applicable to such factor) differ by incentive group.

The total compensation pool available for incentive payouts under the 2019 Incentive Plan will be determined by the Company’s overall performance for the 2019 Incentive Plan year. The Company must attain a specified level of performance in net income (the “threshold” level) for the plan year for a payout to be made under any of the performance factors outlined in the 2019 Incentive Plan. The additional performance factors for which payout amounts may be made under the 2019 Incentive Plan for the Company’s named executive officers are deposit growth, loan growth, non-interest fee revenue and loan quality. Higher levels of payout may be accomplished with respect to each performance factor if performance levels exceed “threshold”, including reaching “target” and “stretch” levels. There is no minimum bonus amount that is required to be paid to any employee under the 2019 Incentive Plan. Any payout for the 2019 plan year will be made on or before March 15, 2020 and will be as outlined below.

In addition to the five specific “core” performance factors described above (i.e., net income, deposit growth, loan growth, non-interest fee revenue and loan quality), the “supplemental” performance factor of annualized fixed

salary and benefit expense for the plan year also applies to the final determination of payout amounts to certain specified members of the Bank's management team, including all of the Company's named executive officers. Each of the Company's Executive Chairman, Mr. Duncan and President, Mr. Main (each of whom is included in the "Bank wide" incentive group with multiplier) may receive an incentive payout under the 2019 Incentive Plan ranging from 22.5% of base salary if the Bank accomplishes the "threshold" levels for each "core" performance factor to 45% at "target" levels and 67.5% at "stretch" levels.

The Company's Chief Executive Officer, Mr. Clancy (who is included in the "Bank wide" incentive group with multiplier) may receive an incentive payout under the 2019 Incentive Plan ranging from 25% of base salary if the Bank accomplishes the "threshold" levels for each "core" performance factor to 50% at "target" levels and 75% at "stretch" levels.

The Company's Managing Director of Enterprise Wealth Management and Chief Operating Officer, Mr. Irish (who is included in the "Bank wide" incentive group with multiplier) may receive an incentive payout under the 2019 Incentive Plan ranging from 18.75% of base salary if the Bank accomplishes the "threshold" levels for each "core" performance factor to 37.5% at "target" levels and 56.25% at "stretch" levels.

The Company's Chief Financial Officer and Treasurer, Mr. Marcotte (who is included in the "Bank wide" incentive group with multiplier) may receive an incentive payout under the 2019 Incentive Plan ranging from 16.25% of base salary if the Bank accomplishes the "threshold" levels for each "core" performance factor to 32.5% at "target" levels and 48.75% at "stretch" levels.

The actual payout percentages to the named executive officers may also be increased by a multiple of up to 1.05 or decreased by a multiple of as low as 0.95 depending upon the Bank's performance with respect to the "supplemental" performance factor of annualized fixed salary and benefit expense; however, incentive payouts under the 2019 Incentive Plan will not exceed 150% of "target" levels. In addition, the Compensation Committee has the discretion to (i) determine whether the occurrence of an extraordinary event outside the control of the Company, and which affects the Company's financial statements, should impact the payout under the 2019 Incentive Plan, and (ii) require recoupment of a partial or full payout received by a Senior Vice President or above if there is a material negative restatement resulting from material noncompliance with certain rules and regulations. The foregoing description is a

summary of the 2019 Incentive Plan and is qualified in its entirety by reference to the copy of the 2019 Incentive Plan that is attached as Exhibit 10.1 to this report and is hereby incorporated by reference to this report.

Grants of Restricted Stock. At a meeting held on March 19, 2019, the Company's Board of Directors, on the recommendation of the Compensation Committee of the Company's Board of Directors (the "Compensation Committee"), approved grants of an aggregate of 14,747 shares of performance-based restricted stock under the Company's 2016 Stock Incentive Plan (the "2016 Plan") to the named executive officers of the Company, as follows: 4,643 shares of restricted stock to Mr. Duncan; 4,494 shares of restricted stock to Mr. Clancy; 2,478 shares of restricted stock to Mr. Main; 1,566 shares of restricted stock to Mr. Marcotte; and 1,566 shares of restricted stock to Mr. Irish. The shares of restricted stock were granted pursuant to the terms of a restricted stock agreement with each named executive officer that is substantially consistent with the forms and descriptions thereof previously filed with the Securities and Exchange Commission by the Company.

The restricted stock grants will vest based on the Company's attainment of certain cumulative diluted earnings per share criteria, as set forth below:

- when cumulative diluted earnings per share from January 1, 2019 forward reach \$2.79, 25% of the restricted shares granted will vest; and
- when cumulative diluted earnings per share from January 1, 2019 forward reach \$5.58, an additional 25% of the restricted shares granted will vest; and
- when cumulative diluted earnings per share from January 1, 2019 forward reach \$8.37, an additional 25% of the restricted shares granted will vest; and
- when cumulative diluted earnings per share from January 1, 2019 forward reach \$11.16, an additional 25% of the restricted shares granted will vest.

If the Company's cumulative diluted earnings per share does not reach \$11.16 by December 31, 2023 (5 years from January 1, 2019), any unvested restricted shares will be forfeited. The calculation of cumulative diluted earnings per share will be made at the end of each fiscal quarter and restricted stock will be considered to be earned at the close of business on the day the Company issues its earnings release for the fiscal quarter in which the criteria is met.

If there is an offering of the Company's common stock or shares of the Company's common stock are issued in connection with an acquisition, the above targets can be adjusted by the Company's Board of Directors based upon a recommendation from the Compensation Committee.

Supplemental Executive Retirement and Deferred Compensation Plan 2019 Addendum. At a meeting held on March 19, 2019, the Company’s Board of Directors, on the recommendation of the Compensation Committee, approved the Enterprise Bank Supplemental Executive Retirement and Deferred Compensation Plan 2019 Addendum (the “2019 SERP Addendum”), including approval of service-based and performance-based contributions for the Chief Executive Officer and the Executive Vice Presidents of the Company, including the Managing Director of Wealth Management and Chief Operating Officer, Mr. Irish and the Chief Financial Officer and Treasurer, Mr. Marcotte. The contributions for the 2019 plan year will be made on or before March 15, 2020 and will be as outlined below.

The Company’s Chief Executive Officer, Mr. Clancy will receive a service-based contribution of \$75,000 and will be eligible to receive an additional performance-based contribution outlined below based on the following criteria for 2019:

Net Income	\$28.50M	\$30.679M	\$32.857M	\$33.857M	\$34.857M
Contribution Amount	\$12,500	\$18,750	\$25,000	\$37,500	\$50,000

The Company’s Managing Director of Enterprise Wealth Management and Chief Operating Officer, Mr. Irish and the Company’s Chief Financial Officer and Treasurer, Mr. Marcotte will each receive a service-based contribution of \$18,000 and each will be eligible to receive an additional performance-based contribution outlined below based on the following criteria for 2019:

Net Income	\$28.50M	\$30.679M	\$32.857M	\$33.857M	\$34.857M
Contribution Amount	\$3,500	\$5,250	\$7,000	\$14,000	\$21,000

The foregoing description is a summary of the 2019 SERP Addendum and is qualified in its entirety by reference to the copy of the Enterprise Bank Supplemental Executive Retirement and Deferred Compensation Plan filed as Exhibit 10.17 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission on March 13, 2019 and the 2019 SERP Addendum that is attached as Exhibit 10.2 to this Current Report on Form 8-K and is hereby incorporated by reference to this Current Report on Form 8-K.

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Item
9.01. Financial Statements and Exhibits

(d) The following exhibits are included with this Current Report on Form 8-K:

Exhibit 10.1 Enterprise Bank 2019 Variable Compensation Incentive Plan

Exhibit 10.2 Enterprise Bank Supplemental Executive Retirement and Deferred Compensation Plan 2019
Addendum

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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.

ENTERPRISE BANCORP, INC.

Date: March 22, 2019 By: /s/ James A. Marcotte
James A. Marcotte
Executive Vice President, Treasurer and Chief Financial Officer