LAYNE CHRISTENSEN CO
Form 8-K
December 10, 2014

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): December 5, 2014

Layne Christensen Company

(Exact Name of Registrant as Specified in Charter)

Delaware	**001-34195**	**48-0920712**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

1800 Hughes Landing Boulevard, Suite 700

The Woodlands, TX 77380

(Address of Principal Executive Offices) (Zip Code)

(281) 475-2600

(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))

Item 2.02 Results of Operations and Financial Condition.

On December 10, 2014, the Registrant issued a press release reporting its earnings for the third quarter ended October 31, 2014, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

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

On December 5, 2014, the Board of Directors (the Board) of Layne Christensen Company (the Layne) appointed Michael J. Caliel as Layne s President and Chief Executive Officer and a member of the Board, effective January 2, 2015. The Board of Directors also voted to appoint Mr. Caliel to fill the existing vacancy on the Board. Concurrent with the appointment of Mr. Caliel as Chief Executive Officer and President, David A.B. Brown advised Layne that he will resign as Interim President and Chief Executive Officer of Layne, effective January 2, 2015. Mr. Brown will remain the Chairman of the Board.

Mr. Caliel, 55, joins Layne after having served as President and CEO of the Invensys Software and Industrial Automation Division of Invensys plc, an automation, controls and process solutions company. Mr. Caliel was employed by Invensys from December 2011 until July, 2014. Invensys was acquired by Schneider Electric in January 2014. From July 2006 until June 2011, Mr. Caliel served as President, Chief Executive Officer and a Director of Integrated Electrical Services, a publicly held, national provider of electrical and communications solutions for the commercial, industrial and residential markets. From 1993 until June 2006, Mr. Caliel was employed by Invensys, where he served in a variety of senior management positions, including his most recent position as President of Invensys Process Systems. Prior to becoming President of Invensys Process Systems, he served as President of its North America and Europe, Middle East and Africa operations from 2001 to 2003. He received his Bachelor of Science in Industrial Distribution from Clarkson University.

There are no arrangements or understandings between Mr. Caliel and any other persons pursuant to which he was selected as the Chief Executive Officer, President or a Director. As a non-independent director, it is not anticipated that Mr. Caliel will serve on any of the Committees of the Board. There are also no family relationships between Mr. Caliel and any director or executive officer of Layne, and he has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

In connection with Mr. Caliel s appointment, Layne and Mr. Caliel entered into an offer letter dated December 8, 2014 (the Offer Letter). Below are descriptions of the material terms of Mr. Caliel s compensation arrangements.

<u>Mr. Caliel Offer Letter</u>

Base Salary and Vacation. For Layne s fiscal year ending January 31, 2015, Mr. Caliel will receive an annual base salary of $660,000 (prorated), to be paid in accordance with Layne s normal payroll procedures. For each fiscal year beginning on or after February 1, 2015, Mr. Caliel s annual salary will be determined by Layne s Board. Mr. Caliel will be entitled to four weeks paid vacation.

Annual Incentive Compensation (Short-Term). Beginning with Layne s fiscal year ending January 31, 2016 (FY2016), Mr. Caliel will be eligible to participate in Layne s Executive Short-Term Incentive Plan (the ESTI) at the CEO Band level, which currently provides for a target equal to 100% of base salary and a maximum bonus equal to 200% of base salary. Actual payout will depend on achievement of pre-established goals and objectives approved annually by the Compensation Committee. For Layne s fiscal year ending January 31, 2015 (FY2015), Mr. Caliel will receive a bonus under the ESTI on a prorated basis based on the number of days worked during FY2015, a target equal to 100% of base salary and assuming a 100% of target level of achievement for FY2015.

Annual Equity Awards (Long-Term Incentives). Commencing with FY2016, Mr. Caliel will participate in Layne s Long-Term Incentive Plan at the CEO Level. The actual equity grants and actual grant date value of all such annual grants will be determined in the discretion of the Compensation Committee after taking into account Layne s and Mr. Caliel s performance and other relevant factors.

Inducement Grant. On his start date, Mr. Caliel will receive a special inducement grant (Inducement Grant) having an aggregate award value of $2 million. The Inducement Grant will consist of the following stock options, service- and performance-vesting restricted stock units, and incentive cash:

Inducement Stock Option Grant. A non-qualified stock option (the Inducement Option) with a grant date fair value of $500,000. The Inducement Option will be subject to a 3-year cliff vesting schedule (that is, 100% of the Inducement Option will vest and become exercisable on the third anniversary of his start date). The per share option exercise price will be equal to the closing price of Layne s common stock on Mr. Caliel s start date and will have a 10 year maximum term.

The vesting of the Inducement Option will accelerate and become fully vested upon a change in control (as defined in the Layne 2006 Equity Incentive Plan (the Equity Plan)). If Mr. Caliel is terminated without cause by Layne or he resigns for good reason (as defined therein), prior to the third anniversary of his start date, a pro rata portion of the Inducement Option will vest and be exercisable.

If Mr. Caliel s employment with Layne ends prior to the third anniversary of his start date for any other reason, he will forfeit the Inducement Option. After the third anniversary of his start date, if Mr. Caliel is terminated for cause, any unexercised portion of the Inducement Option will be immediately forfeited.

Inducement Restricted Stock Units. Performance-vesting restricted stock units (Inducement RSUs) having a grant date fair value of $500,000. The award will vest in 25% increments upon achievement of a Layne common stock price of $9, $10, $12 and $15. For vesting to occur, the stock price must remain at or above the specified price for at least ten consecutive trading days during the three year period commencing on the start date and Mr. Caliel must remain employed through that three-year period.

The vesting of the Inducement RSUs will accelerate and become fully vested upon a change in control. If Mr. Caliel is terminated without cause by Layne or he resigns for good reason , prior to the third anniversary of his start date, a pro rata portion of the Inducement RSUs will vest based on time assuming all performance conditions have been met.

Inducement Cash Award. A cash award (Inducement Cash) of $1,000,000. The award will vest in 25% increments upon achievement of a Layne common stock price of $9, $10, $12 and $15. For vesting to occur, the stock price must remain at or above the specified price for at least ten consecutive trading days during the three year period commencing on the start date and Mr. Caliel must remain employed through that three-year period. The Inducement Cash, to the extent earned, will be paid on or after December 15, 2017.

Vesting of the Inducement Cash will accelerate and become fully vested upon a change in control . If Mr. Caliel is terminated without cause or by Mr. Caliel for good reason prior to the third anniversary of his start date, a pro-rata portion of Inducement Cash will vest based on time assuming all performance conditions have been met.

Other. Mr. Caliel is also eligible to participate in Layne s retirement plans, health plans and all other employee and executive benefit plans as sponsored by Layne.

Mr. Caliel Severance Agreement

Pursuant to the Offer Letter, Layne and Mr. Caliel will enter into a Severance Agreement. Following is a general description of the terms of the Severance Agreement. The Severance Agreement will not apply to the Inducement Grant.

Termination for Cause or Voluntary Termination by Mr. Caliel. If (a) Layne terminates Mr. Caliel s employment for cause (as defined in the Severance Agreement) or (b) Mr. Caliel voluntarily terminates his employment for reasons other than his death, disability or for good reason without cause (as each term as defined in the Severance Agreement), in either case, at any time during the term of the Severance Agreement, Mr. Caliel s severance benefits will be limited to payment of any accrued but unpaid base salary and payment of any benefits as required by the terms of any employee benefit plan or program of Layne.

Termination by Layne without Cause or Resignation for Good Reason not in connection with a Change in Control. If before a change in control (as defined in the Equity Plan) or after a two-year period following a change in control, Layne terminates Mr. Caliel s employment without cause or if Mr. Caliel resigns for good reason (as defined in the Severance Agreement), Mr. Caliel is entitled, so long as he provides a release of claims in the form attached to the Severance Agreement, to receive severance benefits that include (i) payment of any accrued but unpaid base salary and payment of any benefits as required by the terms of any employee benefit plan or program of Layne, (ii) a lump-sum payment equal to 24 months base salary, (ii) payment of a pro-rata portion of any annual incentive bonus Mr. Caliel was eligible to receive during the year of Mr. Caliel s termination assuming performance was achieved at 100% of target, (iii) for any equity awards for which vesting is all or partially dependent on continued employment, continued vesting during the 24-month severance period, (iv) for any equity awards for which vesting is all or partially dependent on the achievement of performance criteria, complete or pro rata vesting during the 24-month severance period (depending on whether the performance period for the awards ends during or after the 24-month severance period) to the extent the underlying performance criteria are satisfied, (v) a continued right to exercise vested stock options until the earlier of (a) the original expiration date and (b) the end of the 24-month severance period, with the exception of performance-based stock options that become exercisable after the end of the 24-month severance period, which shall remain exercisable until the earlier of (x) the award s original expiration date and (y) 90 days after the first date that such option becomes exercisable and (vi) a lump-sum payment equal to 24 times the present monthly amount of Layne s total premium cost to cover Mr. Caliel under Layne s health, vision and dental plans, as well as the cost of coverage of any of his eligible dependents enrolled as of the date of Mr. Caliel s termination.

Termination Due to Death. If Mr. Caliel s employment is terminated due to death, his estate or his beneficiaries will be entitled to receive benefits that include (i) payment of any accrued but unpaid base salary and payment of any benefits as required by the terms of any employee benefit plan or program of Layne, (ii) the right to elect continuation coverage of insurance benefits to the extent required by law, (iii) any pension survivor benefits that may become due, (iv) immediate acceleration of any service-based vesting of Mr. Caliel s equity awards, (v) for any equity awards for which vesting is all or partially dependent on the achievement of performance criteria, the equity award will remain outstanding until the end of the performance period and will vest only to the extent the underlying performance criteria is satisfied, (vi) for any stock option, the continued right to exercise the stock option until the earlier of (a) the original expiration date of the options or the (b) the later of 12 months following the date the option first becomes exercisable or 12 months after Mr. Caliel s date of death and (vii) payment of a pro-rata portion of any annual incentive bonus Mr. Caliel was eligible to receive during the year of Mr. Caliel s death to the extent that the underlying performance criteria were satisfied.

Termination Due to Disability. If Mr. Caliel s employment is terminated due to disability (as defined in the Severance Agreement), he will be entitled, so long as he provides a release of claims in the form attached to the Severance Agreement, to receive severance benefits that include (i) payment of a lump-sum disability benefit equal to 12 months base salary, (ii) payment of any accrued but unpaid base salary and payment of any benefits as required by the terms of any employee benefit plan or program of Layne, (iii) the right to elect continuation coverage of insurance benefits to the extent required by law, (iv) any pension survivor benefits that may become due, (v) immediate acceleration of any service-based vesting of Mr. Caliel s equity awards, (vi) for any equity awards for which vesting is all or partially dependent on the achievement of performance criteria, the equity award will remain outstanding until the end of the performance period and will vest only to the extent the underlying performance criteria is satisfied, (vii) for any stock option, the continued right to exercise the stock option until the earlier of (a) the original expiration date of the options or the (b) the later of 12 months following the date the option first becomes exercisable or 12 months after Mr. Caliel s termination due to disability and (viii) payment of a pro-rata portion of any annual incentive bonus Mr. Caliel was eligible to receive during the year of Mr. Caliel s termination due to disability to the extent that the underlying performance criteria were satisfied.

Continuation of Employment upon a Change in Control. Upon a change in control of Layne, all of Mr. Caliel s equity awards will become immediately vested on the effective date of the change in control. Following a change in control of Layne and for a two-year period following the change in control, the successor company is obligated to both (i) continue to employ Mr. Caliel in a substantially similar position (at an equal or greater salary as before the change in control), and (ii) provide Mr. Caliel with certain welfare benefits and bonus compensation opportunities similar to those of other similarly situated employees.

If Mr. Caliel s employment is terminated by Layne without cause or by Mr. Caliel for good reason during the two-year period following a change in control of Layne, Mr. Caliel is entitled to (i) payment of any accrued but unpaid base salary and payment of any benefits as required by the terms of any employee benefit plan or program of Layne, (ii) a lump-sum severance payment equal to two times Mr. Caliel s base salary, (iii) a lump-sum severance payment equal to two times the amount of Mr. Caliel s annual incentive bonus for the year in which his termination occurred assuming performance was achieved at 100% of target and (iv) a lump-sum payment equal to 24 times the present monthly amount of Layne s total premium cost to cover Mr. Caliel under Layne s health, vision and dental plans, as well as the cost of coverage of any of his eligible dependents enrolled as of the date of Mr. Caliel s termination.

Confidentiality, Non-Solicitation and Non-Competition. Pursuant to the Severance Agreement, Mr. Caliel is subject to certain confidentiality provisions and covenants not to compete. If the Board determines that Mr. Caliel has failed to comply with the foregoing requirements at any time following any termination (subject to a notice and right to cure period in certain circumstances), Layne will have no further obligation to pay amounts or provide benefits otherwise payable under the Severance Agreement.

Generally, all payments under the Severance Agreement will begin following Mr. Caliel s termination of employment. However, as is provided for in the Severance Agreement, certain delays in payment timing may occur in order to comply with Section 409A of the Internal Revenue Code.

Item 7.01. Regulation FD Disclosure.

On December 10, 2014, Layne issued a press release announcing the hiring of Mr. Caliel as Layne s Chief Executive Officer and President. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1	Press Release reporting earnings for the third quarter, dated December 10, 2014
99.2	Press Release announcing appointment of CEO, dated December 10, 2014

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.

Layne Christensen Company
(Registrant)

Date: December 10, 2014

By */s/ Andy T. Atchison*
Name: Andy T. Atchison
Title: Senior Vice President & Chief Financial Officer